



Department of Treasury
Annual Report
2013-14

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Statement of compliance

For year ended 30 June 2014

HON. DR MICHAEL (MIKE) DENNIS NAHAN MLA

Treasurer; Minister for Energy; Citizenship and Multicultural Interests

In accordance with section 63 of the *Financial Management Act 2006*, I hereby submit for your information and presentation to Parliament, the Annual Report of the Department of Treasury for the financial year ended 30 June 2014.

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



Michael Barnes
ACTING UNDER TREASURER
9 September 2014

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 2014.

The report also presents our audited financial statements and performance indicators for the reporting year 1 July 2013 to 30 June 2014.

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.

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Message from the Under Treasurer

2013-14 was a very busy and challenging year for the Department of Treasury with:

- the delivery of two State Budgets in the space of nine months;
- a Western Australian economy in a state of transition;
- the departure of our long-serving Under Treasurer in February this year; and
- the appointment of a new Treasurer, the Hon. Dr Mike Nahan MLA, in March 2014.

I would like to acknowledge our outgoing Under Treasurer, Timothy Marney, who led this Department from 2005 until February this year, when he was appointed as Western Australia's Mental Health Commissioner.

Throughout his career at Treasury, Tim made significant contributions to our Department, its people and the State. On a personal note, Tim afforded me great support and guidance throughout our working relationship, and I wish him every success in his new role.

I would also like to acknowledge Doug Tyler, who we farewelled during the year after 50 years in the public service (with nearly 37 of those at Treasury). Doug's immense experience and knowledge will be sorely missed.

In the first half of this year, we undertook a review of our strategic priorities. The need to respond to opportunities and challenges efficiently and effectively, while operating within our resourcing constraints, was clear.

This led to an overarching philosophy to utilise our peoples' knowledge and experience flexibly across the organisation, and has resulted in the movement of people to different teams and projects in order to capitalise on our in-house expertise and respond quickly to emerging issues.

In conjunction with the voluntary separation scheme, which saw the departure of 20 people from the organisation, this has also created new opportunities for staff and supports our succession planning and knowledge management strategies.

More broadly, throughout 2013-14 we continued to operate in a challenging fiscal environment following a peak in business investment in 2012-13, a sharp decline in the iron ore price in the June 2014 quarter, and moderating demand for labour.

This has translated to slower growth in the State's own-source revenue at the same time as Western Australia is experiencing a substantial decline in its share of national GST revenue.

During 2013-14, we made three submissions to the Commonwealth Grants Commission's 2015 methodology review seeking reform of the way in which GST revenue is distributed amongst the States. We will continue to be actively engaged in this review process throughout 2014-15, as well as the Commonwealth's review of the Federation and associated review of the national tax system.

The challenging fiscal environment has also required us to support the Government in identifying and implementing new

“The challenging fiscal environment has also required us to support the Government in identifying and implementing new revenue and savings measures”

revenue and savings measures, which have been critical to the achievement of a general government operating surplus in 2013-14, as well as reforms to Government service delivery.

Throughout 2013-14, we worked with WA Health to implement activity based funding and management, and with the Department of Education to develop a new funding model. These changes improve the transparency of funding to the State’s two largest agencies, and are expected to lead to more efficient and effective service delivery outcomes over time.

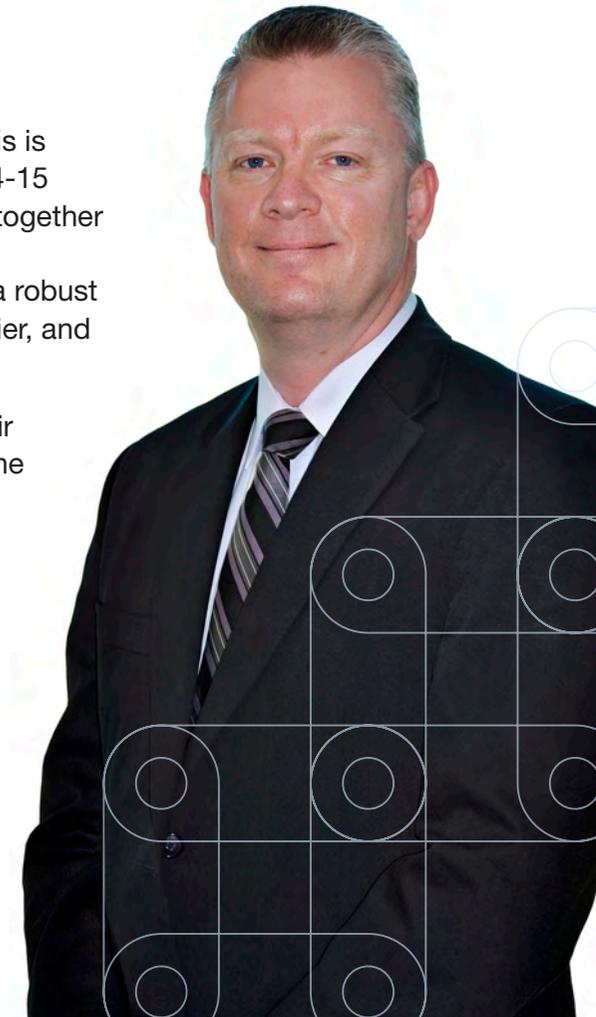
Within the Strategic Projects portfolio, a significant achievement this year was the practical completion of construction of the Fiona Stanley Hospital. After a four and a half year construction phase, this project was successfully delivered on time, within budget and to an exceptional quality standard.

Continuing from 2012-13, the majority of the capital projects within the Strategic Projects portfolio continued to shift from a planning focus to delivery and completion throughout 2013-14.

Our ability to respond to these issues is testament to the professionalism and commitment of our people. Perhaps this is reflected most acutely when in March 2014, during the 2014-15 Budget process, we welcomed the new Treasurer. Working together with the Treasurer and other members of the Economic and Expenditure Reform Committee, we successfully delivered a robust Budget in the challenging fiscal circumstances outlined earlier, and in the usual tight timeframes.

I would like to acknowledge and thank Treasury staff for their enormous efforts during this time and, indeed, throughout the whole year.

Michael Barnes
ACTING UNDER TREASURER



About us

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

Our work

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

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

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

including public private partnerships. We also provide advice on potential asset sales and other balance sheet restructuring options.

Through [Strategic Projects](#), Treasury manages the State Government's largest and most complex non-residential building projects, including the [new Perth Stadium](#), the [Perth Children's Hospital](#), and the [new Western Australian Museum](#).

Our vision, mission, values and goals

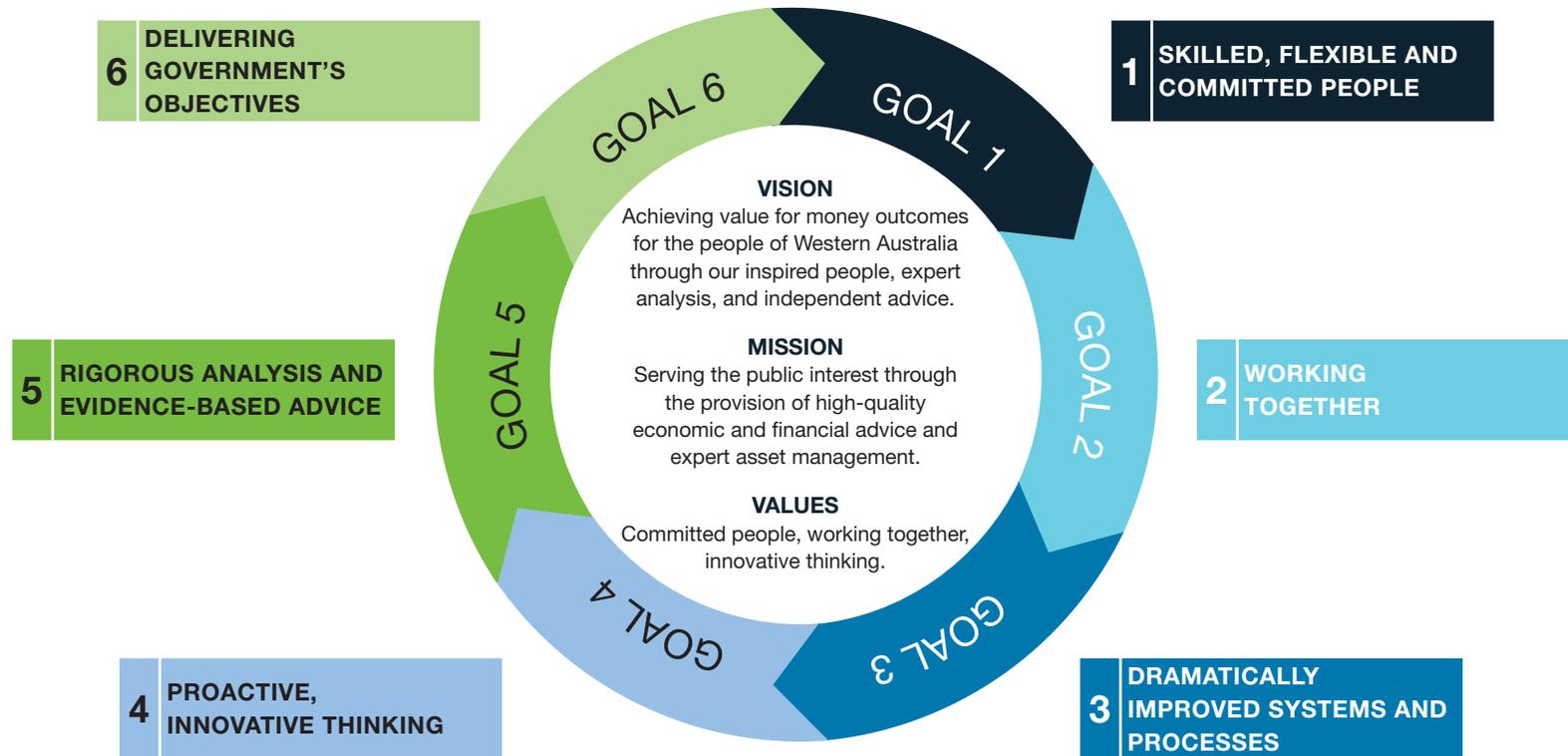
Built around our vision, mission and values, we continue to follow the six strategic goals as detailed in the following diagram. These are established in our Strategic Plan, which will guide us through to 2015.

To ensure that we remain on track, the business completes strategic plan 'pulse check' surveys. The results are used by our [People and Communications Committee](#) to refocus priorities to meet our goals.

This process achieves strong outcomes by 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.

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

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



Our operational structure

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

Business Units

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

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

Infrastructure and Finance covers a diverse range of responsibilities including:

- financial support and oversight of the State's Government Trading Enterprises;
- analysis and advice on service delivery for a number of government agencies;

- complex commercial transactions such as public private partnerships and asset divestment; and
- accounting and superannuation policy and operations.

Strategic Policy and Evaluation

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

Strategic Projects is responsible for the planning and delivery of the State's major non-residential building projects. Projects are assigned to Strategic Projects on the basis of cost, uniqueness, complexity and risk, as directed by the Economic and Expenditure Reform Committee.

Directorates

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

- organisational development;
- learning and development;
- workforce strategies;
- human resources;
- communications;
- project management;
- strategic information and communication technology (ICT); and
- administration network management.

In October 2013, it was agreed that corporate communications, strategic ICT and recruitment functions previously provided by the [Department of Finance \(Finance\)](#), would be transferred back to Treasury.

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

In 2013-14, the Finance, Risk and Audit area expanded, taking on the role of Treasury's internal financial management including the appointment of our own Chief Finance Officer, which was previously a shared position with Finance.

Support from the Department of Finance

Treasury receives support from Finance through the provision of agreed corporate and business support services. Examples of these shared services are our recordkeeping system, our ICT help desk, and specialist advice on [Freedom of Information](#) matters and occupational safety, health and welfare.

Strategic Projects receives additional support across financial and contract administration systems as well as resources from Finance's [Building Management and Works](#) business unit.

Responsible Minister



Hon. Dr Michael (Mike) Dennis Nahan MLA

Treasurer; Minister for Energy; Citizenship and Multicultural Interests
(from 17 March 2014)

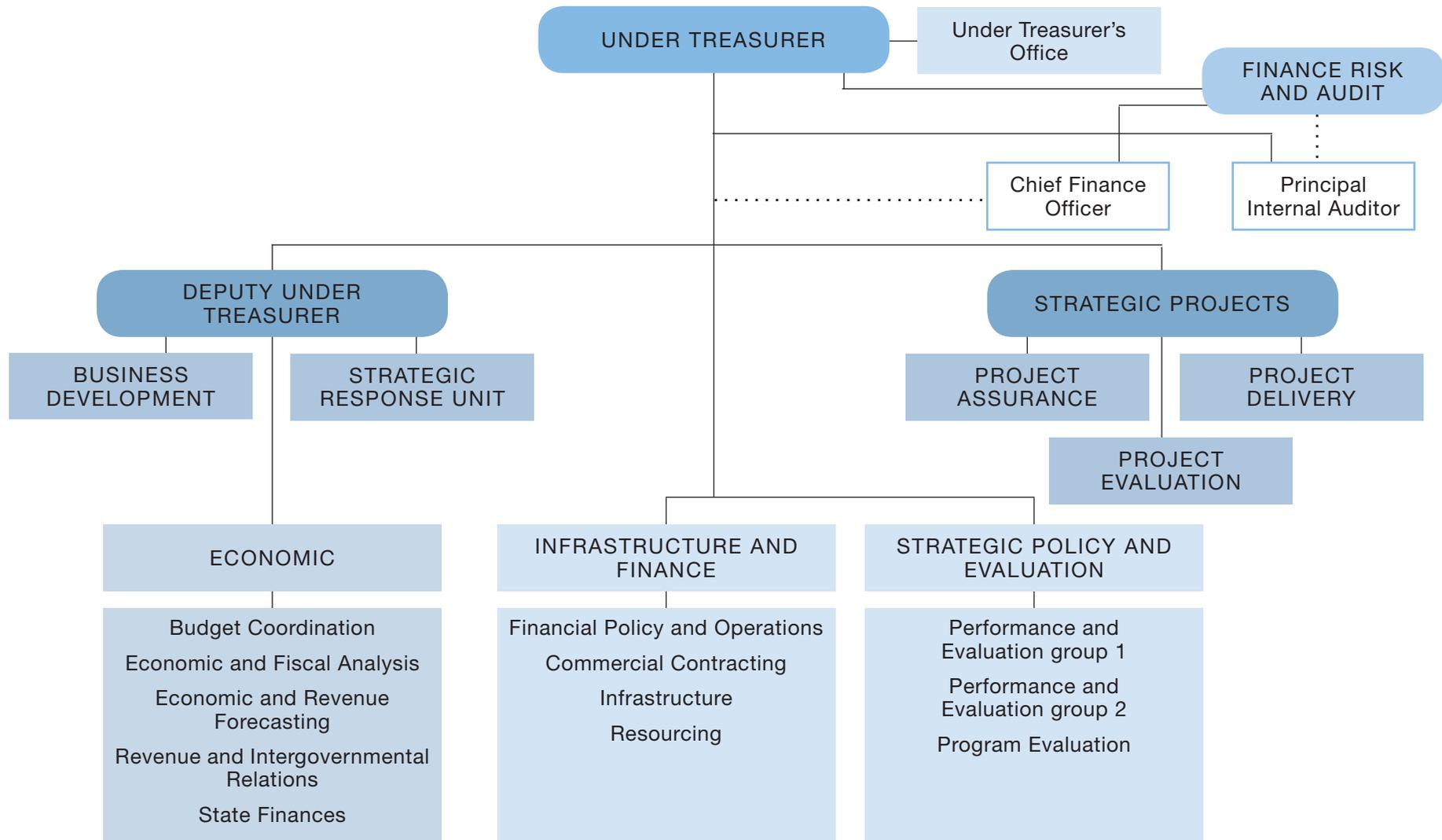
Hon. Colin James Barnett MEdc MLA

Premier; Treasurer; Minister for Transport; State Development; Science
(from 10 March 2014 to 17 March 2014)

Hon. Troy Raymond Buswell BEc MLA

Treasurer; Minister for Transport
(from 9 July 2012 to 10 March 2014)

Our organisational structure



Our executive team

Michael Barnes BBus (Hons)

Acting Under Treasurer



Michael was appointed Acting Under Treasurer in February 2014 after more than five years as the Deputy Under Treasurer. Before this, he held a number of senior positions across the Department, mainly in the areas of revenue policy, fiscal strategy and whole-of-government financial management and reporting.

As well as chairing the [Western Australian Treasury Corporation](#), Michael also chairs the Department's [Budget Management Committee](#) and [Finance, Risk and Audit Committee](#).

Michael joined Treasury in 1997 after starting his career as a graduate in the [Commonwealth Treasury](#) in 1992.

Michael Court BEc (Hons)

Acting Deputy Under Treasurer



In February 2014, Michael was appointed to the position of Acting Deputy Under Treasurer after more than five years as the Executive Director of Treasury's Economic business unit.

He assists the Under Treasurer in the leadership and management of Treasury, with a primary focus on whole-of-government budget management and fiscal strategy and other priority strategic issues.

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

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

Richard Mann BEng

Executive Director
Strategic Projects



Richard was appointed Executive Director, Strategic Projects in February 2008. He is responsible for managing the planning and delivery of the State's major building projects.

Since its establishment, Strategic Projects has overseen 23 projects with a combined capital value of more than \$8.5 billion.

Richard is a civil engineer with more than 25 years experience managing building and infrastructure projects throughout Western Australia. He is a board member of the [Sustainable Built Environment National Research Centre](#).

Richard Watson BEc (Hons), M.Phil

Acting Executive Director
Economic



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

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

Richard also sits on the Department's newly established Diversity Committee.

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

Acting Executive Director
Infrastructure and Finance



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

commercial transactions such as public private partnerships.

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

Alistair Jones BCom, MComms

Acting Executive Director
Strategic Policy and Evaluation



Alistair 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 focusing primarily on Commonwealth-State relations and 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.

Legislation

Enabling legislation

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

Administered legislation

Treasury assists the Treasurer in administering the following Acts:

- *Advance Bank (Merger with St. George Bank) Act 1998*
- *Advance Bank (Merger with St. George Bank) (Taxing) Act 1998*
- *Anzac Day Act 1960*
- *Appropriation (Consolidated Account) Acts (various)*
- *Auditor General Act 2006*
- *Australia and New Zealand Banking Group Act 1970*
- *Australia and New Zealand Banking Group Limited (NMRB) Act 1991*
- *Australia and New Zealand Banking Group Limited (Town & Country) Act 1995*
- *Bank Mergers Act 1997*
- *Bank Mergers (Taxing) Act 1997*
- *Bank of South Australia (Merger with Advance Bank) Act 1996*
- *Bank of Western Australia Act 1995*
- *Electricity Industry Act 2004 (Part 9A only)*
- *Financial Agreement Act 1928*
- *Financial Agreement Act 1995*
- *Financial Management (Transitional Provisions) Act 2006*
- *Financial Management Act 2006*
- *Financial Relations Agreement (Consequential Provisions) Act 1999*
- *Fiona Stanley Hospital Construction Account Act 2007*
- *Government Financial Responsibility Act 2000*
- *Judges' Salaries and Pensions Act 1950*
- *Loan Acts (various)*
- *Parliamentary Superannuation Act 1970*
- *Perth Building Society (Merger) Act 1986*
- *Railways (Access) Act 1998*
- *Royalties for Regions Act 2009 (Part 2 only, except sections 9 and 10)*
- *State Bank of South Australia (Transfer of Undertaking) Act 1994*
- *State Enterprises (Commonwealth Tax Equivalents) Act 1996*
- *State Entities (Payments) Act 1999*
- *State Trading Concerns Act 1916*
- *Statistics Act 1907*
- *Supply Acts (various)*
- *The Bank of Adelaide (Merger) Act 1980*
- *The Commercial Bank of Australia Limited (Merger) Act 1982*
- *The Commercial Banking Company of Sydney Limited (Merger) Act 1982*
- *Treasurer's Advance Authorization Acts (various)*
- *Unclaimed Money Act 1990*
- *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*

Message from the
Under Treasurer

About us

Our operational
structure

Legislation

Achieving Government goals

Other key legislation impacting on our activities

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

- *Coal Industry Superannuation Act 1989*
- *Constitution Act 1889*
- *Constitution Acts Amendment Act 1899*
- *Construction Contracts Act 2004*
- *Contaminated Sites Act 2003*
- *Criminal Code 1913*
- *Disability Services Act 1993*
- *Electronic Transactions Act 2003*
- *Environment Protection and Biodiversity Conservation Act 1999 (Cwlth)*
- *Environmental Protection Act 1986*
- *Evidence Act 1906*
- *Equal Opportunity Act 1984*
- *Freedom of Information Act 1992*
- *Industrial Relations Act 1979*
- *Limitations Act 2005*
- *Minimum Conditions of Employment Act 1993*
- *Occupational Safety and Health Act 1984*
- *Parliamentary Superannuation Act 1970*
- *Personal Property Securities (Commonwealth Laws) Act 2011*
- *Planning and Development Act 2005*
- *Public Sector Management Act 1994*
- *Public Works Act 1902*
- *Salaries and Allowances Act 1975*
- *State Records Act 2000*
- *State Records (Consequential Provisions) Act 2000*
- *State Superannuation Act 2000*
- *State Supply Commission Act 1991*

Achieving Government goals

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

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

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

Performance Management Framework

Outcome Based Management Framework

Government goal: financial and economic responsibility

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

Desired outcomes	Effectiveness indicators	Services provided	Efficiency indicators
Sustainable and transparent public sector finances	Status of the State's credit rating Unqualified audit opinion on the Annual Report on State Finances	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 growth – real State Final Demand growth	Economic and revenue forecasts and policy development	Number of Ministerials, briefings or reports provided on economic issues

Government goal: results-based service delivery

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

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

Government goal: State building – major projects

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

Desired outcomes	Effectiveness indicators	Services provided	Efficiency indicators
Value for money from the management of the Government's non-residential buildings and public works	<p>Percentage of significant projects in the New Buildings program delivered within approved:</p> <ul style="list-style-type: none"> – budget – timeframe 	Leads the planning and delivery of new Government buildings	Cost as a percentage of the total annual value of the planning and delivery of capital works projects



Our Performance



This section outlines our performance and key achievements for 2013-14, including an overview of the external environment.

Government goal one:
financial and economic responsibility

Government goal two:
results-based service delivery

Government goal three:
State building – major projects

Actual results versus
Budget targets

Government goal one: financial and economic responsibility

Economic and financial conditions

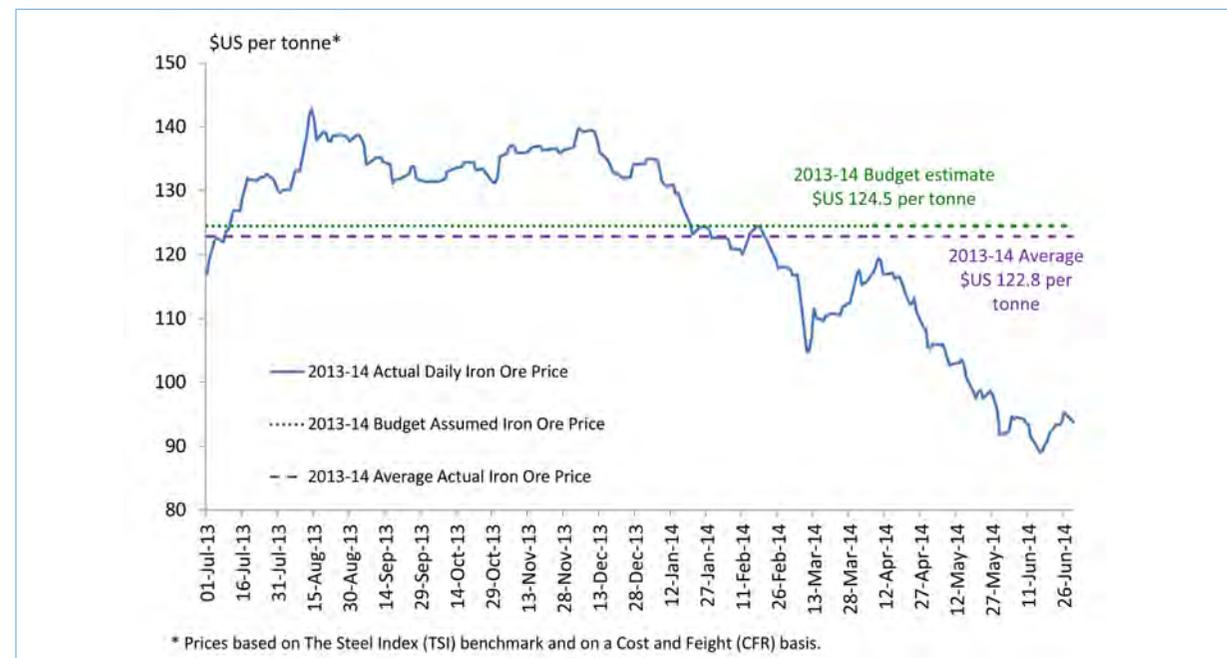
During 2013-14, the Western Australian economy entered a transition from the investment and construction phase of major resource projects to the operational and export phase.

This transition is resulting in a moderation in domestic economic activity and a softer labour market, with employment and wages growth easing from very strong increases in recent years. This is translating to slower growth in the State's tax base at the same time as the State is experiencing a substantial decline in its share of GST revenue. The changing composition of the Western Australian economy, and the increasing volatility of the State's revenue base, have heightened the need for robust economic and revenue forecasts prepared by Treasury.

In this regard, we devoted significant effort to forecasting iron ore prices during 2013-14, with iron ore royalties now comprising around 20 per cent of total

general government revenue. Over the year, the iron ore price ranged from a high of \$US142.8 per tonne to a low of \$US89 per tonne. Despite this volatility, our original 2013-14 Budget estimate for an annual average iron ore price of \$US124.5 per tonne compared very favourably to the actual average price for 2013-14 of \$US122.8 per tonne.

The challenging fiscal environment has also required us to support the Government in identifying and implementing new revenue and savings measures, as well as reforms to Government service delivery.



Government goal one:
financial and economic responsibility

Government goal two:
results-based service delivery

Government goal three:
State building – major projects

Actual results versus
Budget targets

Commonwealth-State relations

GST distribution

Following the completion of its [GST Distribution Review](#) (the Review) in June 2013, the Commonwealth Government issued terms of reference to the [Commonwealth Grants Commission](#) (CGC) for a review of its methods used to distribute the pool of GST revenue among the States. The terms of reference incorporate priorities identified during the Review, requiring a draft report by June 2014 and a final report by 28 February 2015.

Reflecting that reform of GST distribution is a key priority for the State, Treasury provided three submissions to the Review in 2013-14, advocating major changes to the CGC's existing assessments. Treasury's proposals include:

- a new mining revenue assessment that eliminates the possibility of minerals jumping from 'low rate' to 'high rate' (with associated large GST reductions) while preserving the incentive for States to develop their resources; and

- better recognition of the State's expenditure needs relating to the rapid expansion of its mining sector and resultant broader economic growth.

Treasury also provided submissions to the CGC's 2014 Update of the GST distribution, with a particular focus on the case for continuing to assess iron ore 'fines' as a 'low rate' mineral. This issue was ultimately decided by the Commonwealth Treasurer, who directed the CGC to keep 'fines' as a 'low rate' mineral for the 2014 Update.

Response to downgrade of the State's credit rating

On 18 September 2013, [Standard & Poor's](#) (S&P's) announced that it was adjusting down Western Australia's headline credit rating by one notch, from AAA (negative outlook) to AA+ (stable outlook). Throughout 2013-14, [Moody's](#) continued to rate Western Australia as Aaa (negative outlook).

In its credit rating assessment, S&P's noted the impact of volatility in the State's royalty revenue (in light of fluctuating iron ore prices and the persistently high

\$US/\$A exchange rate), the continuing dramatic (and unprecedented) decline in Western Australia's share of national GST collections through the CGC process, and the impact of consistently high growth in the State's population and economy. Combined, these factors place significant pressure on the State in the delivery of services and infrastructure, in turn resulting in growing levels of public sector borrowing.

Treasury is committed to assisting the Government address the issues raised in S&P's assessment and putting the State on the path to regain its AAA credit rating. During 2013-14, we supported the Government in this task by:

- developing and implementing measures to address spending growth and the rate of increase in borrowings;
- developing and implementing a new set of financial targets in the 2013-14 Budget that are more closely aligned with credit rating agencies' assessment criteria;

Government goal one:
financial and economic responsibility

Government goal two:
results-based service delivery

Government goal three:
State building – major projects

Actual results versus
Budget targets

- managing the State's exposure to financial risks and the ongoing prudent investment of the Public Bank Account, in partnership with the [Western Australian Treasury Corporation](#); and
- continuing dialogue with the credit rating agencies, to ensure that developments in the State's finances and economy are known and clearly understood.

Fiscal Action Plan

Treasury assisted the Government with the development and implementation of its Fiscal Action Plan, which was reflected in the [2013-14 State Budget](#). The Plan incorporated a range of measures, including short-term corrective measures (such as advertising and procurement savings) and more fundamental public sector workforce reforms.

Following the downgrade of the State's credit rating by S&P's in September 2013, Treasury assisted the Government in developing around \$2.1 billion in further enhancements to the Fiscal Action Plan as part of the [2013-14 Mid-year Review](#). The aggregate Plan seeks to reduce growth in net debt

by \$8.6 billion by 30 June 2017 and targets the main challenges highlighted in S&P's credit rating assessment.

Treasury also supported the Government in the development of \$2 billion in further revenue and savings measures announced in the [2014-15 State Budget](#). These new measures, together with the Fiscal Action Plan, allow the Government to deliver priority services by directing some savings to areas of high demand, and contain the rate of growth in debt.

Salaries cap

As part of the Government's Fiscal Action Plan, Treasury led the implementation of a Consumer Price Index (CPI) cap on general government agencies' salaries budgets.

General government agencies are now required to operate within both the salaries and total expense limits as agreed during the annual budget process.

Voluntary Separation Scheme

To assist agencies in achieving their savings targets determined during the 2013-14 State Budget, the Government introduced an enhanced voluntary separation scheme.

Throughout 2013-14, we worked closely with the [Public Sector Commission](#) to ensure effective administration of the scheme, resulting in 1,112 people accepting separation offers at a total estimated cost of \$149.3 million in 2013-14. This is expected to generate approximately \$480 million in associated salaries related savings by 2017-18.

Wages policy

Treasury initiated the development of the Government's new [wages policy](#) (which applies to all agreements expiring after 1 November 2013) and is now involved in its implementation. This policy caps all wage and associated condition increases to growth in the projected CPI. Along with the salaries cap, this is expected to deliver estimated savings of around \$2.8 billion over the four years to 2016-17.

Government goal one:
financial and economic responsibility

Government goal two:
results-based service delivery

Government goal three:
State building – major projects

Actual results versus
Budget targets

New wage agreements for the [Public Transport Authority](#)'s TransWA officers, fire fighters, police and public servants have all been settled under the new policy.

Workforce Reform Bill

To assist the Government's implementation of its new wages policy, and agencies to meet their salaries cap, Treasury supported the development of the new [Workforce Reform Act 2014](#) (the Act), which received Royal Assent on 20 May 2014.

The Act enables the public sector to implement enhanced and more flexible redeployment arrangements, and ensures that the [Salaries and Allowances Tribunal](#) and the [Western Australian Industrial Relations Commission](#) give appropriate regard to the Government's wages policy, the State's financial position and fiscal strategy.

Managing growth in borrowings

Treasury provided analysis and options to the Government that have slowed projected growth in gross borrowings forecast over

the period to 30 June 2018. Changes to Treasury's management of the Public Bank Account and subsequent Government decisions have an aggregate forecast impact of around \$5.3 billion over the period 2013-14 to 2017-18, including:

- a \$1 billion cap on annual spending by the Royalties for Regions program, and implementation of the statutory \$1 billion cap on the balance of the Royalties for Regions Fund (\$2.7 billion reduction in gross borrowings to 30 June 2018);
- changes to the Consolidated Account borrowing levels detailed in the 2013-14 Mid-year Review (reducing central borrowings by around \$2.4 billion); and
- work to facilitate the planned transfer of excess agency cash (beyond working capital and cash held for restricted purposes) to the Consolidated Account following 2013-14 outcomes (estimated at around \$250 million, based on 2014-15 Budget data).

Along with the substantial reduction in exposure to risk through lower borrowing levels, the above initiatives provide increased flexibility for the State's finances through lower interest costs.

Financial management framework – review of the *Financial Management Act 2006*

In consultation with relevant stakeholders, Treasury completed a review of the [Financial Management Act 2006](#).

The resulting 36 recommendations aim to provide a more streamlined, cohesive and consistent financial management framework.

The review is expected to be considered by the Government in the first half of 2014-15.

Government goal one:
financial and economic responsibility

Government goal two:
results-based service delivery

Government goal three:
State building – major projects

Actual results versus
Budget targets

Government goal two: results-based service delivery

Public hospital reforms

The public hospital system is entering its most significant transition and reconfiguration in more than 50 years, with new hospital facilities across the State including the [Fiona Stanley Hospital \(FSH\)](#), [Midland Health Campus](#) and the new [Perth Children's Hospital \(PCH\)](#) all becoming operational within the next two years.

Throughout 2013-14, Treasury played a significant role in ensuring continuous monitoring of the financial implications that come with detailed planning, governance and management of such significant reform. This role will continue throughout 2014-15, as we work with [WA Health](#) to advise the Government on the commissioning (and associated system reconfiguration) of the FSH and the PCH, as well as monitor and assist in the management of financial risks as they arise.

Health reform program (activity based funding)

All jurisdictions, including Western Australia, agreed to implement a nationally consistent activity based funding/management (ABF/ABM) approach to public hospital funding from 1 July 2014. Throughout 2013-14, Treasury worked closely with WA Health to implement this core component of the [National Health Reform Agreement](#).

Currently, costs in Western Australia are around eight per cent higher than the national average. Treasury will continue to work with WA Health to ensure the sustainable delivery of health services, including the implementation of ABF, and the requirement for the State's public hospitals to converge to the national projected average cost by 2017-18.

Education reform program (Global Funding Model)

With assistance from the [Department of Education](#) (Education), Treasury

developed a new model for forecasting Education's funding requirements for the 2014-15 Budget and forward estimates. The model recognises key cost and demand pressures, driven primarily by student enrolment growth and the impact of the half-year cohort returning in 2015, and uses Treasury's broader population and migration forecasts to inform projected enrolments.

National Disability Insurance Scheme and My Way Trial Sites

In 2013-14, Treasury worked with multiple agencies to develop cost estimates for the [National Disability Insurance Scheme \(NDIS\)](#) trial sites, with trials commencing at two sites from 1 July 2014. The State's [My Way](#) model is being trialled in the Lower South West and, from 2015-16, Cockburn and Kwinana. The national model is being trialled in the Perth Hills and managed by the [National Disability Insurance Agency](#). Treasury is a member of the Disability Reform Project Board that oversees both trials, and will continue to work with various agencies to assist with monitoring and evaluating the different models.

Government goal one:
financial and economic responsibility

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Government goal three:
State building – major projects

Actual results versus
Budget targets

Program and service evaluation delivery

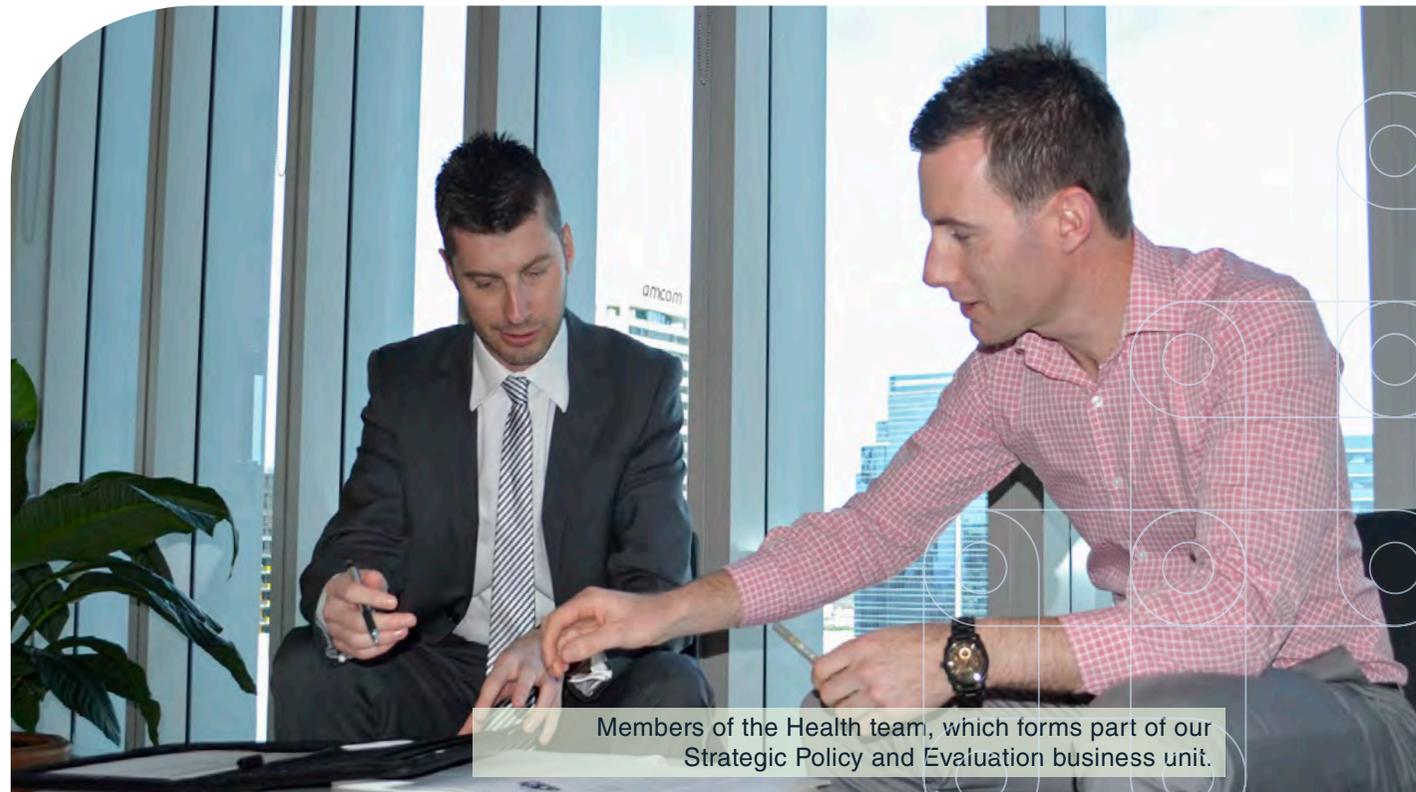
Recognising the key role evaluation plays in evidence based policy and decision making, Treasury established a Program Evaluation Unit (PEU) in September 2013 with a number of priority areas of government service delivery identified for evaluation.

Since its formation, the PEU has supported a number of Directors' General Steering Committees in identifying opportunities for more efficient and effective service delivery. Priority areas include Information and Communication Technology, Corrective Services, Grants and Social Concessions, and [Government Regional Officer Housing](#).

The PEU has also focused on developing a culture of evaluation and continuous improvement across the Western Australian public sector by:

- creating an evaluation network to assist with building evaluation capacity across the public sector;

- publishing a [program evaluation guide](#); and
- launching a new [website](#) to provide a central resource on evaluation for both public and non-government practitioners.



Members of the Health team, which forms part of our Strategic Policy and Evaluation business unit.

Government goal one:
financial and economic responsibility

Government goal two:
results-based service delivery

Government goal three:
State building – major projects

Actual results versus
Budget targets

CASE STUDY

Superannuation Administration Outsourcing Project

GOVERNMENT GOAL

Results-based service delivery

“Obtaining services from a specialised external administrator allows GESB to access economies of scale, limiting member fee increases and other costs”

Issue

In March 2010, the Government considered a review of Public Sector Superannuation Arrangements (the [Whithear Report](#)). One of the key decisions was for the State to procure the administration services of the [Government Employees Superannuation Board](#) (GESB) from a commercial provider.

An open and competitive procurement process was subsequently conducted to obtain a commercial service provider. The key objectives of the Superannuation Administration Outsourcing Project (SAOP) procurement process were to:

- achieve a results-based solution to deliver long-term and sustainable superannuation services;
- provide value for money for members and the State and maintain competitive costs and delivery of services for members over the longer-term; and
- ensure GESB would be better placed to adapt to changes in the superannuation environment and future market conditions.

Background

GESB already sources many services (such as life insurers and asset custodians) and functions from external providers. Obtaining services from a specialised external administrator allows GESB to access economies of scale, limiting member fee increases and other costs.

Approach

The SAOP procurement process was led by Treasury in close collaboration with GESB and comprised three stages – an Expression of Interest (EOI) stage, a Request for Proposals (RFP) stage, and a Negotiation and Completion stage.

In August 2012, an EOI was issued to the market resulting in the short listing of three providers to proceed to the RFP phase. An RFP was issued on 1 July 2013, outlining the State’s requirements and respondents were required to provide fully costed and detailed proposals addressing the evaluation criteria.

GESB subject matter experts and government stakeholders undertook a detailed evaluation of the submissions and, following approvals,

Government goal one:
financial and economic responsibility

Government goal two:
results-based service delivery

Government goal three:
State building – major projects

Actual results versus
Budget targets

[Link Administration Holdings Pty Ltd](#) (Link Group) was appointed as the Preferred Respondent with subsequent negotiations completed in June 2014.

Outcome

On 16 June 2014, a services agreement was executed by GESB and the Link Group, with operational handover on 1 July 2014. The Services Agreement is for a term of five years with an option for GESB to extend it for a further five years.

Under the agreement, the Link Group is required to provide services as defined in a clear set of services standards. To ensure that the service delivery remains results-based, fees for services paid will be reduced accordingly if key standards are not met.

To ensure service delivery, the Link Group will initially retain GESB's staff and adopt existing systems, policies and procedures at operational handover. Over the term of the agreement, the Link Group will enhance existing services, identifying and implementing synergies with their pre-existing operations.



Members of Treasury and the Government Employees Superannuation Board worked closely together on the Superannuation Administration Outsourcing Project.

Government goal one:
financial and economic responsibility

Government goal two:
results-based service delivery

Government goal three:
State building – major projects

Actual results versus
Budget targets

Government goal three: State building – major projects

Capital works project portfolio

During 2013-14, [Strategic Projects](#) was responsible for the planning and delivery of a portfolio of 20 major non-residential building projects, with a combined capital value of more than \$8 billion. This expanded from 2012-13 with the addition of the Schools Package and Sarich Neuroscience Research Institute which were formally assigned to Strategic Projects in November 2013.

The project portfolio includes:

- [Fiona Stanley Hospital](#) (FSH) including the State Rehabilitation Service – \$1.99 billion;
- new [Perth Children’s Hospital](#) – \$1.16 billion;
- new [Perth Stadium](#) – \$918 million;
- [Perth Arena](#) – \$558 million;
- [Old Treasury Buildings Redevelopment](#) – \$500 million (private sector finance);
- new [Western Australian Museum](#) – \$433 million;

- [Midland Health Campus](#) – \$360 million; and
- [Schools Package](#) – \$317 million (subject to final Government approval to proceed).

Project status

Following the trend evident in 2012-13, the overall Strategic Projects’ portfolio continued to shift from a planning focus to delivery and completion.

As at June 2014, seven of the 20 projects within the current portfolio were operational or ready for commencement of operations, with Strategic Projects in the process of handover to the relevant owner agencies. A further seven projects were under construction.

Planning for four of the remaining six projects is complete, with the tender phase in progress or, in the case of the [Department of Agriculture and Food Metropolitan Administration Facility](#), deferred by the Government. Planning for the Schools Package and [Royal Perth Hospital Redevelopment](#) projects is well advanced.

Completed projects

The \$1.99 billion, 783-bed FSH (including the \$256 million State Rehabilitation Service) achieved Practical Completion in December 2013, two weeks ahead of the scheduled contract completion date. Completion of the State Government’s highest value works contract on time, within budget and to an outstanding quality standard was a significant achievement, and is the culmination of a four and a half year construction period.

The [Queen Elizabeth II Medical Centre \(QEII MC\) Car Parking](#) project was completed in November 2013, more than 12 months ahead of its scheduled completion date. Privately financed under a ‘build-own-operate-transfer’ public private partnership (PPP), this project is now fully operational, providing over 5,000 car bays to service the expanding QEII MC campus.

[Joondalup Health Campus Redevelopment](#) was also delivered within budget and on schedule, with the staged expansion from 280 to 471 public hospital beds completed in March 2014.

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State building – major projects

Actual results versus
Budget targets

Projects at delivery stage

Construction of the [Eastern Goldfields Regional Prison](#) commenced in August 2013 and is progressing well.

Ground improvement works for the new Perth Stadium commenced in July 2013 and site works were completed ahead of schedule in March 2014. As at June 2014, negotiations were well advanced with the preferred respondent for delivery of the stadium and surrounding sports precinct under a 'design-build-finance-maintain' PPP.

In addition, construction has continued on the new Perth Children's Hospital, Old Treasury Buildings Redevelopment and Midland Health Campus. The [Acacia Prison Expansion](#) reached practical completion in August 2014 and the [Busselton Health Campus](#) is also close to completion.

The tender process for delivery of the [Karratha Health Campus](#) commenced in July 2014.



The new Perth Children's Hospital

Government goal one:
financial and economic responsibility

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results-based service delivery

Government goal three:
State building – major projects

Actual results versus
Budget targets

CASE STUDY

Fiona Stanley Hospital

GOVERNMENT GOAL

State building – major projects

“Fiona Stanley Hospital won the 2014 WA Master Builders Association Excellence in Construction Awards for Best Project, Best State Government Building, and Best Health Care Building over \$500 million”

Background

Fiona Stanley Hospital (FSH) is a state-of-the-art tertiary hospital offering comprehensive health care services to communities in the south of Perth and across Western Australia, including a range of acute medical and surgical services, and will be the home of Western Australia’s major centre for the treatment of trauma, burns, and heart and lung transplants.

Following the allocation of Commonwealth Government funding, the project was expanded to include the 140-bed State Rehabilitation Service to replace the existing, aging facility at Shenton Park. With the addition of the State Rehabilitation Service, the total number of beds at FSH will be 783.

Approach

The timely delivery of a \$1.99 billion major tertiary hospital south of the river against a background of rapid cost escalation in the building and construction industry presented the Government with major challenges.

To manage the State’s exposure to the rapid cost escalation, the project was delivered

under a two-stage ‘Managing Contractor’ process. Stage One entailed completion of design, tendering trade subcontracts and making an early start on the construction. Stage Two focused on completing the construction of the hospital, subject to the State accepting the ‘Stage Two offer’ submitted by the Managing Contractor at the end of Stage One.

In February 2009, **Brookfield Multiplex Construction** (BMC) was appointed as the Managing Contractor and the State’s design consultants were novated to it. This enabled the Managing Contractor to progress the design and commence early construction works on a site already cleared and levelled through a separate early works contract.

A FSH Project Team was established to manage the delivery of the project, comprising staff from **Strategic Projects** and **WA Health** together with State-engaged specialist consultants. This team:

- managed the scope through the interface with the client to finalise the design through specialist hospital planners that were engaged by the Managing Contractor;

Government goal one:
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State building – major projects

Actual results versus
Budget targets

- managed construction costs through State-engaged cost planners;
- monitored the construction progress and time-related activities through State-engaged time planners;
- monitored construction quality through State-engaged clerks of works and specialist services engineers; and
- managed non-Managing Contractor project related issues such as the creation of the hospital precinct and rehabilitation of neighbouring bushland to satisfy Federal environmental requirements.

The completion of the design involved consultation with, and approval by, a network of clinical and non-clinical user groups, WA Health and the Managing Contractor under the control of the FSH Project Team.

Construction started in September 2009 and the Stage Two contract was awarded to BMC in August 2010.

Outcome

Construction took place over four years and three months. More than 10,000 people worked on the project over that period with the workforce reaching its peak

of 1,754 in May 2012. Practical Completion for construction of the hospital was achieved two weeks ahead of schedule on 6 December 2013.

With only minor costs still to be finalised, the final project cost will be within the budget of \$1.99 billion.

The successful completion of the project ahead of schedule, under budget and with increased scope can be largely attributed to the successful integration of the State and Managing Contractor teams, facilitated by the structure and provisions of the two-stage Managing Contractor contract.

The success of the project also rests with the State's strong focus on monitoring construction activities through a Project Delivery team with a strong and experienced on-site presence for the full duration of the works.

In July 2014, FSH won the 2014 [WA Master Builders Association](#) Excellence in Construction Awards for Best Project, Best State Government Building, and Best Health Care Building over \$500 million.

FSH is scheduled to open progressively between October 2014 and April 2015.



Government goal one:
financial and economic responsibility

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State building – major projects

Actual results versus
Budget targets

Actual results versus Budget targets

Financial targets

	2013-14 Target	2013-14 Estimated Actual	2013-14 Actual	Variation from Estimated Actual
	\$000	\$000	\$000	\$000
Total cost of services (expense limit)	218,986	223,462	174,491	48,971
Expenses (excluding Strategic Projects works turnover)	49,934	54,410	53,600	810
Net cost of services	49,934	54,410	51,000	3,410
Total equity	12,924	13,198	17,502	(4,304)
Net increase/(decrease) in cash held	(173)	(930)	3,956	4,886
Approved full time equivalent (FTE) staff level - average over the full year	293	293	275	18

Total cost of services

Treasury commenced 2013-14 with an initial expense limit of \$219 million. This limit was increased during the year mainly due to additional resources for the asset sales program, activity based funding, voluntary separations and an increase in the cost of corporate services provided by the [Department of Finance](#).

The final approved expense limit in 2013-14 was \$223.5 million. The actual result of \$174.5 million was \$49 million below the approved target, mainly reflecting lower than budgeted delivery of projects on behalf of agencies. In addition, a proactive employee leave management plan provided for a reduction in employee benefit costs.

Expenses (excluding Strategic Projects works turnover)

Excluding Strategic Projects' works turnover, the actual expense outturn for 2013-14 was \$53.6 million, \$0.8 million lower than the estimated actual. This is mainly attributable to the reduction in employee expenses impacted by the recruitment freeze in the latter part of the financial year.

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Actual results versus
Budget targets

Net cost of services

The actual net cost of services for 2013-14 was \$51 million, which was \$3.4 million lower than the estimated actual. This was mainly due to the timing of collections of income matched with lower than budgeted expenses from client agencies in relation to the delivery of major projects.

Cash held

The increase in cash is mainly due to a higher collection of client agency receipts in relation to major projects.

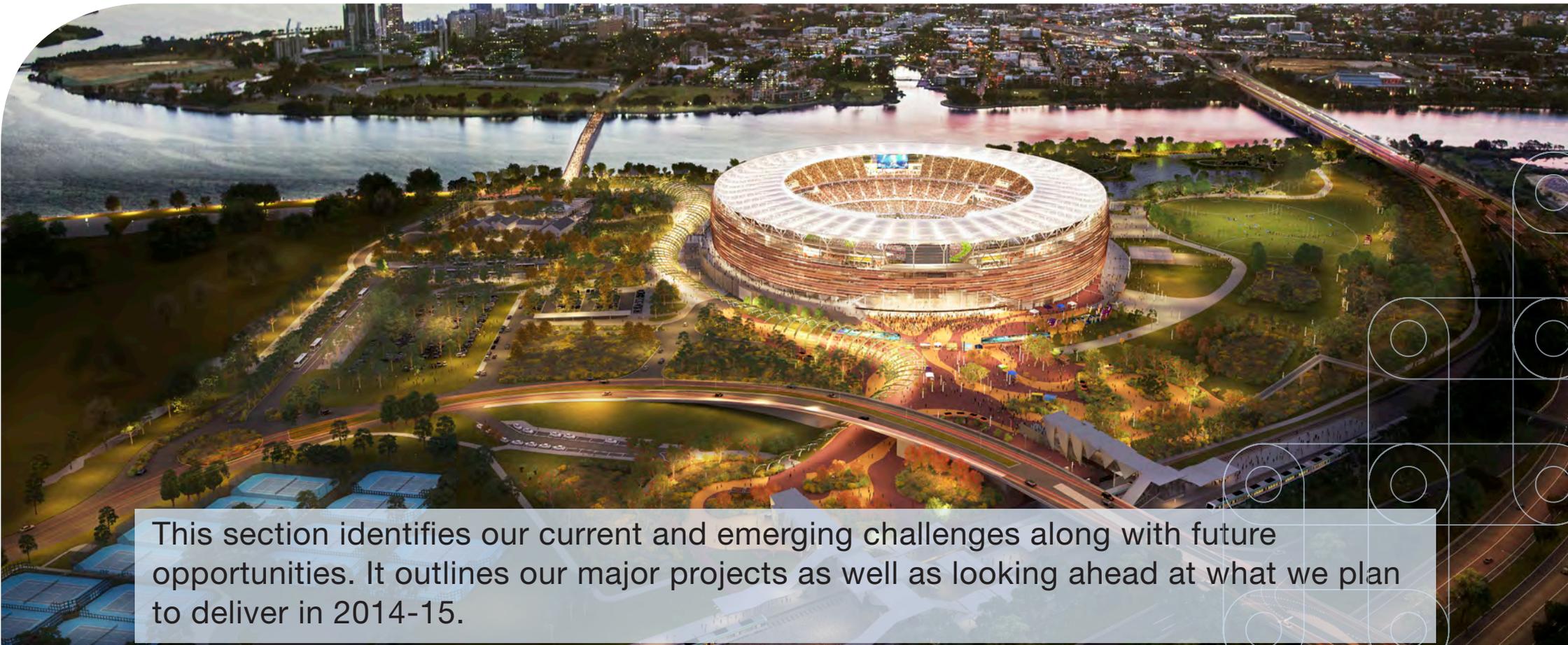
Full Time Equivalent

The actual FTE numbers reduced from budgeted levels due to voluntary separations occurring throughout the year, along with adherence to the Government-wide recruitment freeze in the latter part of 2013-14.





Significant Issues and Trends



This section identifies our current and emerging challenges along with future opportunities. It outlines our major projects as well as looking ahead at what we plan to deliver in 2014-15.

Government goal one:
financial and economic responsibility

Government goal two:
results-based service delivery

Government goal three:
State building – major projects

Government goal one: financial and economic responsibility

Economic and fiscal outlook

The Western Australian economy is transitioning from business investment-led growth to export-driven growth, with this transition expected to extend throughout most of the forward estimates period. Following exceptional growth over the past two years, the State's economic activity is expected to moderate in the short-term as business investment declines from its 2012-13 peak. This is having significant implications for the State's labour market, net overseas and interstate migration, and growth in the State's major tax bases, such as payroll tax and property transfer duty.

Moderating domestic economic activity, which is expected to remain relatively soft over the forward estimates period, is already resulting in more modest employment and wages growth. As a result, payroll tax revenue is also expected to grow at a more modest pace.

These softening labour market conditions and a subdued domestic economic outlook

are expected to reduce net overseas migration to the State, and lead to a significant moderation in population growth towards its long-run average. This, in turn, is expected to flow through to softer property market activity and transfer duty collections.

Another significant challenge is the ongoing volatility in the iron ore price. Iron ore is currently trading well below the price levels assumed in the [2014-15 State Budget](#) and, if sustained, will have a significant negative impact on royalty income. The current weakness in spot iron ore prices reflects strong increases in supply outpacing more moderate growth in demand. However, the weakness in price should shift demand in favour of lower-cost traditional suppliers, such as Australia and Brazil. Should production volumes continue to exceed expectations this will continue to partially offset weaker-than-expected commodity prices.

The forecast weak growth in taxation revenue is occurring at the same time as the State is experiencing substantial declines in GST revenue. In addition, growth in demand

for key government services from a growing population is resulting in pressure on government expenditure.

Treasury will continue to support the Government as it seeks to manage the State's economy and finances through this transitional period.

Commonwealth-State relations

The Commonwealth Government has committed to release two White Papers by the end of 2015, on [Reform of the Federation](#) and [National Tax Reform](#), to be developed in close consultation with the States. In addition, the [Commonwealth's 2014-15 Budget](#) has sought to drive fundamental reform by cutting around \$80 billion in health and education funding for the States over the 10 years to 2024-25, and terminating a number of National Partnership Agreements with the States. These developments have contributed to the challenging budget management environment.

Government goal one:
financial and economic responsibility

Government goal two:
results-based service delivery

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State building – major projects

Treasury will play a vital role in analysing and working with other State agencies and Treasuries in other jurisdictions to ensure that Western Australia's perspectives and priorities are taken into account.

The Commonwealth's 2014-15 Budget included substantial new infrastructure funding. Treasury will have an important role in advising the State Government on financial issues and risks associated with accessing this funding, and in assisting negotiations between the State and the Commonwealth.

Asset sales

As part of the 2014-15 State Budget, the Government announced its intention to pursue a program of asset sales, with a principal objective of unlocking capital from existing Government-owned assets to reduce debt levels.

The due diligence and sales processes for assets approved by the Government are to be managed by a new Asset Sales Unit, to be established within the [Strategic Projects](#) business.

The decision to assign responsibility for asset sales to Strategic Projects also confirmed that the business unit will be retained within Treasury, formally rescinding the 2013 Machinery of Government directive to transfer Strategic Projects to the [Department of Finance](#).



Our Economic and Fiscal Analysis team forms part of the Economic business unit.

Government goal two: results-based service delivery

Program and service evaluation

The [Program Evaluation Unit](#) will continue to support priority evaluations in the areas of Information and Communication Technology (ICT), Corrective Services, Grants and Social Concessions, and [Government Regional Officer Housing](#) (GROH). Savings from these evaluations are likely to be realised over the medium-term given the size and complexity of the programs or services. However, short-term efficiencies may be achieved in the areas of ICT and GROH, contributing to the savings targets.

Treasury will continue to collaboratively review both new and existing programs to test alternative service delivery methods and ensure value for money. The ongoing implementation of the Sunset Clause policy will also provide a mechanism to ensure the evaluation of Government programs is conducted on a regular basis.

Student Centred Funding Model

The [Department of Education](#) (Education) is rolling out its new [Student Centred Funding Model](#) (SCFM) for the 2015 school year. The SCFM provides a simpler, more transparent allocation of funding to schools by allocating funding on the basis of the individual needs of each student enrolled at the school. Along with monitoring the implementation of the SCFM throughout 2015, Treasury will play a key role in linking the SCFM with its forecasting of Education's total funding requirements for future years.

Projects at planning and tender stage

During 2014-15, the tender process for the design and construction of the [Karratha Health Campus](#), under the 'managing contractor' procurement model, will be completed. Contract award is targeted for late 2014, after which design will progress in readiness for commencement of construction by early 2015-16.

The tender process for delivery of the [new Western Australian Museum](#), to be delivered under a similar procurement model, will also commence in 2014-15.

Tenders will also be called for construction of the [Sarich Neuroscience Research Institute](#) at the [Queen Elizabeth II Medical Centre](#), with contract award and commencement of construction expected by the end of 2014.

The business case for the [Royal Perth Hospital Redevelopment](#) project will be completed in early 2014-15 for consideration by Government. The business case will identify the recommended option for delivery of a reduced capacity and reconfigured scope of clinical services following commencement of operations at [Fiona Stanley Hospital](#).

Schools package

[Strategic Projects](#) is currently preparing a Project Definition Plan (PDP) investigating the feasibility of delivering a package of primary and secondary schools under a

Government goal one:
financial and economic responsibility

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results-based service delivery

Government goal three:
State building – major projects

‘design-build-finance-maintain’ (DBFM) public private partnership procurement model. Similar schools packages have been successfully delivered in other States, offering benefits over traditional procurement models through economies of scale, time and cost performance and a ‘whole-of-life’ approach to asset management driven by the DBFM model.

The schools’ PDP will be submitted to Government for consideration in the first half of 2014-15 and if a DBFM model is approved, the tender process will commence by early 2015.

Projects at delivery stage

The [Acacia Prison Expansion](#) reached Practical Completion in August 2014 and the [Busselton Health Campus](#) project will be completed in early 2014-15. These milestones will be followed by the completion of the [Eastern Goldfields Regional Prison](#) and the new [Perth Children’s Hospital](#), both in mid-2015.

The new [Perth Stadium and Sports Precinct](#) DBFM contract will be awarded

in early 2014-15 and construction will commence by late 2014, targeting completion in readiness for the 2018 Australian Football League season. Construction will continue through 2014-15 on the [Midland Health Campus](#) and [Old Treasury Buildings Redevelopment](#) projects.

Streamlined Budget Process

During 2014-15, Treasury will implement a Streamlined Budget Process (SBP) as part of the 2015-16 State Budget.

The SBP will enable increased autonomy for smaller agencies and will allow the Government and Treasury to better focus time and resources on the more strategic and material financial issues facing the State.

Treasury will manage the implementation and ongoing annual delivery of the SBP, including enhanced financial monitoring of SBP agencies.



Treasury’s Program Evaluation Unit was established in September 2013.

Government goal one:
financial and economic responsibility

Government goal two:
results-based service delivery

Government goal three:
State building – major projects

CASE STUDY

Pilbara Power Procurement Project

GOVERNMENT GOAL

Results-based service delivery and State building – major projects

“The Project will result in the development of a new power station for the Pilbara region ensuring access to reliable electricity into the future”

Issue

Horizon Power’s electricity demand and supply forecasts identified an emerging supply shortage in the Pilbara region. The shortage was largely the result of a reduction in supply from Horizon Power’s existing power supply contracts.

In February 2013, the State commenced a two-stage competitive procurement process to establish a solution for Horizon Power’s long-term electricity supply requirements – the Pilbara Power Procurement Project (the Project).

Background

In order to deliver an optimal value for money outcome, Treasury played a key role in shaping this innovative procurement process.

The objectives of the process were to:

- meet Horizon Power’s electricity generation requirements within the planned timeframe; and
- achieve a value for money solution for the State through a privately financed outcome.

To achieve the second objective, the State was interested in the potential for the private sector to aggregate Horizon Power’s demand with other commercial and industrial customers. This approach would develop a larger, more efficient power station and reduce the industry’s footprint by avoiding the piecemeal development of power generation facilities across different sites in the Pilbara.

The collaborative approach achieved a privately financed ‘off-balance sheet’ solution, resulting in the approval to develop a new 150-megawatt power station.

Approach

A multi-agency Project Board (the Board) was responsible for providing oversight and direction throughout the project planning and procurement process. A supporting Project Control Group was responsible for progressing work streams to enable the Project’s delivery. The Board and working groups included representation from Horizon Power, the [Departments of State Development and Finance \(Public Utilities Office\)](#), the [Pilbara Development Commission](#) and [Treasury](#).

Government goal one:
financial and economic responsibility

Government goal two:
results-based service delivery

Government goal three:
State building – major projects

An analysis of procurement options determined that the best approach would be to provide proponents with Horizon Power's load requirements and incentivise them to engage with other large customers. This would allow the proponents to aggregate loads to deliver a combined capacity solution. This approach provided the State with benefits by spreading the total capital and operational costs between all users of the facility, effectively resulting in lower costs per user.

Furthermore, Treasury provided advice and support regarding the commercial and financial aspects of the procurement, and played a lead role in the evaluation of procurement options to identify the procurement model best able to achieve the State's objectives.

Following a two-stage competitive process, proposals from two respondents were accepted by Government to proceed to further negotiations. In March 2014, [TransAlta Energy \(Australia\) Pty Ltd](#) was nominated as the preferred respondent to enter negotiations with the State, with a final agreement likely to be reached in the second half of 2014.

Outcome

The Project will result in the development of a new power station for the Pilbara region ensuring access to reliable electricity into the future.

Subject to final commercial negotiations, the power station will provide energy to both Horizon Power and a major resource company. Horizon Power will draw about 110 megawatts of power from the new power station, with potential for the plant to be expanded to supply power to other commercial users in the future.



Members of our Commercial Contracting team.

Government goal one:
financial and economic responsibility

Government goal two:
results-based service delivery

Government goal three:
State building – major projects

Government goal three: State building – major projects

Strategic Projects

The **Strategic Projects** business faces significant organisational impacts in 2014-15, due to the introduction of the asset sales function and the ongoing transition of the capital projects portfolio from the planning phase to delivery and completion.

As a consequence of these impacts, maintaining a balance of recruitment, reallocation and retention of resources represents a key risk to business output if not managed effectively.

A related risk is ineffective handover to service delivery agencies, potentially resulting in sub-optimal realisation of benefits from new assets. Accordingly, Strategic Projects has identified refining its processes for project completion and close-out as a key focus in 2014-15.



Strategic Projects is responsible for the planning and delivery of major non-residential building projects.

Government goal one:
financial and economic responsibility

Government goal two:
results-based service delivery

Government goal three:
State building – major projects

Strategic Asset Management Framework

The [Strategic Asset Management Framework](#) (SAMF) contains policies and guidelines to assist agencies to improve their strategic asset planning and to provide high quality asset investment proposals to the Government during the annual Budget cycle.

Treasury is responsible for maintaining the SAMF guidance and for the oversight of SAMF implementation by agencies. SAMF compliance is required under a Cabinet mandate.

During 2014-15, Treasury will work with agencies to support a significant increase in agencies' compliance with the SAMF standards and requirements, particularly in the development of agencies' strategic asset plans, business cases and Project Definition Plans.

Asset Investment Program

The Government's Asset Investment Program (AIP) supports the community through the delivery of social and economic infrastructure such as hospitals, schools, roads, and power, water and public transport infrastructure. With a significant portion of this investment funded from borrowings, it is vital that the AIP is focused on the delivery of priority infrastructure within sustainable financial parameters.

A key focus for Treasury in 2014-15 will be the implementation of the AIP efficiency measures announced in the [2014-15 Budget](#), including a five per cent savings measure across most agencies. This is in response to a softening in construction costs as well as project-specific deferrals, and identification of further cost savings in the delivery of the AIP over the forward estimates.

Government goal one:
financial and economic responsibility

Government goal two:
results-based service delivery

Government goal three:
State building – major projects

CASE STUDY

The new Perth Stadium

GOVERNMENT GOAL

State building – major projects

“The design of the Stadium will deliver an enhanced fan experience with unobstructed views and comfortable, well-proportioned seats. Along with a wide range of food and beverage options, there will be outstanding facilities provided for players”

Issue

In June 2011, the State Government announced its intention to develop a multi-purpose sports stadium with a capacity of 60,000 seats (with provision for future expansion to 70,000 seats) at the [Burswood Peninsula](#), within a sports and entertainment precinct.

The [new Perth Stadium](#) (the Stadium) will be the home ground for [Australian Football League](#) (AFL) games. It will also accommodate a range of other major sports events including international rugby, soccer and cricket, and other entertainment events such as concerts.

Background

The Stadium moved into the procurement phase following the Government’s endorsement of the Project Definition Plan in August 2012. The procurement strategy comprised an early works package of Pre-construction Site (PCS) Works, followed by a ‘design-build-finance-maintain’ (DBFM) public private partnership (PPP) for the delivery of the Stadium and its surrounding sports precinct.

Construction of the Stadium is scheduled to commence in late 2014 with completion by the end of 2017, ready for the 2018 AFL season. A Stadium operator will be appointed in early 2016 to work closely with the DBFM contractor in planning for the transition to operations.

Approach

The PCS Works contract was awarded to [Ertech Keller Joint Venture](#) in May 2013 and work commenced in July 2013. The ground treatment works covered around nine hectares of the site and focused on areas where future settlement would be detrimental to operations and maintenance.

Dynamic compaction used to treat the landfill layer (by collapsing voids such as rusting car bodies) was followed by the installation of 55,000 vertical “wick” drains through the refuse layer and then through the soft Swan River alluvium layer (typically 20 to 25 metres) down to solid ground. This was followed by laying 740,000 tonnes (25,000 truckloads) of sand surcharge, to compact the underlying ground and discharge ground water vertically to the surface through the wick drains.

To avoid potential contamination of the Swan River through lateral movement of

Government goal one:
financial and economic responsibility

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results-based service delivery

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ground water, a 417-metre line of water extraction spears was installed between the river and the surcharged areas. The extracted ground water was treated and stored in an above ground tank, and then reused for dust suppression across the site. The surcharge sand will be left to settle for six to 12 months, with environmental and settlement monitoring continuing during this period.

Request for Proposals (RFP) documentation outlining the technical, operational and commercial requirements of the DBFM contract was issued to three short-listed consortia in July 2013. Three comprehensive proposals were received in December 2013 and following rigorous evaluation by an expert panel, WESTADIUM was named as the Preferred Respondent in April 2014. Exclusive negotiations with WESTADIUM then commenced, and the award of the DBFM contract to WESTADIUM was approved by Cabinet in July 2014. Design development is currently underway with input from key stakeholders.

To ensure the successful integration with transport infrastructure, the Strategic Projects team is closely managing the

interface between the Stadium project and the various transport infrastructure projects being delivered by Main Roads WA and the Public Transport Authority. Public transport infrastructure forward works are underway within the rail reserve. A contract has also been awarded for the design of the Stadium Rail Station, and the RFP for the design and construction of the Swan River Pedestrian Bridge was issued in early June 2014.

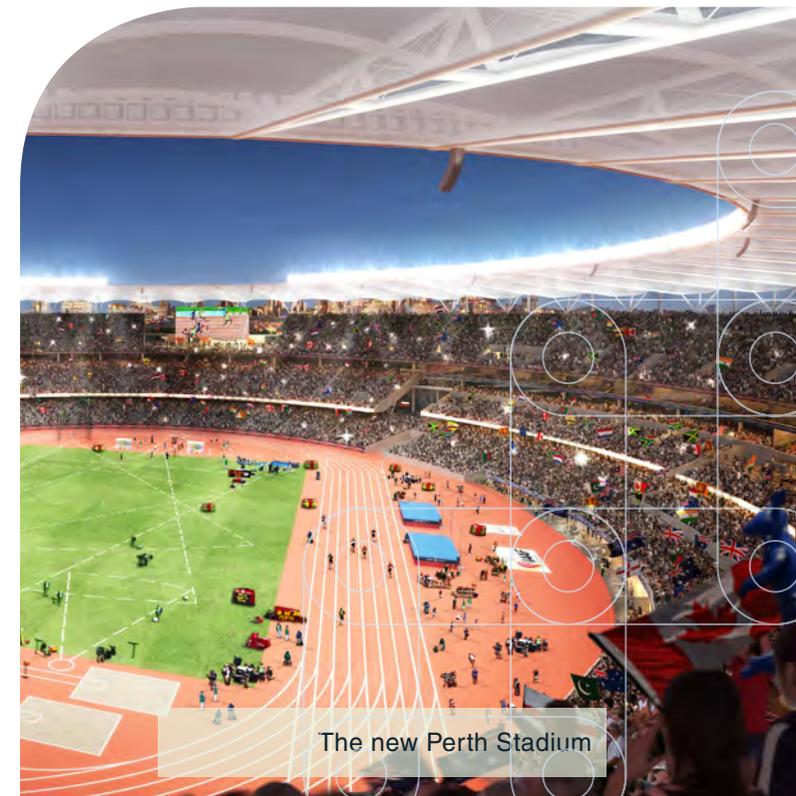
Outcome

The physical site works for the PCS Works were completed in March 2014, six weeks ahead of schedule, ensuring the site will be ready for handover to the DBFM contractor as soon as the contract is awarded. It also provides an opportunity for the DBFM contractor to commence its works earlier than envisaged.

The design of the Stadium will deliver an enhanced fan experience with unobstructed views and comfortable, well-proportioned seats. Along with a wide range of food and beverage options, there will be outstanding facilities provided for players. Unrivalled facilities will be provided for people with a disability and the recognition of Aboriginal

culture and heritage of the Burswood Peninsula site will be incorporated into the design.

WESTADIUM will be responsible for providing facilities management to the stadium and surrounding sports precinct over a 25 year operating term.



The new Perth Stadium



Our People

Staff Profile	Jun-14	Jun-13	Jun-12
Permanent full-time	216	251	256
Contract full-time	29	24	16
Part-time permanent and contract	22	20	19
Total	267	295	291
Seconded in	7	10	11
Seconded out	10	8	10

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

Our People

Resource realignment

In early 2013-14, Treasury reviewed the way we deliver our programs, services and strategic priorities in the context of our approved resourcing levels. Part of this process involved the need to deploy our resources more flexibly across the Department, increasing our workforce's ability to respond to opportunities and challenges as they arise.

To ensure a smooth and seamless approach to the organisational changes and realignment of resources, a temporary Resource Realignment Project team was established. This team was responsible for change management, business communications, strategic planning and organisational development, financial and budget management, and human resources advice. The resource realignment resulted in a few key areas of change within our organisation in September 2013, in particular:

- the Forecasting and Quantitative Services team of the Economic business unit was split into the 'Economic and Revenue

Forecasting' and 'Economic and Fiscal Analysis' teams;

- Financial Policy and Operations (formerly a part of the Financial Policy team) joined Infrastructure and Finance;
- Housing and Land analyst functions moved from our Strategic Policy and Evaluation business unit to Infrastructure and Finance;
- a Program Evaluation team was set up in Strategic Policy and Evaluation by reallocating resources from elsewhere in the Department; and
- cost and demand modelling functions were embedded across the Performance and Evaluation groups.

Our new structure is shown in the 'Our Organisational Structure' diagram.

Roll-out from the Office of Shared Services

In December 2013, Treasury rolled out from the Office of Shared Services into its new Human Resources (HR), Payroll and Interim Finance systems. In partnership

with the [Department of Finance](#) (Finance), a significant amount of work was undertaken throughout 2012-13 and 2013-14 to design, configure and implement these new systems.

Our new HR system (Talent2) offers employees enhanced capability. Upgrades to the new Finance system are underway with the final Finance solution expected to 'go live' in October 2014.

Finance continues to deliver these corporate services to Treasury through the new systems.

Learning and development

During 2013-14 a key focus was to conduct a Training Needs Analysis (TNA) to review our learning and development opportunities, and ensure alignment with business needs. Based on workshops held across the business, six priority topics were identified for incorporation into the 2014-15 Learning and Development calendar. These learning and development opportunities have been designed to be Treasury specific and will be

predominantly delivered by in-house Subject Matter Experts (SMEs), allowing:

- sessions to be tailored to ensure key learning outcomes are achieved; and
- critical knowledge of our SMEs to be captured and shared.

The learning and development calendar is structured on the 70:20:10 approach to provide a 'blended' approach to learning including on-the-job training (70%), knowledge sharing sessions (20%) and classroom based sessions (10%).

The TNA is reviewed annually to ensure that learning and development needs are always linked to priority business needs.

Treasury workforce reform

In February 2013, a Workforce Evaluation Project (WEP) team was established, consisting of HR and Learning and Development experts from within Treasury. This team was tasked with identifying ways to improve Treasury's workforce planning and recruitment strategies (see [WEP Case Study](#)). The WEP attained significant outcomes

in both proactive workforce planning and capability and leadership development to enable a more planned, effective and mobile workforce.

Capability and leadership development

In 2013-14, Treasury's WEP team developed a Capability and Leadership Framework (the Framework).

The Framework was designed to provide clear and consistent expectations about the fundamental capabilities required to perform successfully at Treasury. Outlining the capabilities, expected behaviours and leadership profile for each level, the Framework is intended to be utilised across all of our key processes including recruitment, induction, development, and performance.

These capabilities have been incorporated into Treasury's revised role statements, revised Development and Performance Agreements, the 2014-15 Learning and Development calendar and our leadership development tools. This will ensure clear

and consistent expectations throughout the employee lifecycle and across all programs and processes. It will also provide:

- career pathways and leadership development opportunities for people by clearly articulating what is required at each level; and
- support for a more flexible and mobile workforce.

Executive shadowing program

Treasury's shadowing program has been running successfully for three years and has afforded approximately 40 people the opportunity to shadow individual executive team members over five days. In 2014, the program was successfully expanded to include our Director group to provide further opportunities for people to participate. Through the program, participants are able to:

- better understand the role of Treasury executive;

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

Knowledge sharing events

Treasury's [Strategic Plan](#) outlines how critical knowledge sharing is to achieve our goals and build a sustainable workforce. As part of this goal, Treasury hosts a variety of knowledge sharing events aimed at informing and stimulating employees' interest in contemporary topics while increasing awareness of relevant issues. In 2013-14 several high profile guest speakers were invited to present on an array of different topics, including:

- Professor Henry Ergas (a senior economic adviser) offered his thoughts on infrastructure economics;

- Dr Helen Street (a psychologist, researcher, published author and expert in depression, stress management and wellbeing) discussed work, health and life balance while providing stress management techniques for the workplace;
- Dr Martin Parkinson PSM (Secretary to the [Australian Treasury](#)) shared his views on the challenges and opportunities for Australians over the next decade;
- John Langoulant (an advocate for Western Australia and its economic and social development) shared his experience since leaving Treasury and how he believes Treasury can engage with external stakeholders to influence community outcomes;
- John van Bockxmeer (Founder & CEO at [Fair Game](#) and Young Western Australian of the Year) told us how he got involved in volunteering, how Fair Game supports the community and how volunteering changed his life; and

- Dr Sue Van Leeuwen (CEO of [Leadership WA](#)) presented her perspective on effective leadership, characteristics of a good leader and her views on the leadership of tomorrow.



Dr Martin Parkinson PSM presented at one of our knowledge sharing events.

Interdepartmental mentoring program

Treasury participates in an Interdepartmental Mentoring Program initiative which recognises the importance of developing leaders within our organisation. Coordinated collaboratively by the Departments of [Treasury](#), [Finance](#), [Training and Workforce Development](#), and [Aboriginal Affairs](#), the program provides the opportunity for personal and professional development by pairing participants with colleagues outside of their normal working relationships, which allows the invaluable opportunity to share knowledge across the public sector.

Volunteering and community service

Treasury remains committed to assisting employees with volunteering and other community activities. Treasury encourages team participation in community fundraising events such as the [Oxfam Trailwalker](#), [HBF Run for a Reason](#), [Chevron City to Surf](#) for Activ, [RAC Freeway Bike Hike](#) for Asthma, and the [Leukaemia Foundation World's](#)

[Greatest Shave](#). We also support the [Red Cross](#) blood donations (affording staff opportunities to donate through [ClubRed](#)) and actively support employees who take on their own fundraising efforts such as Australia's biggest morning tea in support of the [Cancer Council](#).

Leave liability

Building on leave management policies first introduced in July 2012, and further enhanced during 2013-14, we have successfully reduced both our total leave hours and total leave liability.

Since June 2012, our total leave hours have decreased by 9,468 hours and as at 30 June 2014 our total leave liability of \$10.7 million is approximately \$0.5 million below the total leave liability reported at 30 June 2012.

Total leave liability is a product of actuarial calculations, however the reduction can be directly attributed to active leave management by Treasury over the past two years.

Strategies introduced, and actively managed during 2013-14, include:

- for the first time, a Christmas shutdown from 27 December 2013 to 3 January 2014;
- formal leave management planning with all employees as part of annual performance management discussions;
- targeted and accelerated leave management plans for 35 employees with excessive leave balances; and
- clear and continual communications on the expectations of taking leave and Treasury's commitment to adhere to Government's leave liability policy.

CASE STUDY

Workforce Evaluation Project

“The multifaceted consultative approach meant everyone in the business had the opportunity to learn about the project first-hand, were able to buy-in, and contribute to its outcomes”

Issue

The Workforce Evaluation Project (WEP) team was established in February 2014 to evaluate Treasury’s workforce planning and recruitment practices and to implement strategies to address any gaps.

The project team sought to address the following key issues being raised throughout the business:

- the need for more effective and efficient recruitment processes including easy to use recruitment tools, systems and processes;
- the development of targeted strategies to ensure we are attracting a diverse applicant pool with the right behaviours, knowledge, skills and abilities;
- streamlining role-related requirements and role statements to make the application process easier for applicants and panels;
- the development of a more flexible and mobile workforce that enables transfers across the business; and
- greater workforce analysis and reporting to help support workforce management decisions.

Background

In February 2014, the temporary WEP team was established to evaluate and implement strategies by July 2014 to improve Treasury’s workforce and recruitment practices. The project team established the following outcomes, which then informed the development of targeted strategies and deliverables:

- planned and effective recruitment;
- timely recruitment support;
- targeted attraction and selection;
- development of a consistent capability and leadership framework to support recruitment, development and performance management and mobility of the workforce; and
- improved workforce management and reporting.

Approach

There was extensive consultation and engagement across the business throughout the project. A cross-business reference group was formed early on in the project to aid in issue identification and to review proposed strategies

to ensure they were in line with business needs. In addition, project communication, input and feedback occurred through a whole-of-Treasury forum, at executive committee meetings and team meetings. The multifaceted consultative approach meant everyone in the business had the opportunity to learn about the project first-hand, were able to buy-in, and contribute to its outcomes.

Outcome

The WEP outcomes and deliverables were launched on 7 July 2014. The key deliverables, process and system improvements that are planned for implementation throughout 2014-15 include:

- a new annual workforce planning cycle and process (including bulk recruitment) to ensure proactive workforce planning;
- a new capability and leadership framework to outline the expectations and behaviours for each level within the business, which will support recruitment, workforce mobility, leadership development and succession planning;
- a revised recruitment portal including new templates, forms and guides to aid efficient and effective recruitment;
- increased advisory support to panels through active participation of Human Resources team members and the provision of training for selection panel members;
- a revised Treasury internet careers page including new application kits, job adverts and role statements to ensure we are attracting 'the right people' with the right behaviours, knowledge, skills and abilities;
- greater utilisation of the public sector e-recruitment system, including submission of online applications and the ability for panels to view applications online to increase the efficiency of the recruitment process;
- revised Development and Performance agreements and role statements to incorporate Treasury's new capabilities;
- development of a streamlined internal transfer process which aims to enable greater workforce mobility and support career development opportunities; and
- development of quarterly workforce reports that will provide analytics to support workforce decisions.

These strategies will be continually reviewed and refined to ensure intended workforce outcomes are being achieved.



Our Workforce Evaluation
Project team.

Safety, health and wellbeing

Treasury is committed to providing and maintaining a safe and healthy workplace, which supports and encourages the safety and wellbeing of all employees.

Throughout 2013-14, the Occupational Safety and Health (OSH) Steering Group played a pivotal role in developing Treasury OSH strategies and providing avenues for our people to stay informed and involved in OSH matters. These strategies included:

- continual improvement of our OSH Management System and review of policies and procedures; and
- ongoing education and training of managers and employees in the area of health and safety.

Our departmental OSH website has been enhanced to include improved accessibility and relevance of content.

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

Consultation, communication and engagement

In 2013-14 the OSH Steering Group transitioned into the OSH Committee which meets quarterly and comprises Safety and Health representatives and Management representatives.

A procedure has been developed for workplace safety inspections to be conducted on a regular basis by trained safety representatives in accordance with the [RiskCover](#) approved framework, in consultation with management and employees. Any issues arising are presented to the OSH Committee for consideration.

Injury management

Our injury management policy and guidelines outline the approach in assisting our injured or ill employees to return to work in the capacity they are medically capable of as soon as practicable. Fitness for work and injury management is undertaken in consultation with the employee,

their manager and medical practitioner, so the employee is able to actively participate in the process and can return to meaningful work in a safe and sustainable manner. Injury Management Plans and Return to Work Programs are developed and documented internally by experienced and dedicated personnel within the OSH team.

Self-evaluation and training

A [WorkSafe Plan](#) internal assessment was undertaken in June 2014 with key focus areas identified for 2014-15.

Treasury has also developed and rolled out a new OSH training module for all managers and supervisors. This module is in addition to the online OSH module which was developed for all employees.

The Department is committed to the continuation of relevant First Aid Certification training for our First Aiders.

Achievements

Some key safety, health and wellbeing achievements over the past year include:

- further development of hazard identification, awareness and management procedures;
- development of a procedure for workplace safety inspections to be undertaken on a regular basis;
- the appointment of First Aiders and Safety and Health Representatives across the business;
- the roll-out of half-day OSH training for managers/supervisors, attended by 53 participants (46%);
- provision of ergonomic self-help kits to 35 new employees;
- provision of ergonomic assessment assistance to 18 employees, and equipment acquired to suit their needs;
- continued Bronze Membership with 1Life to promote suicide prevention across the workplace; and
- continued promotion of our Employee Assistance Program.

Indicator	Actual Results 2011-12	Actual Results 2012-13	Actual Results 2013-14	Target
Number of fatalities	Nil	Nil	Nil	Nil
Lost time injury/disease incidence rate	Nil	Nil	Nil	Nil or 10% improvement on the previous 3 years
Lost time injury severity rate	Nil	Nil	Nil	Nil or 10% improvement on the previous 3 years
Percentage of injured workers returned to work within 13 weeks	Nil	Nil	Nil	Greater than or equal to 80%
Percentage of injured workers returned to work within 26 weeks	Nil	Nil	Nil	Greater than or equal to 80%
Percentage of managers and supervisors trained in occupational safety, health and injury management responsibilities	2.65%	2%	46%	80% over 3 years ^(a)

^(a) A tailored training program for managers will continue throughout 2014-15.

Disability Access and Inclusion Plan

Treasury developed a new [2012-17 Disability Access and Inclusion Plan](#) (DAIP) in 2012-13. This plan guides further improvements to access and inclusion within the Department. The DAIP provides a framework with a range of implementation strategies, enabling us to achieve the desired seven [Government outcomes](#).

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

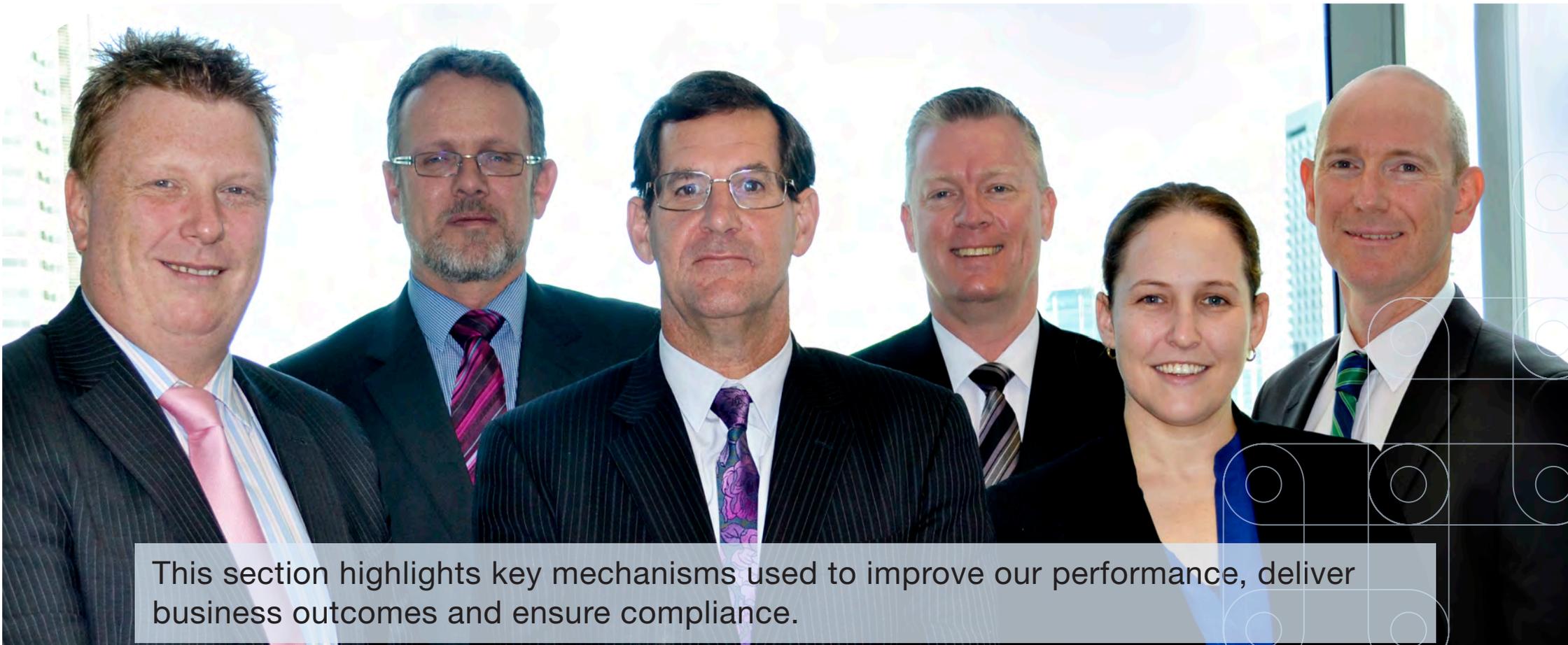
- have the same opportunities as others;
- can access information readily; and
- receive the same quality of service.

Throughout 2013-14, we monitored the implementation of our DAIP strategies and submitted a completed progress report to the [Disability Services Commission](#).

This report outlined the effectiveness of the DAIP – particularly that Treasury's efforts were effectively enhancing access and inclusion for people with a disability. The progress report also outlined an

example of where an individualised treatment approach provided the best possible opportunities for sustainable employment. This involved investigating alternative employment options and detailed discussions to develop a person-centred role statement and action plan on a case-by-case basis.

Governance



This section highlights key mechanisms used to improve our performance, deliver business outcomes and ensure compliance.

Policy Management Framework

In 2013, Treasury developed a Policy Management Framework (the Framework) to enhance existing governance tools and ensure compliance and the ongoing integrity of business practices.

The Framework ensures the continuing relevance and update of Treasury business policies and procedures through a monthly audit. It also clearly defines the role of governance committees in approving business policies.

Governance committees

Treasury's current governance committee arrangements were established in early 2012. In February 2014, we reviewed the effectiveness of our committee arrangements against a series of evaluation criteria, to identify any key themes and issues and propose solutions. The review involved consultation with all committee chairs and key permanent and appointed members. The feedback acknowledged that the committees successfully support the achievement of Treasury outcomes and inform our executive team of key strategic matters.

Budget Management Committee

Chaired by the Under Treasurer, the Budget Management Committee oversees the preparations of the State Budget, Mid-year Review, Annual Report on State Finances and budgetary updates throughout the year. The committee meets weekly for

internal decision making and information sharing on issues affecting the State's financial position.

Finance, Risk and Audit Committee

Also chaired by the Under Treasurer, the Finance, Risk and Audit Committee (FRAC) meets monthly to review, discuss, provide advice, coordinate and oversee risk management, compliance, financial reporting and internal audit. FRAC membership includes representatives from the [Office of the Auditor General](#) and a senior executive from another government agency.

People and Communications Committee

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

Information and Communication Technology Committee

Chaired by the Executive Director, Strategic Policy and Evaluation, this committee ensures robust governance of Information and Communication Technology (ICT) services, projects and strategies supporting the operations of Treasury. The committee meets monthly and is responsible for:

- overseeing the relationship with the [Department of Finance](#)'s ICT area as our primary ICT service provider;
- improving technology-dependent business outcomes;
- managing ICT risks;
- developing our ICT strategy and ICT policy governance; and
- overseeing the Department's asset replacement program.

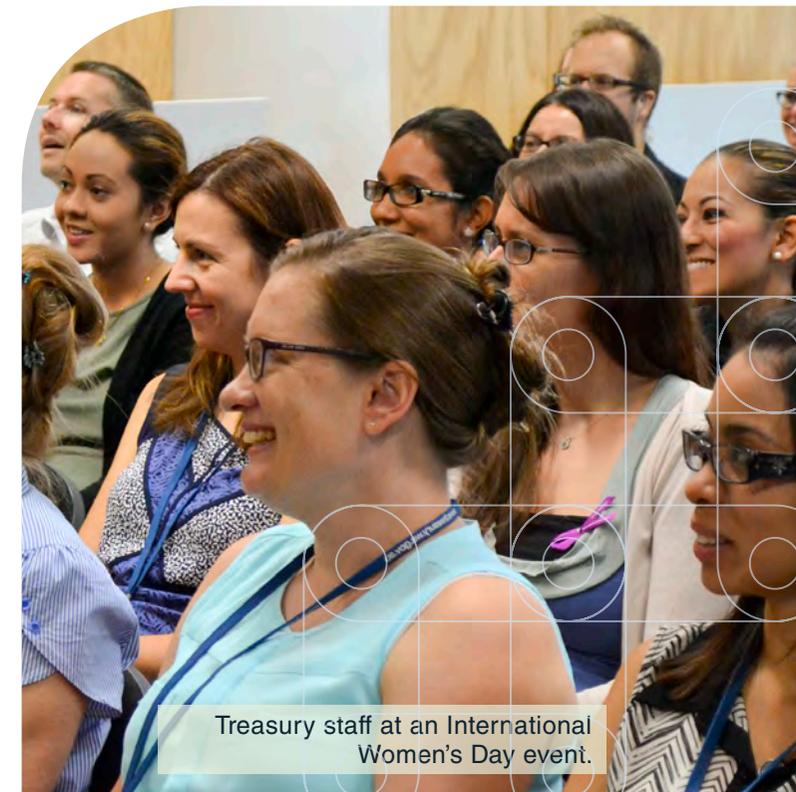
Women in Leadership

The Women in Leadership Committee supported the attraction, development and retention of women at Treasury. This committee was responsible for:

- providing a source of support and advocacy on issues facing women in the work environment;
- recommending and championing strategies for consistent application of workforce policies, regardless of level, work area and gender;
- providing opportunities for women at Treasury to discuss ideas, experiences and information on topics for personal and professional development;
- addressing gender-related barriers in career progression; and
- promoting the retention of women.

On 1 July 2014, the Women in Leadership Committee amalgamated with the newly created Diversity Committee. This committee will focus on supporting diversity across the

whole organisation, including progressing women, supporting people with a disability or language barrier, and those of Aboriginal descent.



Treasury staff at an International Women's Day event.

Public sector standards and ethical codes

Our people have access to information about Public Sector Standards, and ongoing support is provided for members of recruitment panels to ensure compliance with relevant standards. During 2013-14, our Human Resources team provided a quality assurance service, reviewing all of our selection reports. They also provided support and advice to ensure our processes and transactions complied with the standards.

In accordance with the *Public Disclosure Act 2003* (the Act), our Director, Finance, Risk and Audit and our Principal Internal Auditor are our designated Public Interest Disclosure (PID) officers and are fully compliant with all aspects of the Act. In 2013-14 we had no public interest disclosures lodged under the Act.

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

Ethics, accountability and integrity

Treasury recognises the importance of ethics, accountability and integrity and as part of our 2013-14 compliance program, rolled out a series of initiatives aimed at educating and informing staff and embedding a culture of compliance within the Department. These training streams included:

- bullying and harassment awareness for managers;
- occupational safety and health for managers and staff;
- recordkeeping awareness;
- accountable and ethical decision making; and
- fraud and corruption awareness.

Training session attendance, and/or completion of online training, resulted in increased compliance rates.

Supplementing this was a complete revision of our Code of Conduct, placing emphasis on this as our primary reference guide for compliance related questions. Compliance is also a standing agenda item at our monthly [Finance, Risk and Audit Committee](#) meeting.

Substantive equality

Treasury prides itself on our commitment to providing services that meet the needs of Western Australia's diverse population.

In 2013-14, Treasury provided mandatory 'Dealing with Workplace Bullying and Harassment' training sessions outlining expected and appropriate management of, and communication with, employees. We also reviewed both our Substantive Equality and Equal Employment Opportunity policies in consultation with the Public Sector Commission and the [Equal Opportunity Commission](#).

Freedom of information

The *Freedom of Information Act 1992* enables the public to apply for access to documents held by Treasury. In 2013-14, Treasury reviewed its application of charges for processing Freedom of Information (FOI) requests and reaffirmed its policy to allow applicants to obtain access to documents with no additional charges other than a mandatory application fee.

In addition, different options for providing access were promoted during the year with FOI applicants being given electronic access where possible, compared to previous years where documents were provided in a paper format in most instances.

The table below summarises the FOI applications finalised during 2013-14. More detailed statistical information is provided in the Annual Report of the [Office of the Information Commissioner](#).

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

Recordkeeping

In conjunction with the Department of Finance, we are compliant with the *State Records Act 2000* and have an established Recordkeeping Plan. As part of our broader recordkeeping framework, Treasury's Retention and Disposal Schedule is expected to be approved in late 2014.

As part of one of our [Strategic Plan](#) goals to dramatically improve our systems and processes, our recordkeeping system was upgraded during 2013-14. An Information Classification Framework has also been developed to identify sensitive and critical information, this is being progressively implemented.

To support good recordkeeping practices, our recordkeeping policies and procedures have been reviewed and published on the Department's intranet. Regular training on good practices for records management, including an online Recordkeeping Awareness training program has been conducted. Over 84 per cent of Treasury employees have participated in this training and it remains a critical component of every new employee's induction.



Financial Statements and Notes

Certification of Financial Statements

For the year ended 30 June 2014

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 ending 30 June 2014 and the financial position as at 30 June 2014.

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.

Wayne Sams-Hayes
CHIEF FINANCE OFFICER
9 September 2014

Michael Barnes
ACTING UNDER TREASURER
9 September 2014



Our Finance team

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 2014, 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 2014 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

Report on Controls

I have audited the controls exercised by the Department of Treasury during the year ended 30 June 2014.

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 2014.

Report on the Key Performance Indicators

I have audited the key performance indicators of the Department of Treasury for the year ended 30 June 2014.

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 2014.

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 2014 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
12 September 2014

Statement of comprehensive income

For the year ended 30 June 2014

	Note	2014 \$000	2013 \$000
COST OF SERVICES			
Expenses			
Employee benefits expense	7	32,050	31,319
Supplies and services	8	140,002	101,703
Depreciation and amortisation expense	9	1,003	746
Accommodation expenses	10	386	373
Grants and subsidies	11	869	633
Other expenses	12	181	425
Total cost of services		174,491	135,199
Income			
Revenue	13		
User charges and fees		123,360	80,864
Other revenue		131	101
Total revenue		123,491	80,965
Total income other than income from State Government		123,491	80,965
NET COST OF SERVICES			
		(51,000)	(54,234)
Income from State Government			
Service appropriation	14	41,879	39,245
Services received free of charge		13,493	12,818
Total income from State Government		55,372	52,063
SURPLUS/(DEFICIT) FOR THE PERIOD			
		4,372	(2,171)
TOTAL COMPREHENSIVE INCOME FOR THE PERIOD			
		4,372	(2,171)

Refer also to the [schedule of income and expenses by service](#).

The statement of comprehensive income should be read in conjunction with the accompanying notes.

Statement of financial position

As at 30 June 2014

	Note	2014 \$000	2013 \$000
ASSETS			
Current assets			
Cash and cash equivalents	15	9,891	6,084
Receivables	17	10,259	12,860
Amounts receivable for services	18	-	-
Total current assets		20,150	18,944
Non-current assets			
Restricted cash and cash equivalents	16	1,149	1,000
Amounts receivable for services	18	8,245	6,882
Plant and equipment	19	87	44
Intangible assets	20	8,107	9,089
Total non-current assets		17,588	17,015
TOTAL ASSETS		37,738	35,959
LIABILITIES			
Current liabilities			
Payables	22	9,483	11,525
Provisions	23	8,774	9,072
Total current liabilities		18,257	20,597

	Note	2014 \$000	2013 \$000
Non-current liabilities			
Provisions	23	1,979	2,215
Total non-current liabilities		1,979	2,215
TOTAL LIABILITIES		20,236	22,812
NET ASSETS		17,502	13,147
EQUITY	24		
Contributed equity		10,963	10,980
Accumulated surplus		6,539	2,167
TOTAL EQUITY		17,502	13,147

Refer also to the [schedule of assets and liabilities by service](#).

The statement of financial position should be read in conjunction with the accompanying notes.

Statement of changes in equity

For the year ended 30 June 2014

	Note	Contributed equity	Accumulated surplus	Total equity
		\$000	\$000	\$000
Balance at 1 July 2012	24	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
Balance at 1 July 2013		10,980	2,167	13,147
Total comprehensive income for the period		-	4,372	4,372
Transactions with owners in their capacity as owners:				
Distribution to owners - Department of Finance		(17)	-	(17)
Balance at 30 June 2014		10,963	6,539	17,502

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

Statement of cash flows

For the year ended 30 June 2014

	Note	2014 \$000	2013 \$000
CASH FLOWS FROM STATE GOVERNMENT			
Service appropriation		40,516	38,860
Contribution from Department of Finance		-	2,342
Contribution to Department of Finance		(16)	-
Receipts from Treasurer's Advance		20,000	10,000
Payments to Treasurer's Advance		(20,000)	(10,000)
Net cash provided by State Government		40,500	41,202
Utilised as follows:			
CASH FLOWS FROM OPERATING ACTIVITIES			
Payments			
Employee benefits		(32,349)	(31,336)
Supplies and services ^(a)		(129,495)	(99,315)
Accommodation		(386)	(642)
Grants and subsidies ^{(a) (b)}		(869)	(633)
GST payments on purchases		(12,929)	(9,817)
GST payments to taxation authority		(3,923)	(419)
Other payments ^(b)		(191)	(424)
Receipts			
User charges and fees		125,842	77,680
GST receipts on sales		13,203	7,939
GST receipts from taxation authority		4,484	2,704
Other receipts		131	98
Net cash used in operating activities	25	(36,482)	(54,165)

	Note	2014 \$000	2013 \$000
CASH FLOWS FROM INVESTING ACTIVITIES			
Purchase of non-current assets		(62)	(1,276)
Net cash used in investing activities		(62)	(1,276)
Net increase in cash and cash equivalents		3,956	(14,239)
Cash and cash equivalents at the beginning of the period		7,084	21,323
CASH AND CASH EQUIVALENTS AT THE END OF THE PERIOD	25	11,040	7,084

The statement of cash flows should be read in conjunction with the accompanying notes.

^(a) For 2012-13, \$15,000 was reclassified from 'grants and subsidies' to 'supplies and services' to reflect the nature of payments made.

^(b) For 2012-13, \$250,000 was reclassified from 'other payments' to 'grants and subsidies' as the payment related to a grant.

Schedule of income and expenses by service

For the year ended 30 June 2014

	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	
	2014	2013	2014	2013	2014	2013	2014	2013	2014	2013
	\$000	\$000	\$000	\$000	\$000	\$000	\$000	\$000	\$000	\$000
COST OF SERVICES										
Expenses										
Employee benefits expense	5,656	5,301	5,369	5,733	18,805	17,836	2,220	2,449	32,050	31,319
Supplies and services	3,054	3,023	2,347	3,466	12,162	9,421	122,439	85,793	140,002	101,703
Depreciation and amortisation expense	170	1	149	1	623	736	61	8	1,003	746
Accommodation expenses	-	-	-	-	-	-	386	373	386	373
Grants and subsidies	12	47	-	-	57	64	800	522	869	633
Other expenses	19	39	7	44	83	135	72	207	181	425
Total cost of services	8,911	8,411	7,872	9,244	31,730	28,192	125,978	89,352	174,491	135,199
Income										
User charges and fees	-	-	-	-	1	-	123,359	80,864	123,360	80,864
Other revenue	13	17	9	16	93	52	16	16	131	101
Total income other than income from State Government	13	17	9	16	94	52	123,375	80,880	123,491	80,965
NET COST OF SERVICES	(8,898)	(8,394)	(7,863)	(9,228)	(31,636)	(28,140)	(2,603)	(8,472)	(51,000)	(54,234)
Income from State Government										
Service appropriation	8,979	8,414	10,675	10,004	20,018	18,759	2,207	2,068	41,879	39,245
Resources received free of charge	392	29	2	25	11,363	11,415	1,736	1,349	13,493	12,818
Total income from State Government	9,371	8,443	10,677	10,029	31,381	30,174	3,943	3,417	55,372	52,063
SURPLUS FOR THE PERIOD	473	49	2,814	801	(255)	2,034	1,340	(5,055)	4,372	(2,171)

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 2014

	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	
	2014	2013	2014	2013	2014	2013	2014	2013	2014	2013
	\$000	\$000	\$000	\$000	\$000	\$000	\$000	\$000	\$000	\$000
Assets										
Current assets	1,617	1,361	1,592	1,412	2,276	2,149	14,665	14,022	20,150	18,944
Non-current assets	3,017	2,947	2,648	3,505	11,032	10,483	891	80	17,588	17,015
Total assets	4,634	4,308	4,240	4,917	13,308	12,632	15,556	14,102	37,738	35,959
Liabilities										
Current liabilities	2,670	2,330	2,177	2,611	8,683	5,160	4,727	10,496	18,257	20,597
Non-current liabilities	261	586	258	537	1,111	848	349	244	1,979	2,215
Total liabilities	2,931	2,916	2,435	3,148	9,794	6,008	5,076	10,740	20,236	22,812
NET ASSETS	1,703	1,392	1,805	1,769	3,514	6,624	10,480	3,362	17,502	13,147

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

Summary of consolidated account appropriations and income estimates

For the year ended 30 June 2014

	2014 Estimate	2014 Actual	Variance	2014 Actual	2013 Actual	Variance
	\$000	\$000	\$000	\$000	\$000	\$000
CONTROLLED TRANSACTIONS						
Delivery of services						
Item 33 Net amount appropriated to deliver services	37,733	37,733	-	37,733	37,238	495
Consultancy services to develop a potential Asset Divestment Program	-	1,254	1,254	1,254	-	1,254
Section 25 transfer of Corporate Services expenses from the Department of Finance	-	174	174	174	-	174
2013-14 Voluntary Separation Scheme	-	1,360	1,360	1,360	-	1,360
Section 25 transfer of Human Resources and Organisational Development from the Department of Finance	-	-	-	-	343	(343)
Salaries and Allowances Tribunal Determination 2012-13	-	-	-	-	161	(161)
Repayment of <i>Salaries and Allowances Act 1975</i> funding	-	-	-	-	(138)	138
Carryover of Superannuation Administration Outsourcing Project	-	-	-	-	(600)	600
Additional funding for analysis of Commonwealth Tax Arrangements	-	-	-	-	800	(800)
Amount authorised by Other Statutes						
- <i>Salaries and Allowances Act 1975</i>	1,358	1,358	-	1,358	1,441	(83)
Total appropriations provided to deliver services	39,091	41,879	2,788	41,879	39,245	2,634
Details of expenses by service						
Financial management and reporting	9,887	8,911	(976)	8,911	8,411	500
Economic and revenue forecasts and policy development	6,561	7,872	1,311	7,872	9,244	(1,372)
Evaluation and planning of Government service delivery and infrastructure provision	28,353	31,730	3,377	31,730	28,192	3,538
Leads the planning and delivery of new Government buildings	174,185	125,978	(48,207)	125,978	89,352	36,626
Total cost of services	218,986	174,491	(44,495)	174,491	135,199	39,292
Less Total income	(169,052)	(123,491)	45,561	(123,491)	(80,965)	(42,526)
Net cost of services	49,934	50,999	1,065	50,999	54,234	(3,235)
Adjustments	(10,843)	(9,120)	1,723	(9,120)	(14,989)	5,869
Total appropriations provided to deliver services	39,091	41,879	2,788	41,879	39,245	2,634

	2014 Estimate	2014 Actual	Variance	2014 Actual	2013 Actual	Variance
	\$000	\$000	\$000	\$000	\$000	\$000
ADMINISTERED TRANSACTIONS						
RECURRENT ADMINISTERED						
Operating subsidy payments						
Item 34 Electricity Retail Corporation (Synergy)	489,309	591,976	102,667	591,976	427,998	163,978
Item 35 Esperance Port Authority	940	939	(1)	939	-	939
Item 36 Regional Power Corporation (Horizon Power)	60,161	57,282	(2,879)	57,282	55,594	1,688
Item 37 Public Transport Authority	683,790	712,103	28,313	712,103	648,793	63,310
Item 38 Water Corporation of Western Australia	601,350	565,924	(35,426)	565,924	436,702	129,222
Item 39 Western Australian Land Authority	47,373	44,417	(2,956)	44,417	34,858	9,559
Total operating subsidy payments	1,882,923	1,972,641	89,718	1,972,641	1,603,945	368,696
Grants, subsidies and transfer payments						
Item 40 Closing the Gap ^(a)	31,830	-	(31,830)	-	-	-
Item 41 Department of Corrective Services	4,940	-	(4,940)	-	658	(658)
Item 42 Decommissioning of the Office of Shared Services ^(b)	2,420	-	(2,420)	-	-	-
Item 43 Goods and Services Tax (GST) Administration Costs	77,900	77,705	(195)	77,705	76,440	1,265
Item 44 Health and Disability Services Complaints Office	2,498	2,498	-	2,498	2,426	72
Item 45 Metropolitan Redevelopment Authority	6,468	4,061	(2,407)	4,061	1,332	2,729
Item 46 Provision for Unfunded Liabilities in the Government Insurance Fund	3,469	1,701	(1,768)	1,701	2,575	(874)
Item 47 Provision for Voluntary Separation ^(c)	100,000	-	(100,000)	-	-	-
Item 48 Refunds of Past Years Revenue Collections - Public Corporations	20,000	16,367	(3,633)	16,367	7,741	8,626
Item 49 Rottnest Island Authority	8,355	6,700	(1,655)	6,700	4,800	1,900
Item 50 Royalties for Regions	652,278	652,278	-	652,278	654,767	(2,489)
Item 51 State Property - Emergency Services Levy	16,000	15,873	(127)	15,873	14,661	1,212

	2014 Estimate	2014 Actual	Variance	2014 Actual	2013 Actual	Variance
	\$000	\$000	\$000	\$000	\$000	\$000
Item 52 Sustainable Funding and Contracting with the Not-for-Profit Sector ^(d)	9,305	-	(9,305)	-	-	-
Item 53 All Other Grants, Subsidies and Transfer Payments, comprising:	12,009	7,534	(4,475)	7,534	11,627	(4,093)
Acts of Grace	5	166	161	166	-	166
ANZAC Day Trust	300	300	-	300	300	-
First Home Owners Boost recovery payments	1,000	340	(660)	340	294	46
HIH Insurance Rescue Package	5	-	(5)	-	2	(2)
Incidentals	315	355	40	355	5	350
Interest on Public Moneys held in Participating Trust Fund Accounts	5,000	3,902	(1,098)	3,902	5,115	(1,213)
Shire of Broome	1,600	-	(1,600)	-	-	-
Superannuation Reforms - payments to Government Employees Superannuation Board	2,765	1,598	(1,167)	1,598	1,503	95
Margaret River Bushfire Financial Assistance	-	-	-	-	3,614	(3,614)
Water Corporation of WA - Part reimbursement of land sales	200	-	(200)	-	-	-
Western Australian Treasury Corporation Management Fees	819	873	54	873	794	79
Broome Port Authority	-	-	-	-	324	(324)
Total grants, subsidies and transfer payments	947,472	784,717	(162,755)	784,717	777,351	7,366
Authorised by Other Statutes						
<i>Gold Corporation Act 1987</i>	3	2	(1)	2	2	-
<i>Judges' Salaries and Pensions Act 1950</i>	15,551	13,411	(2,140)	13,411	12,778	633
<i>Parliamentary Superannuation Act 1970</i>	8,244	8,344	100	8,344	9,167	(823)
<i>State Superannuation Act 2000</i>	632,850	694,486	61,636	694,486	583,081	111,405
<i>Tobacco Products Control Act 2006</i>	21,783	21,783	-	21,783	21,420	363
<i>Unclaimed Money Act 1990</i>	750	1,325	575	1,325	899	426

	2014 Estimate	2014 Actual	Variance	2014 Actual	2013 Actual	Variance
	\$000	\$000	\$000	\$000	\$000	\$000
<i>Unclaimed Money (Superannuation and RSA Providers) Act 2003</i>	220	-	(220)	-	20	(20)
<i>Western Australian Treasury Corporation Act 1986 - Interest</i>	434,000	404,825	(29,175)	404,825	354,147	50,678
Total amounts authorised by Other Statutes	1,113,401	1,144,176	30,775	1,144,176	981,514	162,662
TOTAL RECURRENT ADMINISTERED	3,943,796	3,901,534	(42,262)	3,901,534	3,362,810	538,724

- (a) Of the \$31.830 million budget, \$31.418 million was transferred from Administered to the Department of Health and \$412,000 to the Mental Health Commission, under section 25 of the *Financial Management Act 2006*. The funds were then appropriated to these agencies from the Consolidated Account and the actuals for this are represented in those agencies.
- (b) Of the \$2.420 million budget and supplementary funding amount of \$3 million, \$5.412 million was transferred from Administered to various agencies, under section 25 of the *Financial Management Act 2006*. The funds were then appropriated to these agencies from the Consolidated Account and the actuals for this are represented in those agencies.
- (c) Of the \$100 million budget and supplementary funding amount of \$44.930 million, \$119.818 million was transferred from Administered to various agencies, under section 25 of the *Financial Management Act 2006*. The funds were then appropriated to these agencies from the Consolidated Account and the actuals for this are represented in those agencies.
- (d) Of the \$9.305 million budget, \$8.231 million was transferred from Administered to various agencies, under section 25 of the *Financial Management Act 2006*. The funds were then appropriated to these agencies from the Consolidated Account and the actuals for this are represented in those agencies.

ADMINISTERED CAPITAL

Government equity contributions

Item 126 Bunbury Port Authority	1,300	1,300	-	1,300	-	1,300
Item 127 Dampier Port Authority	9,720	9,720	-	9,720	-	9,720
Item 128 Department of Corrective Services	60,549	58,723	(1,826)	58,723	31,630	27,093
Item 129 Department of Education	102,682	102,682	-	102,682	-	102,682
Item 130 Decommissioning of the Office of Shared Services ^(e)	8,896	-	(8,896)	-	-	-

	2014 Estimate	2014 Actual	Variance	2014 Actual	2013 Actual	Variance
	\$000	\$000	\$000	\$000	\$000	\$000
Item 131 Electricity Networks Corporation (Western Power)	74,862	74,862	-	74,862	-	74,862
Item 132 Esperance Port Authority	1,850	1,847	(3)	1,847	-	1,847
Item 133 Forest Products Commission	4,700	4,700	-	4,700	10,673	(5,973)
Item 134 Fremantle Port Authority	30,840	29,869	(971)	29,869	20,490	9,379
Item 135 Metropolitan Redevelopment Authority	117,683	33,346	(84,337)	33,346	78,607	(45,261)
Item 136 Regional Power Corporation (Horizon Power)	12,563	10,561	(2,002)	10,561	7,620	2,941
Item 137 Royalties for Regions	803,647	803,647	-	803,647	563,058	240,589
Item 138 WA Health	51,772	20,700	(31,072)	20,700	11,775	8,925
Item 139 Water Corporation of Western Australia Electricity Generation Corporation (Verve Energy)	5,080	-	(5,080)	-	-	-
	-	-	-	-	24,464	(24,464)
Other						
Item 140 Fiona Stanley Hospital Construction Account	15,000	15,000	-	15,000	125,000	(110,000)
Item 141 New Children's Hospital Account	182,000	182,000	-	182,000	70,000	112,000
Item 142 Perth's New Major Stadium Construction Account	15,000	15,000	-	15,000	100,000	(85,000)
Perry Lakes Trust Account	-	-	-	-	1,000	(1,000)
Total Government equity contributions	1,498,144	1,363,957	(134,187)	1,363,957	1,044,317	319,640
Authorised by Other Statutes						
<i>Loan (Co-operative Companies) Act 2004</i>	-	-	-	-	1,000	(1,000)
Total authorised by Other Statutes	-	-	-	-	1,000	(1,000)
Total Administered capital contribution	1,498,144	1,363,957	(134,187)	1,363,957	1,045,317	318,640
GRAND TOTAL	5,441,940	5,265,491	(176,449)	5,265,491	4,408,127	857,364

	2014 Estimate	2014 Actual	Variance	2014 Actual	2013 Actual	Variance
	\$000	\$000	\$000	\$000	\$000	\$000
DETAILS OF ADMINISTERED INCOME ESTIMATES						
Sale of goods and services						
Sale of goods and services ^(f)	-	-	-	-	7,061	(7,061)
Total sale of goods and services	-	-	-	-	7,061	(7,061)
Commonwealth grants						
Compensation for Crude Oil Excise Condensate	58,700	65,392	6,692	65,392	62,966	2,426
First Home Owners Boost	-	74	74	74	217	(143)
GST Grants	2,458,400	2,506,823	48,423	2,506,823	2,935,296	(428,473)
Local government (Financial Assistance Grants)	169,972	168,172	(1,800)	168,172	157,815	10,357
Local government (Road Funding)	106,826	106,574	(252)	106,574	100,518	6,056
Non-government Schools	925,275	973,057	47,782	973,057	898,347	74,710
North-West Shelf Grants	1,067,200	1,103,157	35,957	1,103,157	1,030,503	72,654
Other	2,036,264	2,008,758	(27,506)	2,008,758	2,087,081	(78,323)
Total Commonwealth grants	6,822,637	6,932,007	109,370	6,932,007	7,272,743	(340,736)
Dividends and taxes						
Government Enterprises - Dividends	832,195	905,292	73,097	905,292	799,121	106,171
Income Tax - Tax Equivalent Regime	496,308	597,929	101,621	597,929	375,276	222,653
Local Government Rates - Tax Equivalent Regime	14,162	18,990	4,828	18,990	15,418	3,572
Total dividends and taxes	1,342,665	1,522,211	179,546	1,522,211	1,189,815	332,396

	2014 Estimate	2014 Actual	Variance	2014 Actual	2013 Actual	Variance
	\$000	\$000	\$000	\$000	\$000	\$000
Other revenue						
Consolidated Account revenue received from agencies	14,857,234	14,480,026	(377,208)	14,480,026	12,356,122	2,123,904
Superannuation	-	-	-	-	332,537	(332,537)
Interest ^(g)	135,965	139,936	3,971	139,936	196,508	(56,572)
Pension recoups	13,061	14,724	1,663	14,724	14,681	43
Loan guarantee fees	120,962	120,360	(602)	120,360	109,211	11,149
Gold State Superannuation reimbursement	152,192	154,968	2,776	154,968	159,923	(4,955)
Other revenue	15,899	35,502	19,603	35,502	32,506	2,996
Total other revenue	15,295,313	14,945,516	(349,797)	14,945,516	13,201,488	1,744,028
TOTAL INCOME	23,460,615	23,399,734	(60,881)	23,399,734	21,671,107	1,728,627

^(e) Of the \$8.896 million budget, \$4.147 million was transferred from Administered to various agencies, under section 25 of the *Financial Management Act 2006*. The funds were then appropriated to these agencies from the Consolidated Account and the actuals for this are represented in those agencies.

^(f) The revenue received from the Forest Products Commission for services rendered by the Department of Parks and Wildlife was reported in prior years under 'sale of goods and services'. This revenue will be reported in 'other revenue' in 2013-14, for greater comparability with the budget estimate.

^(g) The interest revenue for Fiona Stanley Hospital and Royalties for Regions was double counted in 2012-13 actuals, as well as the omission of the Perry Lakes interest revenue. Therefore the 2012-13 actuals have been adjusted accordingly to assist with comparability between the two actuals.

[Notes 34 and 35 'Explanatory statement'](#) provides details of significant variations between estimates and actual results for 2014 and between the actual results for 2014 and 2013.

Notes to the financial statements

For the year ended 30 June 2014

Note 1. Australian Accounting Standards

General

The Department's financial statements for the year ended 30 June 2014 have been prepared in accordance with Australian Accounting Standards. The term 'Australian Accounting Standards' includes Standards and Interpretations issued by the [Australian Accounting Standards Board \(AASB\)](#).

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

Early adoption of standards

The Department cannot early adopt an Australian Accounting Standard unless specifically permitted by TI 1101 *Application of Australian Accounting Standards and Other Pronouncements*. There has been no early adoption of Australian Accounting Standards that have been issued or amended (but not operative) by the Department for the annual reporting period ended 30 June 2014.

Note 2. Summary of significant accounting policies

(a) General statement

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

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

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

(b) Basis of preparation

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

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

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

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

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

(c) Reporting entity

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

Mission

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

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

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 [2013-14 Budget Statements](#), the Department retained \$123.491 million in 2013-14 (\$80.965 million in 2012-13) 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; and
- other departmental revenue.

Grants, donations, gifts and other non-reciprocal contributions

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

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

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

Gains

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

(f) Plant and equipment

Capitalisation/expensing of assets

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

Initial recognition and measurement

Plant and equipment are initially recognised at cost.

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

Subsequent measurement

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

Depreciation

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

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

Office equipment	5 years
Computer equipment	3 to 5 years

(g) Intangible assets

Capitalisation/expensing of assets

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

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

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

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

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

Software ^(a) 10 years

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

Licences

Licences have a finite useful life and are carried at cost less accumulated amortisation and accumulated impairment losses.

Computer software

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

(h) Impairment of assets

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

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

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

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

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

The Department does not 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;
 - Receivables; and
 - Amounts receivable for services.
- Financial liabilities:
 - Payables.

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

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

(l) Cash and cash equivalents

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

(m) Accrued salaries

Accrued salaries (refer to [note 22 'Payables'](#)) represent the amount due to staff but unpaid at the end of the financial year. Accrued salaries are settled within a fortnight of the financial year end. The Department considers the carrying amount of accrued salaries to be equivalent to its fair value.

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

(n) Amounts receivable for services (holding account)

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

(o) Receivables

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

(p) Payables

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

(q) Amounts due to the Treasurer

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

(r) Provisions

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

Provisions — employee benefits

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

Annual leave

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

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

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

Long service leave

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

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

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

Sick leave

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

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

Deferred leave

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

Purchased leave

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

Superannuation

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

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

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

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

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

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

Provisions – other

Employment on-costs

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

(s) Superannuation expense

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

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

Assets or services received free of charge or for nominal cost, that the Department would otherwise purchase if not donated, are recognised as income at the fair value of the assets or services where they can be reliably measured. A corresponding expense is recognised for services received. Receipts of assets are recognised in the statement of financial position.

Assets or services received from other State Government agencies are separately disclosed under Income from State Government in the [statement of comprehensive income](#).

(u) Borrowing costs

Borrowing costs are expensed when incurred.

(v) Borrowings

All loans payable are recognised at fair value, being the net proceeds received.

Note 3. Comparative figures

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

Note 4. Judgements made by management in applying accounting policies

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

Operating lease commitments

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

Note 5. Key sources of estimation uncertainty

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

Long service leave

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

Note 6. Disclosure of changes in accounting policy and estimates

Initial application of an Australian Accounting Standard

The Department has applied the following Australian Accounting Standards effective for annual reporting periods beginning on or after 1 July 2013 that impacted on the Department.

AASB 13	<p><i>Fair Value Measurement</i></p> <p>This Standard defines fair value, sets out a framework for measuring fair value and requires additional disclosures for assets and liabilities measured at fair value. There is no financial impact.</p>
AASB 119	<p><i>Employee Benefits</i></p> <p>This Standard supersedes AASB 119 (October 2010), making changes to the recognition, presentation and disclosure requirements.</p> <p>The Department assessed employee leave patterns to determine whether annual leave is a short-term or other long-term employee benefit. The resultant discounting of annual leave liabilities that were previously measured at the undiscounted amounts is not material.</p>
AASB 1048	<p><i>Interpretation of Standards</i></p> <p>This Standard supersedes AASB 1048 (June 2012), enabling references to the Interpretations in all other Standards to be updated by reissuing the service Standard. There is no financial impact.</p>
AASB 2011-8	<p><i>Amendments to Australian Accounting Standards arising from AASB 13 [AASB 1, 2, 3, 4, 5, 7, 9, 2009-11, 2010-7, 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>
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. The resultant discounting of annual leave liabilities that were previously measured at the undiscounted amounts is not material.</p>

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>
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>
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 (instead of 1 January 2013). Further amendments are also made to numerous consequential amendments arising from AASB 9 that will now apply from 1 January 2015. There is no financial impact.</p>
AASB 2012-9	<p><i>Amendments to AASB 1048 arising from the Withdrawal of Australian Int 1039</i></p> <p>The withdrawal of Int 1039 <i>Substantive Enactment of Major Tax Bills in Australia</i> has no financial impact for the Department during the reporting period and at balance date. Measurement of tax assets and liabilities continues to be measured in accordance with enacted or substantively enacted tax law pursuant to AASB 112.46-47.</p>
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>The Standard introduces a number of editorial alterations and amends the mandatory application date of Standards for not-for-profit entities accounting for interests in other entities. There is no financial impact.</p>
AASB 2013-9	<p><i>Amendments to Australian Accounting Standards – Conceptual Framework, Materiality and Financial Instruments</i></p> <p>Part A of this omnibus Standard makes amendments to other Standards arising from revisions to the Australian Accounting Conceptual Framework for periods ending on or after 20 December 2013. Other Parts of this Standard become operative in later periods. There is no financial impact for Part A of the Standard.</p>

Voluntary changes in accounting policy

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

Future impact of Australian Accounting Standards not yet operative

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

		Operative for reporting periods beginning on/after
Int 21	<p><i>Levies</i></p> <p>This Interpretation clarifies the circumstances under which a liability to pay a government levy imposed should be recognised. There is no financial impact for the Department at reporting date.</p>	1 Jan 2014
AASB 9	<p><i>Financial Instruments</i></p> <p>This Standard supersedes AASB 139 <i>Financial Instruments: Recognition and Measurement</i>, introducing a number of changes to accounting treatments.</p> <p>The mandatory application date of this Standard was amended to 1 January 2018 by AASB 2014-1 <i>Amendments to Australian Accounting Standards</i>. The Department has not yet determined the application or the potential impact of the Standard.</p>	1 Jan 2018
AASB 10	<p><i>Consolidated Financial Statements</i></p> <p>This Standard, issued in August 2011, supersedes AASB 127 <i>Consolidated and Separate Financial Statements</i> and Int 112 <i>Consolidation – Special Purpose Entities</i>, introducing a number of changes to accounting treatments.</p> <p>Mandatory application of this Standard was deferred for not-for-profit entities by AASB 2012-10 <i>Amendments to Australian Accounting Standards – Transition Guidance and Other Amendments</i>. The adoption of the new Standard has no financial impact for the Department as it does not impact accounting for related bodies and the Department has no interests in other entities.</p>	1 Jan 2014

		Operative for reporting periods beginning on/after
AASB 11	<p><i>Joint Arrangements</i></p> <p>This Standard, issued in August 2011, supersedes AASB 131 <i>Interests in Joint Ventures</i>, introduces new principles for determining the type of joint arrangement that exists, which are more aligned to the actual rights and obligations of the parties to the arrangement.</p> <p>Mandatory application of this Standard was deferred for not-for-profit entities by AASB 2012-10. There is no financial impact for the Department as the new standard continues to require the recognition of the Department's share of assets and share of liabilities for the unincorporated joint operation.</p>	1 Jan 2014
AASB 12	<p><i>Disclosure of Interests in Other Entities</i></p> <p>This Standard, issued in August 2011, supersedes disclosure requirements in AASB 127 <i>Consolidated and Separate Financial Statements</i>, AASB 128 <i>Investments in Associates</i> and AASB 131 <i>Interests in Joint Ventures</i>.</p> <p>Mandatory application of this Standard was deferred for not-for-profit entities by AASB 2012-10. There is no financial impact.</p>	1 Jan 2014
AASB 14	<p><i>Regulatory Deferral Accounts</i></p> <p>The Department has not yet determined the application or the potential impact of the Standard.</p>	1 Jan 2016
AASB 127	<p><i>Separate Financial Statements</i></p> <p>This Standard, issued in August 2011, supersedes AASB 127 <i>Consolidated and Separate Financial Statements</i>, removing the consolidation requirements of the earlier standard whilst retaining accounting and disclosure requirements for the preparation of separate financial statements. Mandatory application was deferred for not-for-profit entities by AASB 2012-10. There is no financial impact.</p>	1 Jan 2014

		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 clarifications for the accounting treatments of changed ownership interest.</p> <p>Mandatory application of this Standard was deferred for not-for-profit entities by AASB 2012-10. The adoption of the new Standard has no financial impact for the Department as it does not hold investments in associates and the accounting treatments for joint operations is consistent with current practice.</p>	1 Jan 2014
AASB 1031	<p><i>Materiality</i></p> <p>This Standard supersedes AASB 1031 (February 2010), removing Australian guidance on materiality not available in International Financial Reporting Standards (IFRSs) and refers to guidance on materiality in other Australian pronouncements. There is no financial impact.</p>	1 Jan 2014
AASB 1055	<p><i>Budgetary Reporting</i></p> <p>This Standard requires specific budgetary disclosures in the general purpose financial statements of not-for-profit entities within the General Government Sector. The Department will be required to disclose additional budgetary information and explanations of major variances between actual and budgeted amounts, though there is no financial impact.</p>	1 Jul 2014
AASB 2009-11	<p><i>Amendments to Australian Accounting Standards arising from AASB 9 [AASB 1, 3, 4, 5, 7, 101, 102, 108, 112, 118, 121, 127, 128, 131, 132, 136, 139, 1023 & 1038 and Int 10 & 12]</i></p> <p>[modified by AASB 2010-7]</p>	1 Jan 2015
AASB 2010-7	<p><i>Amendments to Australian Accounting Standards arising from AASB 9 (December 2010) [AASB 1, 3, 4, 5, 7, 101, 102, 108, 112, 118, 120, 121, 127, 128, 131, 132, 136, 137, 139, 1023 & 1038 and Int 2, 5, 10, 12, 19 & 127]</i></p> <p>This Standard makes consequential amendments to other Australian Accounting Standards and Interpretations as a result of issuing AASB 9 in December 2010.</p> <p>AASB 2012-6 amended the mandatory application date of this Standard to 1 January 2015. The Department has not yet determined the application or the potential impact of the Standard.</p>	1 Jan 2015

		Operative for reporting periods beginning on/after
AASB 2011-7	<p><i>Amendments to Australian Accounting Standards arising from the Consolidation and Joint Arrangements Standards [AASB 1, 2, 3, 5, 7, 101, 107, 112, 118, 121, 124, 132, 133, 136, 138, 139, 1023 & 1038 and Int 5, 9, 16 & 17]</i></p> <p>This Standard gives effect to consequential changes arising from the issuance of AASB 10, AASB 11, AASB 127 <i>Separate Financial Statements</i> and AASB 128 <i>Investments in Associates and Joint Ventures</i>. For not-for-profit entities it applies to annual reporting periods beginning on or after 1 January 2014. The Department has not yet determined the application or the potential impact of the Standard.</p>	1 Jan 2014
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.</p> <p>The Department does not routinely hold financial assets and financial liabilities that it intends to settle on a net basis, therefore there is no financial impact.</p>	1 Jan 2014
AASB 2013-3	<p><i>Amendments to AASB 136 – Recoverable Amount Disclosures for Non-Financial Assets</i></p> <p>This Standard introduces editorial and disclosure changes. There is no financial impact.</p>	1 Jan 2014
AASB 2013-4	<p><i>Amendments to Australian Accounting Standards – Novation of Derivatives and Continuation of Hedge Accounting [AASB 139]</i></p> <p>This Standard permits the continuation of hedge accounting in circumstances where a derivative, which has been designated as a hedging instrument, is novated from one counterparty to a central counterparty as a consequence of laws or regulations. The Department does not routinely enter into derivatives or hedges, therefore there is no financial impact.</p>	1 Jan 2014
AASB 2013-8	<p><i>Amendments to Australian Accounting Standards – Australian Implementation Guidance for Not-for-Profit Entities – Control and Structured Entities [AASB 10, 12 & 1049]</i></p> <p>The amendments, issued in October 2013, provide significant guidance in determining whether a not-for-profit entity controls another entity when financial returns are not a key attribute of the investor’s relationship. The Standard has no financial impact in its own right, rather the impact results from the adoption of the amended AASB 10.</p>	1 Jan 2014

		Operative for reporting periods beginning on/after
AASB 2013-9	<p><i>Amendments to Australian Accounting Standards – Conceptual Framework, Materiality and Financial Instruments</i></p> <p>This omnibus Standard makes amendments to other Standards arising from the deletion of references to AASB 1031 in other Standards for periods beginning on or after 1 January 2014 (Part B), and, defers the application of AASB 9 to 1 January 2017 (Part C). The application date of AASB 9 was subsequently deferred to 1 January 2018 by AASB 2014-1. The Department has not yet determined the application or the potential impact of AASB 9, otherwise there is no financial impact for Part B.</p>	<p>1 Jan 2014</p> <p>1 Jan 2017</p>
AASB 2014-1	<p><i>Amendments to Australian Accounting Standards</i></p> <p>The Department has not yet determined the application or the potential impact of the Standard.</p>	<p>1 Jul 2014</p> <p>1 Jan 2015</p> <p>1 Jan 2016</p> <p>1 Jan 2018</p>

Changes in accounting estimates

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

Note 7. Employee benefits expense

	2014 \$000	2013 \$000
Wages and salaries	21,310	21,930
Superannuation ^(a)	3,117	3,130
Long service leave ^(b)	1,492	1,615
Annual leave ^(b)	3,591	4,010
Severance payments - enhanced voluntary separation program ^(c)	2,078	-
Other related expenses ^(d)	462	634
	32,050	31,319

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

^(b) Includes a superannuation contribution component.

^(c) For 2013-14, \$2.593 million was paid out in total, of which \$515,000 was related to leave entitlements paid out of leave provisions.

^(d) 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 23 'Provisions'](#).

Note 8. Supplies and services

	2014 \$000	2013 \$000
Managed contracts	120,768	82,887
Communications	80	84
Consultants ^(a)	295	844
Contractors ^(a)	3,809	3,860

	2014	2013
	\$000	\$000
Services provided by WA Government agencies ^{(a) (b)}	13,493	12,752
Consumables	153	182
Repairs and maintenance	-	4
Travel	68	31
Legal costs	563	421
Other ^(c)	773	638
	140,002	101,703

^(a) 2012-13 'consultants and contractors' has been reclassified as (i) consultants (ii) contractors and (iii) services provided by WA Government agencies.

^(b) 2012-13 'services provided by WA Government agencies' increased by \$167,000 to reflect services provided by the Department of the Premier and Cabinet.

^(c) 2012-13 'supplies and services - other' increased by \$15,000 being a reclass from 'grants and subsidies'. This reclass records relevant payments in the appropriate expense category.

Note 9. Depreciation and amortisation expense

	2014	2013
	\$000	\$000
Depreciation		
Office equipment	9	8
Computer equipment	11	4
Total depreciation	20	12
Amortisation		
Computer software	983	734
Total amortisation	983	734
Total depreciation and amortisation	1,003	746

Note 10. Accommodation expenses

	2014	2013
	\$000	\$000
Lease rentals	386	368
Repairs and maintenance	-	5
	386	373

Note 11. Grants and subsidies

	2014	2013
	\$000	\$000
Grants - recurrent ^(a)	869	633
	869	633

^(a) For 2012-13, \$15,000 was reclassified to 'supplies and services - other' to reflect relevant payments in the appropriate expense category. Another \$250,000 was reclassified from 'other expenses - other' as the payment was for a grant.

Note 12. Other expenses

	2014	2013
	\$000	\$000
Minor purchases	107	187
Employment on-costs	(10)	-
Other ^(a)	84	238
	181	425

^(a) For 2012-13, \$250,000 was reclassified to 'grants and subsidies' as the payment was for a grant.

Note 13. Income

	2014 \$000	2013 \$000
User charges and fees		
Managed building works	123,360	80,864
	123,360	80,864
Other revenue		
Recoups	35	25
Government Vehicle Scheme (GVS)	41	43
Other	55	33
	131	101
	123,491	80,965

Note 14. Income from State Government

	2014	2013
	\$000	\$000
Appropriation received during the period		
Service appropriation ^(a)	41,879	39,245
	41,879	39,245
Services received free of charge from other State Government agencies during the period		
Department of Finance	12,584	12,026
Department of the Attorney General	476	315
Department of the Premier and Cabinet ^(b)	134	167
Landgate	299	310
	13,493	12,818
Total Income from State Government	55,372	52,063

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

^(b) 2012-13 services received free of charge from other State Government agencies increased by \$167,000 to reflect services provided by the Department of the Premier and Cabinet.

Note 15. Cash and cash equivalents

	2014	2013
	\$000	\$000
Current		
Cash at bank	9,891	6,083
Cash on hand	-	1
	9,891	6,084

Note 16. Restricted cash and cash equivalents

	2014 \$000	2013 \$000
Non-current		
Accrued salaries suspense account ^(a)	1,149	1,000
	1,149	1,000

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

Note 17. Receivables

	2014 \$000	2013 \$000
Current		
Receivables	4,326	4,229
Accrued revenue	-	133
GST receivable ^(a)	-	405
Other receivables	-	125
	4,326	4,892
Underbillings ^(b)	5,933	7,968
Total current	10,259	12,860

^(a) \$1.105 million was reclassified from 'GST payables' for 2012-13.

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

The Department does not hold any collateral or other credit enhancements as security for receivables. Refer to [note 2\(o\) 'Receivables'](#) and [note 32 'Financial instruments'](#).

Note 18. Amounts receivable for services (holding account)

	2014	2013
	\$000	\$000
Current	-	-
Non-current ^(a)	8,245	6,882
	8,245	6,882

^(a) For 2012-13, \$1.363 million was reclassified from 'current' to 'non-current' category to reflect budget drawdowns.

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 19. Plant and equipment

	2014	2013
	\$000	\$000
Office equipment		
At cost	46	46
Accumulated depreciation	(30)	(21)
	16	25
Computer equipment		
At cost	89	32
Accumulated depreciation	(18)	(13)
	71	19
Total		
At cost	135	78
Accumulated depreciation	(48)	(34)
	87	44

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

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

	Office equipment	Computer equipment	Total
	\$000	\$000	\$000
2014			
Carrying amount at start of period	25	19	44
Additions	-	63	63
Depreciation	(9)	(11)	(20)
Carrying amount at end of period	16	71	87
2013			
Carrying amount at start of period	11	3	14
Additions	22	20	42
Depreciation	(8)	(4)	(12)
Carrying amount at end of period	25	19	44

Note 20. Intangible assets

	2014 \$000	2013 \$000
Computer software		
At cost	9,873	9,873
Accumulated amortisation	(1,766)	(784)
	8,107	9,089
Work in progress		
At cost	-	-
	-	-
Total		
At cost	9,873	9,873
Accumulated amortisation	(1,766)	(784)
	8,107	9,089

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

	Computer software \$000	Work in progress \$000	Total \$000
2014			
Carrying amount at start of period	9,089	-	9,089
Additions	-	-	-
Transfers	-	-	-
Amortisation	(982)	-	(982)
Carrying amount at end of period	8,107	-	8,107
2013			
Carrying amount at start of period	-	8,590	8,590
Additions	9,823	1,233	11,056
Transfers	-	(9,823)	(9,823)
Amortisation	(734)	-	(734)
Carrying amount at end of period	9,089	-	9,089

Note 21. Impairment of assets

There were no indications of impairment to plant and equipment and intangible assets at 30 June 2014. The Department held no goodwill or intangible assets with an indefinite useful life during the reporting period.

At the end of the reporting period there were no intangible assets not yet available for use. All surplus assets at 30 June 2014 have either been classified as assets held for sale or written off.

Note 22. Payables

	2014 \$000	2013 \$000
Current		
Trade payables	344	525
GST payables ^(a)	430	-
Other tax payables ^(a)	87	274
Accrued salaries	757	702
Accrued expenses	4,093	6,818
Other payables	1	-
	5,712	8,319
Overbillings ^(b)	3,771	3,206
Total current	9,483	11,525

^(a) GST payables in 2012-13 had been split to distinguish between payables for GST (\$1.105 million) which was reclassified to 'GST receivables', and Pay As You Go and Fringe Benefits Tax totalling \$274,000.

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

Refer to [note 2\(p\) 'Payables'](#) and [note 33 'Financial instruments'](#).

Note 23. Provisions

	2014 \$000	2013 \$000
CURRENT		
Employee benefits provision ^(a)		
Annual leave ^(b)	3,514	3,428
Long service leave ^(c)	5,156	5,579
Deferred salary scheme ^(d)	88	49
	8,758	9,056

	2014 \$000	2013 \$000
Other provisions ^(a)		
Employment on-costs ^(e)	16	16
	16	16
TOTAL CURRENT	8,774	9,072
NON-CURRENT		
Employee benefits provision ^(a)		
Long service leave ^(c)	1,975	2,211
	1,975	2,211
Other provisions ^(a)		
Employment on-costs ^(e)	4	4
	4	4
TOTAL NON-CURRENT	1,979	2,215
^(a) 2012-13 superannuation on-costs have been restated from 'employment on-costs' to 'annual leave' and 'long service leave'.		
^(b) Annual leave liabilities have been classified as current as there is no unconditional right to defer settlement for at least 12 months after the end of the reporting period. Assessments indicate that actual settlement of the liabilities is expected to occur as follows:		
Within 12 months of the end of the reporting period	2,295	2,119
More than 12 months after the reporting period	1,219	1,309
	3,514	3,428
^(c) Long service leave liabilities have been classified as current where there is no unconditional right to defer settlement for at least 12 months after the end of the reporting period. Assessments indicate that actual settlement of the liabilities is expected to occur as follows:		
Within 12 months of the end of the period	2,123	2,286
More than 12 months after the reporting period	5,008	5,504
	7,131	7,790

	2014 \$000	2013 \$000
--	---------------	---------------

^(d) Deferred salary scheme liabilities have been classified as current where there is no unconditional right to defer settlement for at least 12 months after the end of the reporting period. Actual settlement of the liabilities is expected to occur as follows:

Within 12 months of the end of the period

88

-

More than 12 months after the reporting period

-

48

88

48

^(e) The settlement of annual and long service leave liabilities gives rise to the payment of employment on-costs including workers' compensation insurance. The provision is the present value of expected future payments. The associated expense, apart from the unwinding of the discount (finance cost), is disclosed in [note 12 'Other expenses'](#).

Movements in other provisions

Movements in each class of provisions during the period, other than employee benefits, are set out below.

Employment on-cost provision

Carrying amount at start of period

20

20

Additional provisions recognised

31

2

Payments/other sacrifices of economic benefits

(31)

(2)

Carrying amount at end of period

20

20

Note 24. Equity

	2014 \$000	2013 \$000
The Government holds the equity interest in the Department on behalf of the community. Equity represents the residual interest in the net assets of the Department.		
Contributed equity		
Balance at start of period	10,980	8,638
Contributions by owners		
Capital appropriation	-	-
Department of Finance	-	2,342
Total contributions by owners	10,980	10,980
Distribution to owners		
Transfer of net assets to other agencies ^(a)	(17)	-
Total distribution to owners	(17)	-
Balance at end of period	10,963	10,980
Accumulated surplus		
Balance at start of period	2,167	4,338
Result for the period	4,372	(2,171)
Balance at end of period	6,539	2,167
Total equity at end of period	17,502	13,147

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

Note 25. Notes to the statement of cash flows

	2014	2013
	\$000	\$000

Reconciliation of cash

Cash at the end of the financial year as shown in the statement of cash flows is reconciled to the related items in the statement of financial position as follows:

Cash and cash equivalents ^(a)	9,891	6,084
Restricted cash and cash equivalents ^(b)	1,149	1,000
	11,040	7,084

^(a) Refer also to [note 15 'Cash and cash equivalents'](#).

^(b) Refer also to [note 16 'Restricted cash and cash equivalents'](#).

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

Net cost of services ^(a)	(51,000)	(54,234)
-------------------------------------	----------	----------

Non-cash items

Depreciation and amortisation expense (note 9)	1,003	746
Services received free of charge (note 14) ^(a)	13,493	12,818

(Increase)/decrease in assets

Current receivables ^(b)	2,482	(4,883)
------------------------------------	-------	---------

	2014 \$000	2013 \$000
Increase/(decrease) in liabilities		
Current payables ^(b)	(2,986)	(9,002)
Accrued salaries	56	13
Accrued employee benefits	(365)	(30)
Net GST receipts/(payments) ^(c)	835	407
Net cash provided by/(used in) operating activities	(36,482)	(54,165)

^(a) 'Net cost of services' and 'services received free of charge' were adjusted by \$167,000 in 2012-13 to reflect resources provided free of charge by the Department of the Premier and Cabinet.

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

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

Note 26. Services provided free of charge

	2014 \$000	2013 \$000
During the period the following services were provided to other agencies free of charge for functions outside the normal operations of the Department:		
Department of Finance - provision of accounting services to the Office of State Revenue	417	404
	417	404

Note 27. Commitments

	2014 \$000	2013 \$000
Capital expenditure commitments		
Capital expenditure commitments, being contracted capital expenditure additional to the amounts reported in the financial statements, are payable as follows:		
Within 1 year	-	20
Later than 1 year and not later than 5 years	-	-
Later than 5 years	-	-
	-	20
Non-cancellable operating lease commitments		
Commitments for minimum lease payments are payable as follows ^(a) :		
Within 1 year	2,807	2,707
Later than 1 year and not later than 5 years	10,797	10,396
Later than 5 years	8,798	11,073
	22,402	24,176
^(a) The Department of Finance paid \$2.38 million (2012-13 \$2.419 million) of lease rental for the Department of Treasury and this has been reflected as a part of 'supplies and services'. From 2014-15, the Department of Treasury will be paying its accommodation costs directly as a consequence of an approved section 25 transfer of service appropriation from the Department of Finance.		
The property leases are non-cancellable and have a 15 year term, with rent payable in advance. Contingent rent provisions within the lease agreement require that the minimum lease payments shall be increased by 3.5 per cent per annum. Options exist to renew the lease at the end of the 15 year term with the last option expiring 25 May 2031.		
Other expenditure commitments		
Other expenditure commitments for supplies and services contracted for at the end of the reporting period but not recognised as liabilities, are payable as follows:		
Within 1 year	828	1,868
Later than 1 year and not later than 5 years	-	-
Later than 5 years	-	-
	828	1,868

Note 28. Contingent liabilities and contingent assets

Contingent liabilities

The Department does not have any contingent liabilities.

Contingent assets

The Department does not have any contingent assets.

Note 29. Related and affiliated bodies

The Department has no related or affiliated bodies.

Note 30. Events occurring after the end of the reporting period

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

Note 31. Remuneration of auditor

	2014	2013
	\$000	\$000
Remuneration paid or payable to the Auditor General in respect of the audit for the current financial year is as follows:		
Auditing the accounts, financial statements and key performance indicators:		
Department of Treasury	214	215
Annual Report on State Finances	345	354
	559	569

Note 32. Remuneration of senior officers

	2014	2013
The number of senior officers whose total fees, salaries, superannuation, non-monetary benefits and other benefits for the financial year fall within the following bands are:		
\$ 230,001 - 240,000	1	1
\$ 250,001 - 260,000 ^(c)	1	2
\$ 290,001 - 300,000	-	1
\$ 310,001 - 320,000 ^(c)	1	-
\$ 330,001 - 340,000 ^{(a) (b)}	2	1
\$ 470,001 - 480,000 ^(b)	1	-
\$ 540,001 - 550,000 ^(a)	-	1
	2014	2013
	\$000	\$000
Cash remuneration received for the year	1,507	1,630
Annual leave and long service leave accruals	149	(27)
Other benefits	289	312
Total remuneration of senior officers	1,945	1,915

^(a) Under Treasurer transferred to Mental Health Commission on 17 February 2014.

^(b) Deputy Under Treasurer assumed the position of Acting Under Treasurer on 17 February 2014.

^(c) Executive Director of Economic assumed the position of Acting Deputy Under Treasurer on 17 February 2014.

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

Note 33. Financial instruments

(a) Financial risk management objectives and policies

Financial instruments held by the Department are cash and cash equivalents, restricted cash and cash equivalents, receivables, payables and Treasurer's Advances.

The Department has limited exposure to financial risks. The Department's overall risk management program focuses on managing the risks identified below.

Credit risk

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

The maximum exposure to credit risk at the end of the reporting period in relation to each class of recognised financial assets is the gross carrying amount of those assets inclusive of any allowance for impairment as shown in the table at [note 33\(c\) 'Financial instruments disclosures'](#) and [note 17 'Receivables'](#).

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

Liquidity risk

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

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

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

Market risk

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

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

(b) Categories of financial instruments

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

	2014	2013
	\$000	\$000
Financial assets		
Cash and cash equivalents	9,891	6,084
Restricted cash and cash equivalents	1,149	1,000
Receivables ^(a)	10,259	12,455
Amounts receivable for services	8,245	6,882
	29,544	26,421
Financial liabilities		
Payables ^(b)	9,053	11,251
	9,053	11,251

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

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

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

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

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

Ageing analysis of financial assets

	Carrying Amount	Not Past Due and Not Impaired	Past Due but Not Impaired					Impaired Financial Assets
			Up to 1 month	1 - 3 months	3 months to 1 year	1 - 5 years	More than 5 years	
	\$000	\$000	\$000	\$000	\$000	\$000	\$000	\$000
2014								
Cash and cash equivalents	9,891	9,891	-	-	-	-	-	-
Restricted cash and cash equivalents	1,149	1,149	-	-	-	-	-	-
Receivables ^(a)	10,259	6,131	3,585	522	17	4	-	-
Amounts receivable for services	8,245	8,245	-	-	-	-	-	-
	29,544	25,416	3,585	522	17	4	-	-
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	-	-

^(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

	Carrying Amount	Interest Rate Exposure			Nominal Amount	Maturity Dates				
		Fixed Interest Rate	Variable Interest Rate	Non-interest Bearing		Up to 1 month	1 - 3 months	3 months to 1 year	1 - 5 years	More than 5 years
	\$000	\$000	\$000	\$000	\$000	\$000	\$000	\$000	\$000	\$000
2014										
Financial assets										
Cash and cash equivalents	9,891	-	-	9,891	9,891	9,891	-	-	-	-
Restricted cash and cash equivalents	1,149	-	-	1,149	1,149	-	-	-	1,149	-
Receivables ^(a)	10,259	-	-	10,259	10,259	10,259	-	-	-	-
Amounts receivable for services	8,245	-	-	8,245	8,245	-	-	-	8,245	-
	29,544	-	-	29,544	29,544	20,150	-	-	9,394	-
Financial liabilities										
Payables	9,053	-	-	9,053	9,053	9,053	-	-	-	-
	9,053	-	-	9,053	9,053	9,053	-	-	-	-

	Carrying Amount	Interest Rate Exposure			Nominal Amount	Maturity Dates				
		Fixed Interest Rate	Variable Interest Rate	Non-interest Bearing		Up to 1 month	1 - 3 months	3 months to 1 year	1 - 5 years	More than 5 years
	\$000	\$000	\$000	\$000	\$000	\$000	\$000	\$000	\$000	\$000
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 ^(b)	6,882	-	-	6,882	6,882	-	-	-	6,882	-
	26,421	-	-	26,421	26,421	18,539	-	-	7,882	-
Financial liabilities										
Payables	11,251	-	-	11,251	11,251	11,251	-	-	-	-
	11,251	-	-	11,251	11,251	11,251	-	-	-	-

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

^(b) \$1.363 million was restated from '3 Months to 1 Year' to '1 - 5 Years' bracket to align with the budget drawdowns.

Fair values

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

Note 34. Explanatory statement – controlled items

Significant variations between estimates and actual results for income and expense as presented in the financial statements titled ‘[Summary of Consolidated Account Appropriations and Income Estimates](#)’ are shown below. Significant variations are considered to be those greater than 10 per cent or \$5 million. In respect of any item for which there is not a significant variation, no explanation is given.

Total appropriations provided to deliver services

Significant variances between estimate and actual for 2014

	2014 Estimate \$000	2014 Actual \$000	Variance \$000
Appropriation provided to deliver services			
Item 33 Net amount appropriated to deliver services	37,733	37,733	-
Consultancy services to develop a potential Asset Divestment Program	-	1,254	1,254
Section 25 transfer of Corporate Services expenses from the Department of Finance	-	174	174
2013-14 Voluntary Separation Scheme	-	1,360	1,360
Amounts authorised by Other Statutes - <i>Salaries and Allowances Act 1975</i>	1,358	1,358	-
Total appropriations provided to deliver services	39,091	41,879	2,788

Significant variances between actual results for 2014 and 2013

	2014 Actual \$000	2013 Actual \$000	Variance \$000
Appropriation provided to deliver services			
Item 33 Net amount appropriated to deliver services	37,733	37,238	495
Consultancy services to develop a potential Asset Divestment Program	1,254	-	1,254
Section 25 transfer of Corporate Services expenses from the Department of Finance	174	-	174
2013-14 Voluntary Separation Scheme	1,360	-	1,360
Section 25 transfer of Human Resources and Organisational Development from Department of Finance	-	343	(343)
Salaries and Allowances Tribunal Determination 2013-14	-	161	(161)

Significant variances between actual results for 2014 and 2013

	2014 Actual	2013 Actual	Variance
	\$000	\$000	\$000
Repayment of <i>Salaries and Allowances Act 1975</i> funding	-	(138)	138
Carryover of Superannuation Administration Outsourcing Project	-	(600)	600
Additional funding for analysis of Commonwealth Tax Arrangements	-	800	(800)
Amounts authorised by Other Statutes			
- <i>Salaries and Allowances Act 1975</i>	1,358	1,441	(83)
Total appropriations provided to deliver services	41,879	39,245	2,634

Service expenditure

Significant variances between estimate and actual for 2014

	2014 Estimate	2014 Actual	Variance
	\$000	\$000	\$000
Service 1 - Financial management and reporting	9,887	8,911	(976)
Service 2 - Economic and revenue forecasts and policy development ^(a)	6,561	7,872	1,311
Service 3 - Evaluation and planning of Government services delivery and infrastructure provision ^(b)	28,353	31,730	3,377
Service 4 - Leads the planning and delivery of new Government buildings ^(c)	174,185	125,978	(48,207)
	218,986	174,491	(44,495)

^(a) There was an increase in costs during 2014 due to establishment changes within the Department of Treasury and associated corporate resources within each of the services.

^(b) The increase in costs during 2014 was mainly due to the consultancy services engaged for the Asset Divestment Program. In addition, there were establishment changes within the Department of Treasury and associated corporate services within each of the services.

^(c) Actual contract payment commitments across the Strategic Projects capital works portfolio is lower than the original forecast cash flows. This is matched by a similar reduction in revenue from agency recoups.

Significant variances between actual results for 2014 and 2013

	2014 Actual	2013 Actual	Variance
	\$000	\$000	\$000
Service 1 - Financial management and reporting	8,911	8,411	500
Service 2 - Economic and revenue forecasts and policy development ^(a)	7,872	9,244	(1,372)
Service 3 - Evaluation and planning of Government services delivery and infrastructure provision ^(b)	31,730	28,192	3,538
Service 4 - Leads the planning and delivery of new Government buildings ^(c)	125,978	89,352	36,626
	174,491	135,199	39,292

^(a) The actual spending reduced from 2013 to 2014 mainly due to the transfer of the Economic Reform Division to the Department of Finance.

^(b) The actual spending increased between years due to increased resources for the Asset Divestment Program and Activity Based Funding for the Department of Health. In addition, there was an increase in Corporate Services costs applied from the Department of Finance.

^(c) Increased 2014 expenditure reflects a greater number of projects at a more advanced stage of delivery relative to 2013, thus incurring greater expenditure.

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 2014 of items having significant variations, and explanations for the variations are given below.

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

	2014 Estimate	2014 Actual	Variance	2014 Actual	2013 Actual	Variance
	\$000	\$000	\$000	\$000	\$000	\$000
ADMINISTERED TRANSACTIONS						
RECURRENT ADMINISTERED						
Operating subsidy payments						
Item 34 Electricity Retail Corporation (Synergy)	489,309	591,976	102,667	591,976	427,998	163,978
Item 37 Public Transport Authority	683,790	712,103	28,313	712,103	648,793	63,310

	2014 Estimate \$000	2014 Actual \$000	Variance \$000	2014 Actual \$000	2013 Actual \$000	Variance \$000
Item 38 Water Corporation of Western Australia	601,350	565,924	(35,426)	565,924	436,702	129,222
Grants, subsidies and transfer payments						
Item 40 Closing the Gap	31,830	-	(31,830)	-	-	-
Item 47 Provision for Voluntary Separation	100,000	-	(100,000)	-	-	-
Authorised by Other Statutes						
<i>State Superannuation Act 2000</i>	632,850	694,486	61,636	694,486	583,081	111,405
<i>Western Australian Treasury Corporation Act 1986 - interest</i>	434,000	404,825	(29,175)	404,825	354,147	50,678
ADMINISTERED CAPITAL						
Government equity contributions						
Item 128 Department of Corrective Services	60,549	58,723	(1,826)	58,723	31,630	27,093
Item 135 Metropolitan Redevelopment Authority	117,683	33,346	(84,337)	33,346	78,607	(45,261)
Item 137 Royalties for Regions	803,647	803,647	-	803,647	563,058	240,589
Item 138 WA Health	51,772	20,700	(31,072)	20,700	11,775	8,925
Electricity Generation Corporation (Verve Energy)	-	-	-	-	24,464	(24,464)
Other						
Item 140 Fiona Stanley Hospital Construction Account	15,000	15,000	-	15,000	125,000	(110,000)
Item 141 New Children's Hospital Account	182,000	182,000	-	182,000	70,000	112,000
Item 142 Perth's New Major Stadium Construction Account	15,000	15,000	-	15,000	100,000	(85,000)
DETAILS OF ADMINISTERED INCOME ESTIMATES						
Commonwealth grants						
GST grants	2,458,400	2,506,823	48,423	2,506,823	2,935,296	(428,473)

	2014 Estimate \$000	2014 Actual \$000	Variance \$000	2014 Actual \$000	2013 Actual \$000	Variance \$000
Dividends and taxes						
Government enterprises - dividends	832,195	905,292	73,097	905,292	799,121	106,171
Income Tax - Tax Equivalent Regime	496,308	597,929	101,621	597,929	375,276	222,653
Other revenue						
Consolidated account revenue received from agencies	14,857,234	14,480,026	(377,208)	14,480,026	12,356,122	2,123,904
Superannuation	-	-	-	-	332,537	(332,537)
Interest	135,965	139,936	3,971	139,936	196,508	(56,572)
Loan guarantee fees	120,962	120,360	(602)	120,360	109,211	11,149
Other revenue	15,899	35,502	19,603	35,502	32,506	2,996

Item 34 Electricity Retail Corporation (Synergy)

The \$164 million increase in 2013-14 for Synergy's operating subsidy payments compared with the 2012-13 outturn is largely due to increased costs associated with renewable energy schemes and generation capacity, and the impact of lower customer revenue (due to a reduction in demand for energy).

The 2013-14 outturn was \$102.7 million higher than the original 2013-14 Budget, reflecting the flow on impact on Synergy's subsidy from the Corporation's Mid-year Review update of cost and demand issues noted above.

Item 37 Public Transport Authority

Relative to the outcome for 2012-13, the Authority's subsidy was \$63.3 million higher in 2013-14, primarily reflecting the roll-out of additional bus service kilometres, and higher cost of service provision (\$31.3 million). Other factors include higher interest costs from new borrowings for asset investment (\$8.5 million), lower fare revenue (\$6.1 million), contaminated sites remediation (\$5 million) and other smaller items (totalling \$12.4 million).

Item 38 Water Corporation of Western Australia

The increase of \$129.2 million in 2013-14 compared to the previous year relates to:

- the rebase of the Country Water, Sewerage and Drainage Operations operating subsidy, which is released every three years and includes the impact of higher operating costs, utilisation of country services and associated revenue; and
- subsidies for several new projects such as the Mundaring Water Treatment Plant, relocation of the South Hedland and Port Hedland Wastewater Treatment Plants, and upgrade of the Karratha Wastewater Treatment Plant.

Item 40 Closing the Gap

The funds provided for the Closing the Gap program in 2013-14 (a national program which seeks to reduce Indigenous disadvantage with respect to life expectancy, child mortality, access to early childhood education, educational achievement and employment outcomes) were transferred to the WA Health and Mental Health Commission agency budgets in accordance with section 25 of the *Financial Management Act 2006*.

Item 47 Provision for Voluntary Separation

The \$100 million provision in the 2013-14 Budget for voluntary separation offers associated with the 2013 Enhanced Voluntary Separation Scheme was transferred to agencies in line with section 25 of the *Financial Management Act 2006*.

State Superannuation Act 2000

At \$694.5 million, cash payments under the *State Superannuation Act 2000* were \$61.6 million (or 9.7 per cent) higher than budget. This was largely due to higher than expected payments for Gold State Superannuation entitlements (up \$57.4 million), reflecting the number of Gold State members retiring or transitioning to retirement during 2013-14, including members who took advantage of the Enhanced Voluntary Separations Scheme.

The 2013-14 cash payments were \$111.4 million (or 19.1 per cent) higher than in 2012-13. This was also largely due to payments for Gold State Superannuation entitlements (up \$114.5 million or 37.2 per cent), partially offset by a \$3.2 million (or 1.5 per cent) decline in annual payments for pension entitlements. The increase in Gold State payments reflects the higher number of Gold State members retiring or transitioning to retirement noted above.

Western Australian Treasury Corporation Act 1986 - Interest

This item provides for the debt servicing costs of Consolidated Account borrowings raised from the Western Australian Treasury Corporation. Interest is payable on borrowings raised under the *Western Australian Treasury Corporation Act 1986* which fund the provision of infrastructure spending by State government agencies. Although the Consolidated Account did not undertake any new borrowings in 2013-14, the timing of borrowings in 2012-13 (which was largely undertaken in the June quarter of 2013) resulted in higher interest payments in 2013-14 relative to 2012-13 (up \$50.7 million).

Item 128 Department of Corrective Services

Relative to 2012-13, equity contributions for the Custodial Infrastructure Program were \$27.1 million higher in 2013-14, primarily due to the Acacia Prison expansion project, with the value of construction works peaking in 2013-14.

Item 135 Metropolitan Redevelopment Authority

The Authority received \$84.3 million less than forecast at the time of the 2013-14 Budget. This mainly relates to the progress of works based on the finalisation of contracts and aspects of the detailed design phase.

The 2013-14 outturn was \$45.2 million lower than the outcome for 2012-13, reflecting the utilisation of land sales proceeds ahead of appropriation funding for the Elizabeth Quay project. Two lots were sold from within the Elizabeth Quay precinct in 2013-14, raising \$64 million.

Item 137 Royalties for Regions

The 2013-14 outturn was \$240.6 million higher than that recorded in 2012-13, primarily due to mix of recurrent and capital appropriations for the Royalties for Regions program (which is driven by the program approved by the Government for each year), and an increase in the 2013-14 Budget royalties forecast on which the Fund receives appropriations (up \$238 million relative to 2012-13, reflecting the higher royalty rate for iron ore 'fines' (increasing from 6.5 per cent to 7.5 per cent on 1 July 2013), the depreciation of the Australian dollar relative to the US dollar, and a higher volume of iron ore production).

Item 138 WA Health

Since 2004-05, the Budget has quarantined funding for a range of broad health reform initiatives as part of WA Health's infrastructure program. WA Health is required to submit business cases and planning details for Government approval to access these funds throughout the year. Given the preliminary nature of the funding allocation at Budget, 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 \$31.1 million decrease from Budget for 2013-14 is comprised of a range of projects subject to such variations, including the Esperance Integrated District Health Service (\$12 million), Royal Perth Hospital Redevelopment Stage 1 (\$4 million), Harvey Hospital Redevelopment (\$4 million), Health Services Development Fund (\$3 million), Sir Charles Gairdner Hospital – Redevelopment Stage 1 (\$2 million) and a range of smaller works.

Item 140 Fiona Stanley Hospital Construction Account

This item provides funding to a Special Purpose Account for the construction of the Fiona Stanley Hospital. The lower appropriation in 2013-14 (\$15 million) compared to 2012-13 (\$125 million) reflects the hospital reaching practical completion in December 2013.

Item 141 New Children's Hospital Account

This item provides funding to a Special Purpose Account for the construction of the Perth Children's Hospital. An initial \$505 million was credited to the account in 2011-12 which was sourced from the higher than expected royalty outcomes in 2009-10 and 2010-11. Remaining funding for the hospital's construction is appropriated to the account in line with the project schedule, commencing in 2013-14.

The 2013-14 appropriation of \$182 million represents Consolidated Account capital contributions required to meet the construction schedule in that year.

Item 142 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's management). The Account was established with \$100 million from the higher than expected outturn for 2010-11, and was paid into the account in 2012-13.

Other appropriation funding to the account commenced in 2013-14 (\$15 million) and will continue to be provided in the annual budget based on expectations of the timing of cash drawdowns from the account for construction work paid for by the Department of Sport and Recreation and the Public Transport Authority.

Electricity Generation Corporation (Verve Energy)

Funding for works associated with Verve Energy's High Efficiency Gas Turbines (HEGT) and the development of renewable energy projects ceased in 2012-13. No funding was required in 2013-14 as Verve Energy was merged with the energy retailer Synergy on 1 January 2014 (with the single entity known as Synergy).

GST Grants

GST grants in 2013-14 were \$428.5 million lower than recorded in 2012-13, largely due to a sharp decline in Western Australia's share of the national GST pool, from 55.1 per cent of the State's population share in 2012-13 to 44.6 per cent in 2013-14. This change in the State's share reflects the Commonwealth Grants Commission's February 2013 recommendations for the distribution of the pool of national collections.

Dividends

Higher dividends in 2013-14 (up \$106.1 million) compared with 2012-13 were driven by both positive and negative variations across a number of agencies. Material variations compared to the previous year include:

- Water Corporation (up \$121 million), reflecting higher profits, primarily due to increased tariff revenue resulting from price increases in the 2013-14 Budget and increased infrastructure contributions from developers as a result of higher lot development activity during the year;
- Insurance Commission of Western Australia (up \$66 million), due to the implementation of new dividend arrangements. As a result of later than expected passage of the legislation enabling interim dividend collections from the Commission, revenue for 2012-13 and 2013-14 was received in 2013-14;
- Synergy (down \$65 million), reflecting lower profitability in 2012-13 due to factors impacting the former Verve Energy and Synergy (these entities were merged as a single energy retailer and generator on 1 January 2014), including the adoption of a revised operating subsidy model, reduction in energy demand, changes to Load Following/Ancillary Services and amendments to gas sales agreements;
- Western Australian Land Authority (down \$62 million), as a result of a one-off \$62 million additional dividend payment in 2012-13 following the implementation of revenue and initiatives reflected in the 2012-13 Mid-year Review; and
- Western Power (up \$22 million), with the final dividend received in 2013-14 reflecting higher profit in 2012-13, due to lower operating expenditure and higher network tariff revenue.

Income Tax - Tax Equivalent Regime

Higher tax equivalent revenue in 2013-14 (up \$222.7 million) relative to 2012-13 was driven by both positive and negative variations across a number of agencies. The largest of these movements include:

- Water Corporation (up \$111 million), which reflects higher profits noted above;
- Synergy (up \$53 million), due to an increase in deferred tax assets of \$42.6 million primarily relating to carbon tax and movements in accounting provisions for gas swap agreements and decommissioning liabilities, and increased profits driven by cost saving measures across the business; and
- Port Hedland Port Authority (up \$31 million), due to higher than expected revenue from strong iron ore trade performance, as well as lower than expected expenditure on port operations and development activities.

Tax equivalent revenue was \$101.6 million higher than the 2013-14 Budget which also reflects both positive and negative variations across a number of agencies. Material variations to the 2013-14 Budget include:

- Synergy (up \$52 million), reflecting the same factors noted above; and
- Water Corporation (up \$29 million), which reflects higher than forecast profits primarily as a result of increased revenue from developers contributions (for higher lot development activity), and increased tariff revenue due to additional water sales and the impact of the transition to two-monthly billing in 2013-14 (resulting in more accurate timing in revenue recognition relative to the Budget).

Consolidated Account Revenue Received from Agencies

Revenue paid to the Consolidated Account by agencies was \$2.1 billion higher in 2013-14 than in 2012-13. This reflects a significant increase in royalty revenue collected by the Department of Mines and Petroleum, mainly attributable to a \$1.6 billion increase in iron ore royalties (which reflects an increase in the royalty rate on iron ore 'fines' to 7.5 per cent from 1 July 2013, increased production volumes and a lower average \$US/\$A exchange rate during 2013-14). Moderate increases in land and property-related taxes collected by the Office of State Revenue and motor vehicle taxes collected by the Department of Transport were also recorded in 2013-14.

Superannuation

Movements in the discount rate used to value unfunded superannuation liabilities increased in 2012-13, resulting in a reduction in the unfunded liability recorded on the State's balance sheet at 30 June 2013. For income statement purposes, this valuation impact was recorded as a revenue benefit in 2012-13. In 2013-14, the valuation of unfunded superannuation has the opposite effect (increasing the value of the liability at 30 June 2014) and is recorded as an expense.

Interest

Compared to the 2012-13 outturn, interest revenue was \$56.6 million (or 28.8 per cent) lower in 2013-14, largely reflecting lower earning rates for the Public Bank Account (with an average 2.8 per cent rate applicable across 2013-14 compared to a 3.4 per cent average during 2012-13), and lower balances in a number of Treasurer's Special Purpose Accounts, including the Perth Children's Hospital, the Fiona Stanley Hospital, and the new Perth Stadium, as construction on these projects continues and funds are drawn down for associated payments. These reductions were partly offset by increased interest earnings arising from higher balances in the Western Australian Future Fund (reflecting \$262.5 million in additional 'seed capital' paid in to the fund during the year) and interest earned on the Royalties for Regions Fund.

Loan Guarantee Fees

An \$11.1 million increase in loan guarantee fee revenue in 2013-14 relative to 2012-13 reflects higher borrowings for infrastructure programs for a range of Government Trading Enterprises.

Other Revenue

Other revenue was \$19.6 million higher than the 2013-14 Budget estimate, due mainly to:

- a \$3.4 million reimbursement related to payments for the 2011 Margaret River bushfires by the Insurance Commission of Western Australia. The State Government's ex gratia Financial Assistance Scheme (FAS) following the 2011 Margaret River Bushfires was released to assist people affected by the fires whilst the cause and insurance issues were being resolved. Ultimately, the State's insurer (RiskCover) incurred all the costs associated with the fire and consequently repaid the amount originally expended by the Consolidated Account under the FAS;
- the refund of excess operating subsidy payments received for the 2012-13 year by Synergy (\$3.3 million). The refund arose due to the actual disbursement of the various subsidies to customers being less than budgeted;
- the return of unspent grant funding received by the Department of Commerce for the implementation of various reforms under the Council of Australian Governments' Seamless National Economy (\$3.1 million);
- funds returned by the Public Transport Authority due to changes in the payment schedule for services provided by Western Power for the City West substation project (\$2.6 million); and
- funds received from the Commonwealth reimbursing the State for payments in relation to a bushfire affecting the Shire of Brookton and the 2001 collapse of HIH Insurance (\$2 million).

Note 36. Supplementary financial information

There were no write-offs for the reporting period.

Note 37. Special Purpose Accounts

	2014 \$000	2013 \$000
Special Purpose Account section 10 of the <i>Financial Management Act 2006</i>		
Accrued salaries		
The purpose of the Special Purpose Account is to hold funds in accordance with section 26(2) of the <i>Financial Management Act 2006</i> .		
Balance at the start of the period	227,730	176,092
Receipts	33,402	51,940
Payments	1,883	302
Balance at the end of the period	259,249	227,730
Bankwest Pension Trust		
The purpose of the Special Purpose Account is to hold funds received from Bankwest in satisfaction of its liabilities under the <i>Superannuation and Family Benefits Act 1938</i> and other receipts.		
Balance at the start of the period	6,392	7,118
Receipts	1,927	1,878
Payments	2,690	2,604
Balance at the end of the period	5,629	6,392
Commonwealth payments for Specific Purposes Account		
The purpose of the Special Purpose Account is to receive National Specific Purpose Payments and National Partnership Payments from the Commonwealth Government pursuant to the Intergovernmental Agreement on Federal Financial Relations for disbursement to relevant government agencies and the Consolidated Account.		
Balance at the start of the period	36,627	106,796
Receipts	2,016,773	2,159,210
Payments	2,004,540	2,229,379
Balance at the end of the period	48,860	36,627

	2014	2013
	\$000	\$000

Departmental receipts in suspense

The purpose of the special purpose account is to hold funds pending identification of the purpose for which these moneys were received pursuant to section 10(f) of the *Financial Management Act 2006*.

Balance at the start of the period	466	13,119
Receipts	64,566	77,745
Payments	49,588	90,398
Balance at the end of the period	15,444	466

Fiona Stanley Hospital Construction Account

The purpose of the special purpose account is to hold funds appropriated from the Consolidated Account for the construction and establishment of the Fiona Stanley Hospital in accordance with the provisions of the Fiona Stanley Hospital Construction Account 2007.

Balance at the start of the period	104,389	309,237
Receipts	16,996	133,903
Payments	112,227	338,751
Balance at the end of the period	9,158	104,389

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 *State Grants (Schools Assistance) Act 2008* pending payment to independent schools.

Balance at the start of the period	-	-
Receipts	21,959	27,873
Payments	21,959	27,873
Balance at the end of the period	-	-

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 *State Grants (Schools Assistance) Act 2008* pending payment to independent schools.

Balance at the start of the period	-	-
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	2014 \$000	2013 \$000
Receipts	939,809	848,579
Payments	939,809	848,579
Balance at the end of the period	-	-
Jervoise Bay Infrastructure Development Trust Account		
The purpose of the special purpose account is to hold funds received from the Commonwealth being a grant for the development of facilities at Jervoise Bay.		
Balance at the start of the period	9,502	9,159
Receipts	276	343
Payments	-	-
Balance at the end of the period	9,778	9,502
Local Authorities Tax Sharing Entitlements Account		
The purpose of the special purpose account is to hold funds received from the Commonwealth pursuant to the <i>Local Government (Financial Assistance) Grants Act 1995</i> pending payment to local authorities.		
Balance at the start of the period	-	-
Receipts	136,348	294,651
Payments	136,348	294,651
Balance at the end of the period	-	-
Mortgage moneys under the <i>Transfer of Land Act 1893</i>		
The purpose of the special purpose account is to hold funds paid to the Treasurer in accordance with section 126 of the <i>Transfer of Land Act 1893</i> .		
Balance at the start of the period	79	76
Receipts	2	3
Payments	-	-
Balance at the end of the period	81	79

	2014	2013
	\$000	\$000

Perth Children's Hospital Account

The purpose of the special purpose account is to hold money for the construction and establishment of the Perth Children's Hospital.

Balance at the start of the period	277,008	423,172
Receipts	182,000	70,000
Payments	365,069	216,164
Balance at the end of the period	93,939	277,008

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 *State Grants (Schools Assistance) Act 2008* pending payments to non-government schools.

Balance at the start of the period	-	-
Receipts	11,289	24,909
Payments	11,289	24,909
Balance at the end of the period	-	-

Perry Lakes Maintenance Account

The purpose of the special purpose account is to contribute to the costs of maintaining, operating and managing the athletics facilities at the AK Reserve.

Balance at the start of the period	5,799	5,589
Receipts	166	210
Payments	692	-
Balance at the end of the period	5,273	5,799

Perth's New Major Stadium Construction Account

The purpose of the special purpose account is to hold moneys for the construction of the New Major Stadium.

Balance at the start of the period	95,379	-
Receipts	33,304	105,100
Payments	81,325	9,721
Balance at the end of the period	47,358	95,379

	2014 \$000	2013 \$000
Purchasing Card Common Use Arrangement – financial incentive payments		
The purpose of the special purpose account is to hold for disbursement to public authorities financial incentive moneys received from the Purchasing Card Common Use Arrangement suppliers – National Australia Bank Limited and Australia and New Zealand Banking Group Limited.		
Balance at the start of the period	-	-
Receipts	-	64
Payments	-	64
Balance at the end of the period	-	-
Public Bank Account Interest Earned Account		
The purpose of the special purpose account is to hold funds in accordance with section 10(d) of the <i>Financial Management Act 2006</i> .		
Balance at the start of the period	25,311	43,041
Receipts	152,424	197,721
Payments	152,062	215,451
Balance at the end of the period	25,672	25,311
Royalties for Regions Fund		
The purpose of the special purpose account is to facilitate investment in regional Western Australia in the areas of infrastructure and headworks, local government and community services.		
Balance at the start of the period	880,957	687,074
Receipts	1,488,988	1,273,338
Payments	1,430,247	1,079,455
Balance at the end of the period	939,698	880,957
Statutory Authorities Investment Account		
The purpose of the special purpose account is to hold funds received from statutory authorities for investment purposes as provided by section 39(2) of the <i>Financial Management Act 2006</i> .		
Balance at the start of the period	144,077	144,257
Receipts	29,328	22,520
Payments	24,100	22,700
Balance at the end of the period	149,305	144,077

	2014 \$000	2013 \$000
Tariff Equalisation Fund		
The purpose of the special purpose account is to allow the transparent transfer of appropriate funds from the Electricity Networks Corporation (Western Power) to the Regional Power Corporation (Horizon Power) to enable it to maintain uniform tariff protection in its areas of operation in accordance with the provisions of the <i>Electricity Industry Act 2004</i> .		
Balance at the start of the period	-	-
Receipts	209,000	154,000
Payments	209,000	154,000
Balance at the end of the period	-	-
Toodyay Fire Victims Fund Account		
The purpose of the special purpose account is to hold funds pending distribution to residents directly affected by the Toodyay bushfire on 29 December 2009 and to meet associated costs.		
Balance at the start of the period	-	3,057
Receipts	-	-
Payments	-	3,057
Balance at the end of the period	-	-
Western Australian Future Fund		
The purpose of the special purpose account is to provide for the accumulation of a portion of the revenue from the State's mineral resources and other moneys for the benefit of future generations.		
Balance at the start of the period	305,932	-
Receipts	290,146	305,932
Payments	-	-
Balance at the end of the period	596,078	305,932

Note 38. Special Purpose Account created during the year

There were no Special Purpose Accounts created during the year.

Note 39. Administered income and expenses

	2014	2013
	\$000	\$000
Expenses		
Superannuation	606,395	-
Borrowing costs	477,969	446,141
Appropriations	18,697,100	17,247,056
Capital contributions ^(a)	2,897,807	2,521,256
Grants, subsidies and transfers	3,281,441	3,098,582
Transfer payments	209,000	154,000
Other expenses	629,920	377,048
Total administered expenses	26,799,632	23,844,083
Income		
Commonwealth grants	6,932,007	7,272,743
Superannuation	-	332,537
Government enterprises:		
Dividends	905,292	799,121
Tax equivalent receipts	616,919	390,694
Interest ^(b)	139,936	196,508
Pension recoups	14,724	14,681
Loan guarantee fees	120,360	109,211
Gold State superannuation reimbursement	154,968	159,923
Revenue for transfers	209,000	154,000
Other revenue	35,502	39,567

	2014	2013
	\$000	\$000
Community funding	146,907	151,188
Total administered income	9,275,615	9,620,173

The item 'Consolidated Account Revenue Received from Agencies', identified in the 2013-14 Budget Papers (page 346, \$14.86 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) These consist of capital appropriation payments to agencies from the Consolidated Account and from the Royalties for Regions Scheme.

(b) The interest revenue for Fiona Stanley Hospital and Royalties for Regions was double counted in the 2012-13 actuals, as well as the omission of the Perry Lakes interest revenue. Therefore the 2012-13 actuals have been adjusted accordingly to assist with comparability between the two actuals.

Note 40. Disclosure of administered income and expenses by service

	Financial Management and Reporting		Economic and Revenue Forecasts and Policy Development		Total	
	2014 \$000	2013 \$000	2014 \$000	2013 \$000	2014 \$000	2013 \$000
COST OF SERVICES						
Expenses						
Superannuation	606,395	-	-	-	606,395	-
Borrowing costs	477,969	446,141	-	-	477,969	446,141
Appropriations	18,697,100	17,247,056	-	-	18,697,100	17,247,056
Capital contributions	2,897,807	2,521,256	-	-	2,897,807	2,521,256
Grants, subsidies and transfers	3,281,441	3,098,582	-	-	3,281,441	3,098,582
Transfer payments	209,000	154,000	-	-	209,000	154,000
Other expenses	629,920	377,048	-	-	629,920	377,048
Total administered expenses	26,799,632	23,844,083	-	-	26,799,632	23,844,083

	Financial Management and Reporting		Economic and Revenue Forecasts and Policy Development		Total	
	2014	2013	2014	2013	2014	2013
	\$000	\$000	\$000	\$000	\$000	\$000
Income						
Commonwealth grants	-	-	6,932,007	7,272,743	6,932,007	7,272,743
Superannuation	-	332,537	-	-	-	332,537
Government enterprises:						
Dividends	-	-	905,292	799,121	905,292	799,121
Tax equivalent receipts	-	-	616,919	390,694	616,919	390,694
Interest	139,936	196,508	-	-	139,936	196,508
Pension recoups	14,724	14,681	-	-	14,724	14,681
Loan guarantee fees	120,360	109,211	-	-	120,360	109,211
Gold State superannuation reimbursement	154,968	159,923	-	-	154,968	159,923
Revenue for transfers	209,000	154,000	-	-	209,000	154,000
Other revenue	35,502	39,567	-	-	35,502	39,567
Community funding	146,907	151,188	-	-	146,907	151,188
Total administered income	821,397	1,157,615	8,454,218	8,462,558	9,275,615	9,620,173

Note 41. Administered assets and liabilities

	2014	2013
	\$000	\$000
Current assets		
Cash and cash equivalent	4,119,698	5,936,529
Treasurer's advances	7,316	7,167
Government enterprises:		
Dividends receivable	1,505	1,505
Tax equivalent receivable	144,272	98,826
Recoverable advances	8,845	5,551
Other receivables	201,089	357,955
Total administered current assets	4,482,725	6,407,533

	2014	2013
	\$000	\$000
Non-current assets		
Investments	5,629	6,392
Recoverable advances	34,847	43,705
Other receivables	20,039	20,039
Total administered non-current assets	60,515	70,136
TOTAL ADMINISTERED ASSETS	4,543,240	6,477,669
Current liabilities		
Superannuation	59,319	56,414
Interest payable	100,561	100,309
Appropriations payable	204,105	265,051
Special Purpose Account liabilities	4,742,028	4,160,322
Other payables	55,113	183,073
Total administered current liabilities	5,161,126	4,765,169
Non-current liabilities		
Borrowings	10,139,097	10,139,097
Superannuation	7,813,112	7,925,339
Appropriation payable	7,751,665	6,941,921
Other payables	24,642	19,859
Total administered non-current liabilities	25,728,516	25,026,216
TOTAL ADMINISTERED LIABILITIES	30,889,642	29,791,385

Note 42. Supplementary funding

Supplementary funding approved and expended during 2013-14 was as follows:

	2014 Amount Approved	2014 Amount Expended
	\$000	\$000
Item 34 Operating subsidy payments - Electricity Retail Corporation (Synergy)	102,667	102,667
	102,667	102,667

Additional funding of \$102.7 million was approved for Synergy's operating subsidies in 2013-14. A total of \$592 million was paid to Synergy for the year, compared to their 2013-14 Budget estimate of \$489.3 million. The 2013-14 Mid-year Review incorporated a range of cost and demand pressures that increased the gap between rates paid for electricity by customers and the cost of providing electricity in the South West Interconnected System (SWIS). The increased gap reflected higher costs for renewable energy schemes and generation capacity, and lower customer revenue due to a reduction in demand for energy.

Item 37 Operating subsidy payments - Public Transport Authority	28,313	28,313
	28,313	28,313

The \$28.3 million funding increase relative to the 2013-14 Budget primarily reflects lower fare revenue (\$21.3 million), costs for the remediation of contaminated sites (\$5 million) and cost of repairs to damaged railcars (\$2.7 million). These were partly offset by lower fuel costs (\$1.5 million), reflecting reductions in the average cost of fuel through the year.

Item 39 Operating subsidy payments - Western Australian Land Authority	749	-
	749	-

Increased funding of \$749,000 was approved for changes in timing of the Browse LNG Precinct project (\$600,000), higher than expected land tax costs associated with the Australian Marine Complex Technology Park project (\$173,000) and lower than expected land tax costs for the Kwinana land (\$24,000).

However, as funds were not drawn down for the Collie Shotts Industrial Park (due to deferral of works until industries entering the park have secured coal supply contracts to enable their projects to proceed), and the Kemerton Core Land Acquisition projects (no acquisitions were required to be undertaken during the year), the supplementary funding of \$749,000 was not required.

	2014 Amount Approved	2014 Amount Expended
	\$000	\$000
Item 42 Decommissioning of the Office of Shared Services	3,000	2,992
	3,000	2,992

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. An additional \$3 million was approved to meet higher than expected costs relating to salaries, consultancies, system support and maintenance and financial services to individual agencies, offset by an equivalent lower amount in capital funding for acquisition and implementation costs of new financial systems.

Item 47 Provision for voluntary separations

44,930	19,818
44,930	19,818

Additional funding of \$44.9 million was approved for the Enhanced Voluntary Separation Scheme in 2013-14. The original scheme anticipated a total of 1,000 full-time equivalent staff would opt to leave the sector at an estimated cost of \$100 million. The additional funds reflect higher than expected costs per separation and provision for an additional 200 separations, partly offset by some separations being self-funded by some agencies (rather than by appropriation).

Of the approved increase, only \$19.8 million of additional funding was drawn, reflecting lower than expected take up by staff (1,112 compared to an estimated 1,200), more than expected agency self-funded separations and lower than expected leave entitlement expenses.

Key Performance Indicators

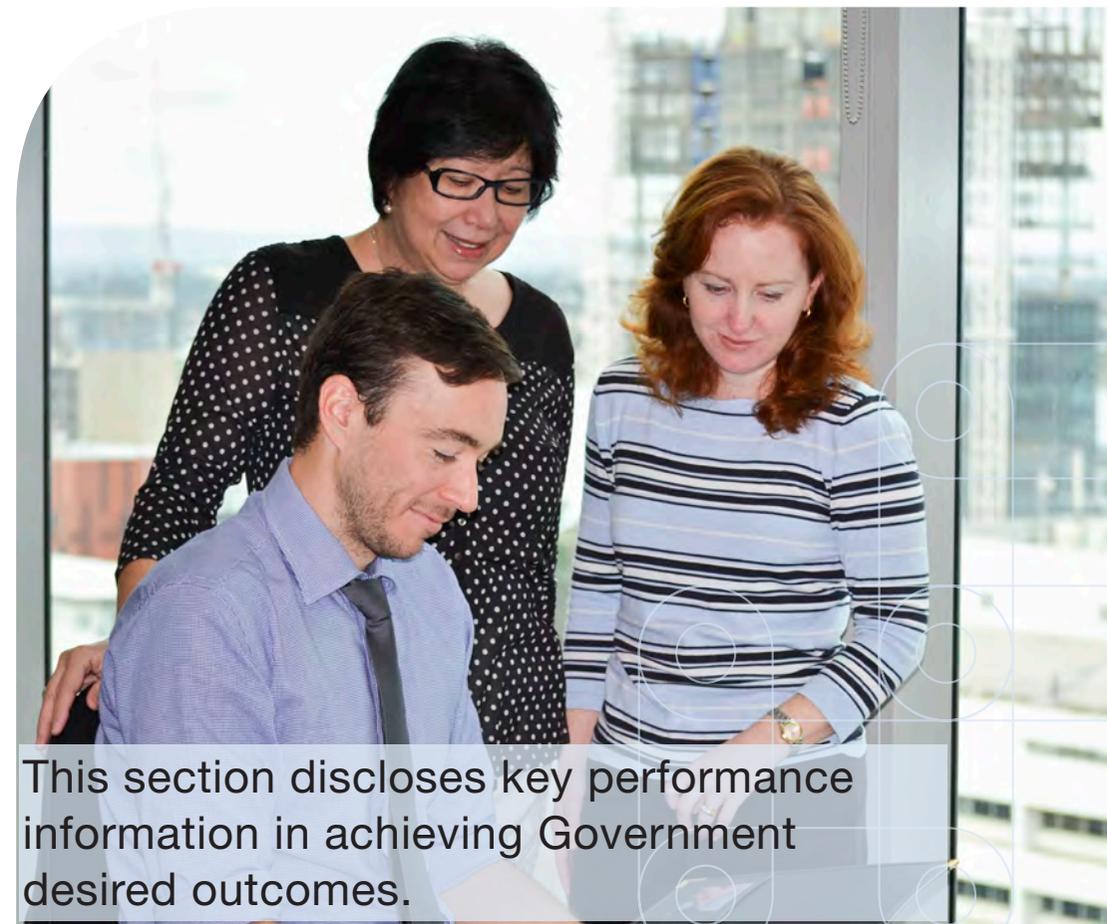
Certification of Key Performance Indicators

For the year ended 30 June 2014

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 2014.



Michael Barnes
ACTING UNDER TREASURER
9 September 2014



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

Performance assessment

Outcomes

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

1. Sustainable and transparent public sector finances

Service 1: Financial management and reporting

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 the Government on its fiscal strategy and targets; publication of reports on the State's finances; advice to Government and its agencies on the legislative framework underpinning financial management and accountability; management of the Public Ledger; and management of the investment of the Public Bank Account and Western Australian Future Fund (in conjunction with the Western Australian Treasury Corporation).

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

Key indicators of effectiveness	2010-11 Actual	2011-12 Actual	2012-13 Actual	2013-14 Target	2013-14 Actual	Notes
Status of the State's credit rating ^(a)	triple-A	triple-A	triple-A	triple-A	Aaa ^(b) AA+ ^(c)	1
Unqualified audit opinion on the Annual Report on State Finances	Yes	Yes	Yes	Yes	Yes	2

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

^(b) Moody's. Subsequent to 30 June 2014, on 25 August 2014, Moody's finalised its rating to Aa1.

^(c) Standard & Poor's.

Notes:

1. The 2013-14 Target reflected the triple-A credit rating assessments issued by both credit rating agencies and applying at the time of the [2013-14 Budget](#) (released on 8 August 2013). Reflecting its assessment of the challenges facing Western Australian public sector finances, Standard and Poor's downgraded the State on 18 September 2013 (from AAA with a 'negative outlook' to AA+ with a 'stable outlook'). At 30 June 2014, Moody's continued to assess Western Australia's credit rating as Aaa with a 'negative outlook', as advised in its last assessment released on 20 December 2012.
2. Western Australia's whole-of-government financial outcomes for the year ending 30 June 2013 were released on 25 September 2013 in the [2012-13 Annual Report on State Finances](#). Released in line with statutory reporting requirements, the report was 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	2010-11 Actual	2011-12 Actual	2012-13 Actual	2013-14 Target	2013-14 Actual	Notes
Accuracy of key general government revenue forecasts:						
- tax revenue ^(a)	2.1%	3.0%	7.7%	+/-5.0%	-4.8%	1
- mining revenue ^(b)	22.4%	-8.8%	-6.8%	+/-5.0%	3.0%	2
Accuracy of key economic forecasts (percentage point difference):						
- employment growth ^(c)	1.7	1.8	0.7	+/-0.5	0.4	3
- real State Final Demand (SFD) growth ^(d)	-0.6	6.9	-1.2	+/-2.0	-1.9	4

^(a) The actual for 2013-14 used to calculate the KPI is the 2013-14 estimated actual as at July 2014.

^(b) The actual for 2013-14 used to calculate the KPI is the 2013-14 estimated actual as at July 2014. 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.

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

^(d) The estimated actual for 2013-14 used to calculate the KPI is based on the annual average growth to March quarter 2014. Any changes to actual figures from previous reporting are due to the revision of the historical series from the ABS.

Notes:

1. The preliminary actual for total tax in 2013-14 is lower than the Budget forecast by 4.8%. This is largely due to lower than expected transfer duty and payroll tax. The target for 2013-14 was met.
2. The preliminary actual for mining revenue for 2013-14 is higher than forecast at the 2013-14 Budget primarily due to stronger than expected iron ore production volumes. The target for 2013-14 was met.
3. The employment deviation reflects slightly stronger than expected employment growth in the second half of 2013-14. The 2013-14 target was met.
4. The real State Final Demand deviation reflects a stronger than expected decline in business investment and softer than expected growth in household consumption. The target for 2013-14 was met.

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

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

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

Key indicators of effectiveness	2010-11 Actual	2011-12 Actual	2012-13 Actual	2013-14 Target	2013-14 Actual	Notes
Percentage of the Department's material resource allocation recommendations complying with the Service Provision Analysis Framework	99%	100%	98%	100%	95%	1
Percentage of highest value agencies ^(a) complying with the Strategic Asset Management Framework or equivalent accredited mechanism	69%	75%	40%	75%	46%	2

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

Notes:

- 37 out of 39 (95 per cent) of Economic and Expenditure Reform Committee papers were compliant with SPAF, representing resource allocation recommendations of more than \$5 million over the forward estimates period.
- Six out of 13 (46 per cent) of the highest value agencies are compliant with SAMF or an equivalent mechanism at 30 June 2014, not meeting the target of 75 per cent. Five of the seven non-compliant agencies are GTEs or Public Non-Financial Corporations (PNFCs). Currently, compliance by GTEs and PNFCs with the SAMF is not mandatory, although Government is expected to shortly consider a proposal to amend this. In addition, there is a change between the 2012-13 and 2013-14 composition of the number of agencies forming the top 90 per cent of the total Asset Investment Program from 15 to 13, thus impacting on the proportion of GTE and non-GTE organisations included.

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	2010-11 Actual	2011-12 Actual	2012-13 Actual	2013-14 Target	2013-14 Actual	Notes
Percentage of significant ^(a) projects in the New Buildings program delivered within approved:						
- budget	n/a	88%	82%	100%	94%	1
- timeframe	n/a	82%	82%	100%	94%	2

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

Notes:

1. The 2013-14 Actual result is below the 2013-14 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 per cent of the current approved budget of \$9.6 million).
2. The 2013-14 Actual result is below the 2013-14 Target due to the Busselton Health Campus scheduled completion date of November 2014 being one month later than the current approved completion date of October 2014.

Key Efficiency Indicators

The Department has a major role in the compilation of the State Budget, 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	2010-11 Actual	2011-12 Actual	2012-13 Actual	2013-14 Target	2013-14 Actual	Notes
Percentage of financial reports released as per agreed timeframes	100%	100%	100%	100%	100%	1

Notes:

1. Treasury prepares a number of publications subject to the statutory reporting requirements of the [Government Financial Responsibility Act 2000](#). For the 2013-14 year, statutory deadlines for release of the following reports applied under the Act: the 2012-13 Annual Report on State Finances; the September 2013, December 2013 and March 2014 Quarterly Financial Results Reports; and the [2013-14 Government Mid-year Financial Projections Statement](#). Treasury met all statutory reporting deadlines under the Act for these publications in the past and expects to continue to do so throughout 2014-15.

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, and economic, social and environmental developments.

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

Key indicators of efficiency	2010-11 Actual	2011-12 Actual	2012-13 Actual	2013-14 Target	2013-14 Actual	Notes
Number of Ministerials, briefings or reports provided on economic issues ^(a)	n/a	n/a	236	232	238	1

^(a) Any changes to actual figures from previous reporting are due to the revision of the data collected to include internal Ministerials, Parliamentary Questions and Contentious Issues Briefing Notes.

Notes:

1. Total Ministerial correspondence for the year exceeded the target.

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	2010-11 Actual	2011-12 Actual	2012-13 Actual	2013-14 Target	2013-14 Actual	Notes
Number of Economic and Expenditure Reform Committee papers on service delivery and infrastructure advice ^(a)	n/a	n/a	108	98	75	1

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

Notes:

1. The number of Economic and Expenditure Reform Committee papers on service delivery and infrastructure advice did not meet the 2013-14 Target. This was mainly due to a late 2013-14 Budget process in August 2013, following the March 2013 State Election, where Government election commitments, rather than agency submissions, were the focus.

In addition, during the 2014-15 Budget process, clear guidelines were provided to agencies detailing the Government's priorities for supporting funding, and this may have reduced the number of submissions made.

Strategic Projects Business

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

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

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

Key indicators of efficiency	2010-11 Actual	2011-12 Actual	2012-13 Actual	2013-14 Target	2013-14 Actual	Notes
Cost as a percentage of the total annual value of the planning and delivery of capital works projects	n/a ^(a)	0.3%	0.6%	0.7%	0.5%	1

^(a) No comparison is applicable to 2010-11 due to the split of the Department of Treasury and Finance.

Notes:

1. The 2013-14 Actual Cost indicator is less than the 2013-14 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.

Ministerial directives

No ministerial directives were received during the 2013-14 financial year.

Other disclosures

Senior officers

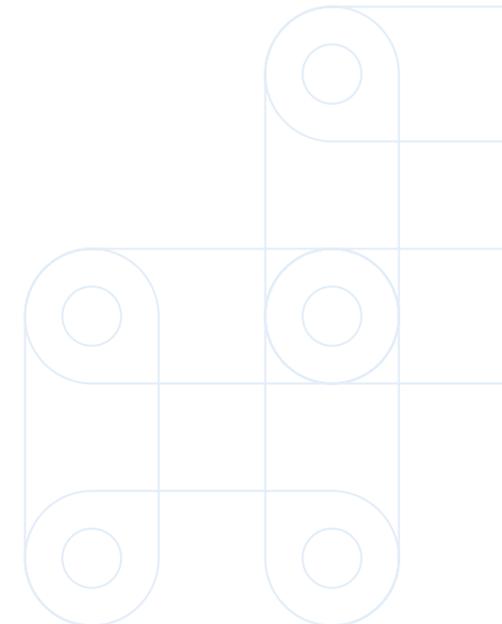
In accordance with Treasurer's Instruction 903 (14 (ii)), senior officers are required to disclose details of any shares, held either as a nominee or held beneficially, in any subsidiary body of the agency. In 2013-14, no senior officers held shares in any subsidiary body of the agency as a nominee or held beneficially.

Treasurer's Instruction 903 (14(iii)) requires senior officers to disclose particulars, other than normal contracts of employment, of any interest in any existing or proposed contract which:

- a senior officer;
- a firm of which a senior officer is a member of; or

- an entity in which a senior officer has a substantial financial interest has made with the agency or any subsidiary body, related body or affiliated body of the agency.

In 2013-14, other than normal contracts of employment, no senior officers, firms of which senior officers are members, or entities in which senior officers have substantial interests, had any interests in existing or proposed contracts with the department or any subsidiary body, related body or affiliated body of the agency.



Other legal requirements

Advertising

In accordance with section 175ZE of the *Electoral Act 1907*, the Department incurred the following expenditure for advertising, market research, polling, direct mail and media advertising. Total expenditure for 2013-14 was \$16,651.

	\$
Advertising agencies	
Adcorp	16,651
Market research organisations	Nil
Polling organisations	Nil
Direct mail organisations	Nil
Media advertising organisations	Nil
Total expenditure	16,651