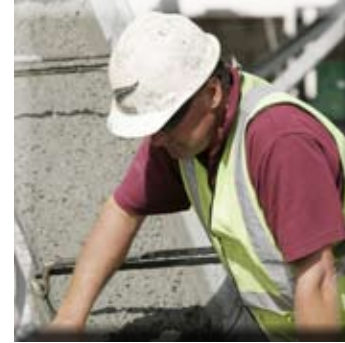


# Department of Housing and Works 2007-08 Annual Report



*Includes the Western Australian Building Management Authority Annual Report*

## Our Vision

Responding to the hopes of all Western Australians for their housing and construction needs.

## Our Mission

Leading in the provision of housing services and development of a built environment which contributes to:

- Supportive, vibrant and sustainable communities;
- A robust economy;
- Strong regional development; and
- The natural environment

for the benefit of all Western Australians.

## Our Role

We are playing our part in building a better community by:

- Providing and supporting housing for Western Australians who cannot otherwise afford their own homes by arranging affordable housing finance, rental housing and land (delivered through the housing-related agencies);
- Delivering, managing and maintaining non-residential government buildings in Western Australia; and
- Providing policy, legislation and regulation of community housing and the building and construction industry in Western Australia.

## What we do

We play a key part in helping build stronger communities by providing and supporting housing for people who might not otherwise be able to afford it.

Our other main activities involve delivering, managing and maintaining non-residential government buildings and infrastructure across Western Australia. These can include schools, hospitals, facilities and essential services in Aboriginal communities, sporting facilities and police stations.

We also manage government offices around Western Australia and provide expertise and policy advice to the Government on legislation and issues affecting community housing and the State's building and construction industry.

The Department also manages Fremantle Prison. The prison is one of Western Australia's iconic heritage sites, and was the first place in WA to be included on the National Heritage List.

Throughout this work, we are firmly focused on three strategic intentions:

- More people in housing;
- Improving and building sustainable Aboriginal communities; and
- Improving building and infrastructure.

We have more than 1,000 staff working across the State to help achieve these goals.

Note: This annual report deals with the works functions of the Department of Housing and Works (that is, the areas of construction, property management, maintenance and building industry development).

The housing-related functions of the Department are detailed in separate annual reports put out by the Housing Authority and the Country Housing Authority.

# Albany Entertainment Centre

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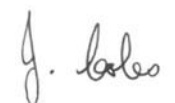
## Statement of Compliance

FOR THE YEAR ENDED 30 JUNE 2008

**To the Hon Troy Buswell MLA Minister for Housing and Works**

In accordance with Section 61 of the *Financial Management Act 2006*, I hereby submit for your information and presentation to Parliament, the Annual Report of the Department of Housing and Works for the financial year ended 30 June 2008.

The Annual Report has been prepared in accordance with the provisions of the *Financial Management Act 2006*.



John Coles  
Acting Director General





## Director General's Report

## *A challenging year ...*

The past 12 months have been the busiest on record for the Department of Housing and Works.

The Department is assisting client agencies by providing design and construction services for projects worth a total of more than eight billion dollars.

The cranes dotted across the Perth skyline and major skills shortages are evidence of the overheated construction industry and the difficulties faced with a building program of this magnitude.

Assisting client agencies with the construction of schools, police stations, homes and offices will continue to be very challenging in a climate of increasing cost pressure resulting from the State's resource boom.

The management of the Government's extensive office portfolio around the State is important in ensuring agencies have appropriate facilities to serve the community throughout Western Australia.

Development work has been done on the concept of a Building Commission, a 'one-stop-shop' to oversee WA's building industry.

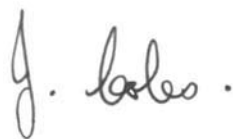
The Department also manages the Fremantle Prison; an award-winning historic tourist attraction which I'm pleased to say has been nominated for World Heritage listing.

This growth in the State's economy has created many challenges with fierce competition for skilled contractors and resources, and rapidly increasing prices for labour and building materials.

The Department has made a contribution towards addressing the skills shortage with our industry training program, helping to create 120 apprenticeships and a sound future for a keen group of young West Australians.

I would also like to pay tribute to Bob Mitchell who retired recently as Director General after making a significant contribution to the agency.

Finally, I would like to take this opportunity to acknowledge the achievements of our staff over the past year, and to thank them for their professionalism and commitment in difficult times.



John Coles  
Acting Director General

*Performing Arts Centre*



## Overview of Agency

# Overview of Agency

## *Executive Summary*

### Highlights – Major Achievements for 2007-08

The program turnover of building works was \$562 million. The significant areas of growth have been the Department of Education and Training (DET – \$291 million) and WA Health (\$117 million). This is a considerable increase on the 2006-07 figures for DET (\$260 million) and WA Health (\$60 million).

Work was successfully completed on the Main Cell Block Western Facade Conservation Project at the Fremantle Prison Heritage Precinct. Other major maintenance and conservation activities also continued, with roofs being replaced on prison buildings and the completion of a major upgrade to the public toilets in the Gatehouse complex.

In a tight tourism market, Fremantle Prison maintained its record number of visitors.

In 2007-08, the Department took a large step towards improving the management of government office accommodation by preparing strategic office accommodation plans for the greater metropolitan area and regional Western Australia. They incorporate value-for-money, sustainability, and urban and regional planning as principal objectives in managing government office accommodation.

The Department also reviewed and revised its 2004 office accommodation policies. The new draft policy framework simplifies the policies and provides a greater focus on policy outcomes, including the more efficient use of office space, sustainability, universal access, and support for urban and regional planning.

The Department is set to save up to \$500,000 a year with the finalisation of the Government Lift Contract, which covers some 150 lifts in government facilities in the metropolitan area.

The Department drew up an Engineering Consultants Panel to add to the existing building consultancy panels which will help save money by speeding up the selection process.

New homes throughout Western Australia will be more energy efficient, thanks to the introduction of Stage One of the 5 Star Plus standards in September 2007. The new standards require energy saving hot water systems and efficient water fittings in all new houses.

Development work has been carried out on the concept of a Building Commission to provide a 'one-stop-shop' for building standards and regulation advice to consumers and industry.

The Industry Training program continues to receive strong endorsement from industry, contractors, and from apprentices and their families. At the end of 2007-08, the program had engaged 120 apprentices throughout Western Australia in nine trades, compared to 92 apprentices at the end of 2006-07.

## Operational Structure

The Department of Housing and Works was created under Section 35 of the *Public Sector Management Act 1994* to assist the Minister for Housing and Works administer the housing and works portfolio. It delivers the following works-related functions:

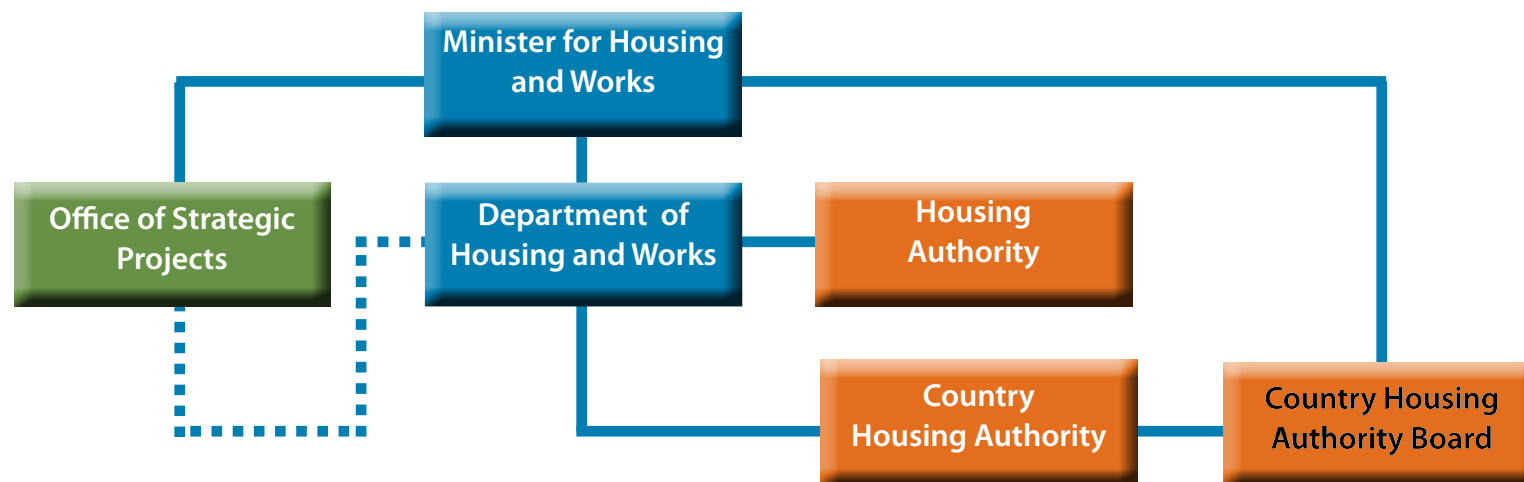
|   |  |
|---|--|
| <i>Works and Building Construction</i>              | <i>Acts as the Government's agent to assist client agencies in the planning, design and construction of government buildings. Assists other government agencies with their asset planning needs.</i> |
| <i>Commercial Property</i>                          | <i>Provides office accommodation that supports agencies' outcomes and service delivery.<br/>Manages the Government's office accommodation portfolio to achieve government objectives.</i>            |
| <i>Maintenance and Minor Works</i>                  | <i>Provides building maintenance and minor works for government buildings.</i>   |
| <i>Housing Construction</i>                         | <i>Delivers government housing throughout the State.</i>   |
| <i>Aboriginal Communities Construction Services</i> | <i>Delivers housing to remote Aboriginal communities.<br/>Provides infrastructure to remote Aboriginal communities.</i>  |
| <i>Fremantle Prison</i>                             | <i>Manages the conservation of this heritage icon and the tourism activities.</i>  |
| <i>Building Industry Development</i>                | <i>Provides policy advice to the Minister, the Director General and the Department on building and construction industry matters.</i>  |

*This annual report is concerned with these works-related functions only.*

The housing functions of the Department are delivered through the Housing Authority and the Country Housing Authority. Details of the housing functions are contained in the individual annual reports for these statutory authorities.



## Housing and Works Portfolio Administrative Structure



### Office of Strategic Projects

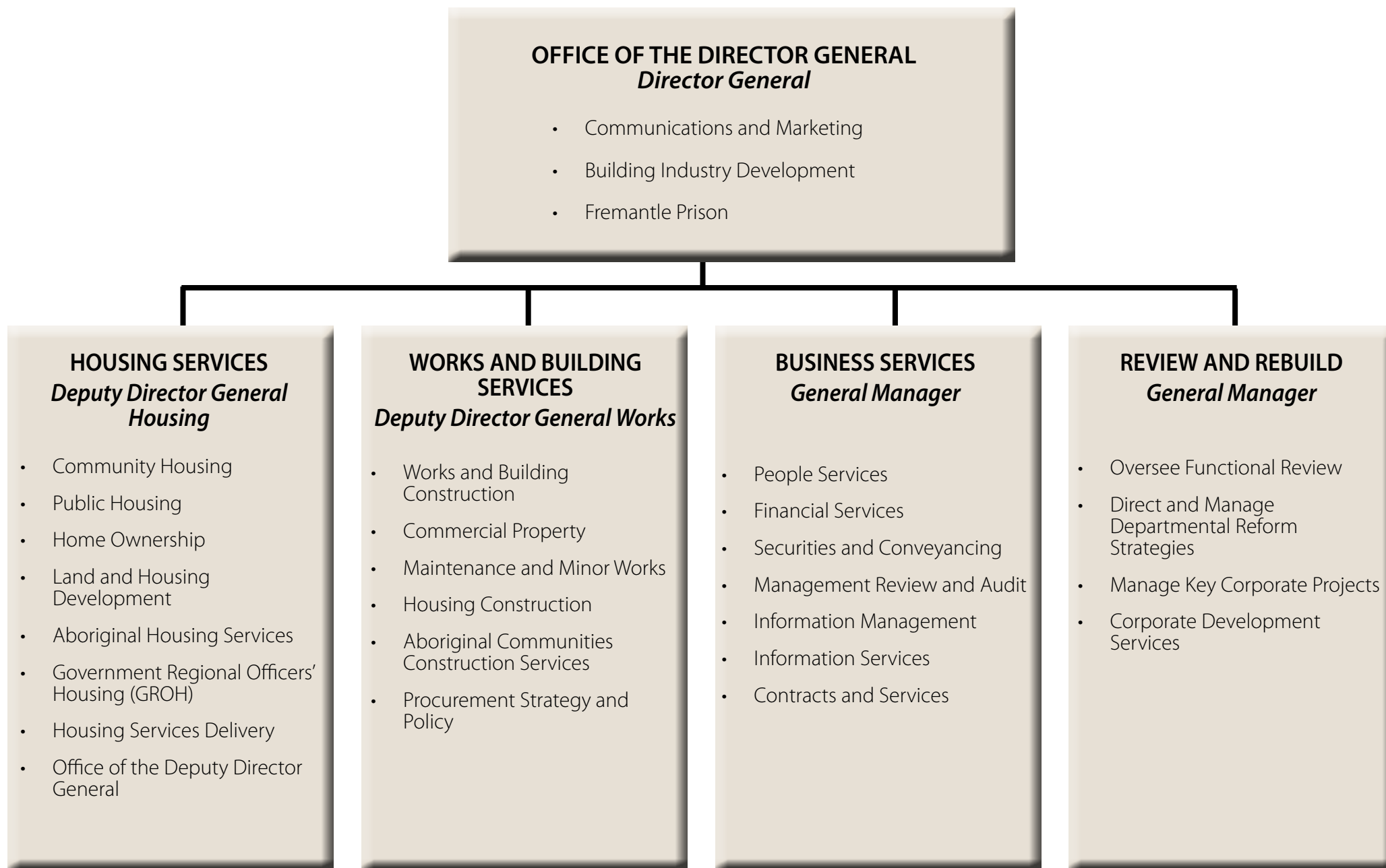
In February 2008, the Premier announced the establishment of the new Office of Strategic Projects. This office is responsible for overseeing the delivery of key strategic infrastructure projects and reports directly to the Minister for Housing and Works. The office receives business support from the Department of Housing and Works.

The office has been created in response to the Government's massive capital works program, and the risks associated with unprecedented industry activity. It will help deliver complex infrastructure projects by establishing and implementing project management standards and practices, provide expert advice to government agencies, and monitor and report on agency performance in delivering projects.

Projects allocated to the office include Fiona Stanley Hospital, Perth Stadium, Western Australian Museum, New Perth-Bunbury Highway, Perth Arena, New Performing Arts Venue and Albany Entertainment Centre. The Major Government Projects Taskforce will allocate further projects to the office on the basis of scale, complexity and risk.

### The Executive

The Department operates under a governance structure in which authority and accountability are shared between the Director General and the various divisions of the Department (portfolios).



## Review and Rebuild

A departmental-wide review – the Review and Rebuild program – commenced in September 2006 and looked at all aspects of our operations. The aim of the review was to determine the most appropriate responsibilities, organisational structures and funding models to ensure effective delivery of the Department's services so they align with government priorities, policies and principles.

The review was carried out according to the *Guidelines for Public Sector Reviews and Evaluations (2005)*. A review steering committee, which featured an independent reviewer and senior executives from the Department of the Premier and Cabinet and the Department of Treasury and Finance, oversaw the review program, which was completed as planned by 30 June 2008.

The findings of the Review and Rebuild program are now being implemented.

Together with promoting best practice procurement processes, the review is expected to deliver improved:

- Housing outcomes for the community;
- Service delivery through better alignment of products and services with customers' needs;
- Financial and people management; and
- Partnerships with our colleagues in government, business and the broader community.

The review steering committee will continue to meet through 2008-09 to monitor implementation of the review recommendations.



## Values and Leadership

### Our Core Values

#### Work together as a committed team

We support each other as we perform our individual roles in harmony with the strategic direction of the Department.

#### Act with respect

We remain conscious of the value of individuals in the way we behave towards each other and the Western Australian community.

#### Strive to be innovative

We develop new ideas and concepts and seek ways to convert them into practical forms that will increase our contribution to improving the welfare of the community.

#### Act with integrity

We earn and sustain public trust by performing our work conscientiously, reliably and transparently.

#### Embody professionalism

We strive to develop and apply our expertise and skills in all our endeavours.

#### Take pride in what we do

We respect and value the contributions of our staff and the Department's overall contribution to the well-being of the Western Australian community.

## Our Desired Leadership Attributes

- Set a clear, consistent and achievable direction
- Build and support our team to perform
- Challenge the way we do business
- Lead by example
- Communicate clearly

## Responsible Minister

For the administration of housing and works legislation, the Department of Housing and Works is responsible to the Hon Troy Buswell MLA, Minister for Housing and Works; Treasurer; Commerce; Science and Innovation.

## Legislation Administered

The Department of Housing and Works assists the Minister in the administration of the following Acts or provisions of Acts:

- *Architects Act 2004*
- *Construction Contracts Act 2004*
- *Country Housing Act 1998*
- *Dividing Fences Act 1961*
- *Government Employees' Housing Act 1964*
- *Housing Act 1980*
- *Housing Loan Guarantee Act 1957\**
- *Housing Societies Act 1976\**
- *Housing Societies Repeal Act 2005\**
- *Local Government (Miscellaneous Provisions) Act 1960 (Parts VIII and XV)*
- *Public Works Act 1902*

\* The *Housing Societies Repeal Act 2005* was given Royal Assent on 5 October 2005. When Part 3 of that Act is proclaimed, it will repeal the *Housing Loan Guarantee Act 1957* and the *Housing Societies Act 1976*. This will occur once all housing societies operating under the *Housing Societies Act 1976* have been wound up.

## Performance Management Framework

### Our contribution to government goals and outcomes

The State Government's plan for improving the quality of life of all Western Australians is described in Better Planning: *Better Futures – A Framework for the Strategic Management of the Western Australian Public Sector*, released in September 2006.

The framework is built on five goals for government relating to:

- Better services;
- Jobs and economic development;
- Lifestyle and the environment;
- Regional development; and
- Governance and public sector improvement.

Goals one, two and four and their related strategic outcomes – a strong and vibrant community, and a level and mix of infrastructure that promotes economic growth – are central to our core business. We service a wide variety of people across the community, including social housing clients, Aboriginal communities, government employees, all State Government departments, and many building, construction, industry groups and associations. In doing this, we contribute significantly to other agency outcomes such as those related to education, justice, health, regional development and indigenous affairs.

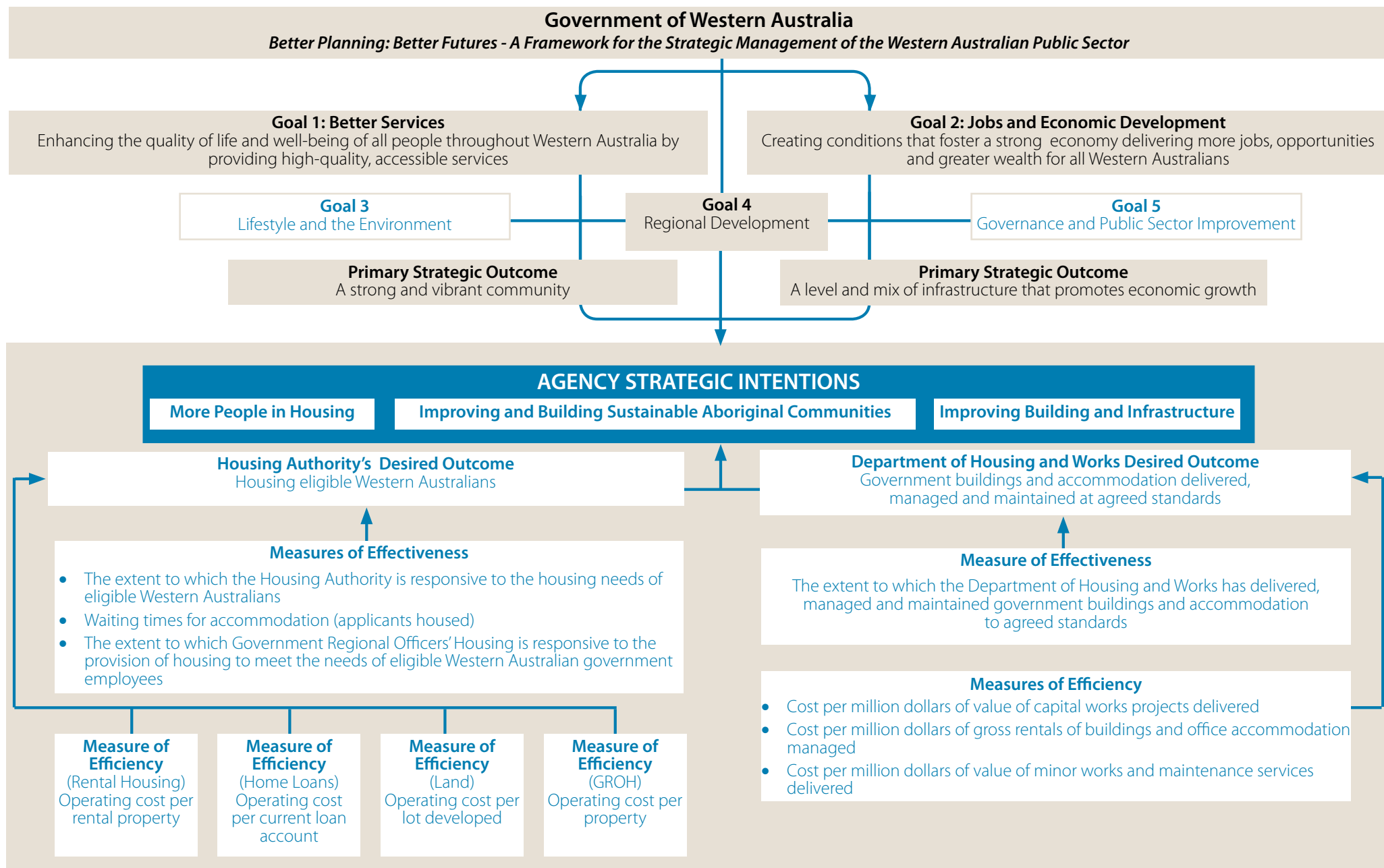
The diagram on page 14 illustrates our key outcomes, services and performance indicators, along with our strategic intentions and planning directions for Western Australia.



***Tamarind Park, Somerley***



# Performance Management Framework



## The Department's contributions to the achievement of the five goals for government are summarised below:

### **Goal 1: Better Services. Enhancing the quality of life and well-being of all people throughout Western Australia by providing high-quality, accessible services.**

The Department contributes to this goal by planning, designing and constructing buildings such as schools, health and recreational facilities on behalf of other government agencies.

### **Goal 2: Jobs and Economic Development. Creating conditions that foster a strong economy delivering more jobs, opportunities and greater wealth for all Western Australians.**

The Department contributes to this goal by ensuring that social infrastructure such as schools, health facilities and recreational facilities are built and maintained to a high standard. This helps create an environment that encourages learning, skills and the development of creativity for competitive advantage.

Through its procurement and construction activities, the Department is also helping create new jobs. For instance, our Industry Training program has resulted in 120 additional building and construction apprenticeships and traineeships in Western Australia.

### **Goal 3: Lifestyle and the Environment. Protecting and enhancing the unique Western Australian lifestyle and ensuring sustainable management of the environment.**

The Department is committed to reducing any adverse impacts on the environment through waste avoidance and resource recovery. Included in this annual report are details of some of the Department's approaches to waste, energy, water, vehicles and travel.

The Department also applies Environmentally Sustainable Design (ESD) principles in its design and construction projects.

The Department is working with industry to implement the Building Code of Australia's 5 Star energy efficiency standards for new housing, and the State Government's 5 Star Plus standards for water efficiency and water heating.

### **Goal 4: Regional Development. Ensuring that regional Western Australia is strong and vibrant.**

The Department contributes to this outcome by assisting client agencies in planning, designing and constructing regional facilities throughout Western Australia. These include schools, police stations and health and recreational facilities on behalf of other government agencies.

The Department has a strong presence in regional Western Australia with offices in the Southern, South West, Central/Goldfields, Mid West/Gascoyne, Pilbara, Kimberley and Wheatbelt regions. This provides enhanced decision making based on a thorough understanding of regional issues, and effective service delivery to regions that responds to the need of diverse communities. The Department provides services, such as maintenance, to clients in regional areas through these offices.

### **Goal 5: Governance and Public Sector Improvement. Developing and maintaining a skilled, diverse and ethical public sector serving the Government with consideration of the public interest.**

The Department contributes to this goal by working with other government agencies, in such areas as capital investment and delivery of capital works projects, to ensure whole-of-government approaches to decision making.

The Department has a strong authorisation framework in which authority and accountability are shared across the organisation. The Department is a strong values-based organisation that promotes open and honest communication and integrity in the workplace.



*140 William Street  
Design Proposal*

## Agency Performance

# Agency Performance

## Audited Performance Indicators

The performance indicators in this report help evaluate the Department of Housing and Works' performance in achieving its outcomes. The key effectiveness indicators provide information on the extent to which the outcome has been achieved through agreed outputs. The efficiency indicators relate services to the resources required to produce them. The outcome and performance indicators were established in the 2003-04 financial year.

### **Outcome: Government buildings and accommodation delivered, managed and maintained at agreed standards.**

Goal 2 of *Better Planning: Better Futures – A Framework for the Strategic Management of the Western Australian Public Sector* is to develop a strong economy that delivers more jobs, more opportunities and greater wealth to Western Australians by creating the conditions required for investment and growth. The Department contributes to this goal by delivering, managing and maintaining non-residential buildings across Western Australia on behalf of the Minister for Works. This in turn, helps create sustainable communities, and strong metropolitan and regional development opportunities for the benefit of all Western Australians.

A wide range of services is provided to facilitate the State Government's capital works and maintenance programs. These services include:

- A co-ordinated and specialist approach to the planning and management of the State Government's non-residential capital works and office accommodation requirements;
- Responsibility for managing the Government's exposure to building and construction risks and dealing with commercial interests in the architecture and building industries where appropriate;
- Maintaining appropriate contracting and building standards to help deliver the State Government's non-residential capital works program;
- Establishing and maintaining appropriate office and building standards for the State Government's accommodation needs; and
- The Department participates in partnerships with private sector service providers. Capital works and non-residential projects are designed by private sector architects and constructed by commercial builders under contract to the Department, which also manages the projects.

### **Determining Customer Satisfaction**

Customer satisfaction surveys are based on the use of a seven-point Likert scale. Respondents were asked to rate the Department's services ranging from 'very satisfied' to 'very dissatisfied'. All 'not applicable' or 'don't know' responses were excluded from the satisfaction rating.

A satisfied respondent is defined as a person providing a response in the range of 'very satisfied' to 'slightly satisfied' inclusive. The number of responses to a question falling in this range, divided by the total number of valid responses to the question, is taken as a percentage and reported as the client satisfaction rating.

The following key performance indicator measures the effectiveness of the Department in achieving the above outcome.

## Effectiveness Indicator

### **The extent to which the Department of Housing and Works has delivered, managed and maintained government buildings and accommodation to agreed standards.**

Through ongoing partnerships, the Department is working closely with its key client agencies to improve its services to the satisfaction of clients.

For the past five years, the Department has undertaken independent research among executive-level officers at client agencies. The research monitors the changes in attitudes and perceptions of these officers towards the Department. The agreed standards are benchmarks defined as per the requirements of the Department of Treasury and Finance and client agencies. The surveys have been conducted by an independent research agency and are a measure of client satisfaction.

Survey statistics are derived from an 83 per cent response rate from a sample size of 65 (74 per cent of population) with 13 'not applicable' or 'don't know' responses received. The maximum sampling accuracy at 95 per cent confidence level of  $\pm 5$  per cent ensured that the results were representative and stable.

| Actual 2005-06 | Actual 2006-07 | Actual 2007-08 | Target 2007-08 |
|----------------|----------------|----------------|----------------|
| 66%            | 75%            | 67%            | 75%            |

Given the pressures of the large building program, the difficulty in securing internal resources and competitive tender results, the result is favourable.

## Efficiency Indicators

### **Project delivery and management and maintenance of government buildings and office accommodation.**

The Department provides management services involving construction of public buildings, infrastructure assets, the Government's office accommodation portfolio, projects and the ongoing management of government properties. Also included are policy development and advice to government with regard to its building construction activities.

The Department measures its efficiency in delivering these services to its clients at the lowest cost through the following indicators.

## 1. Project Delivery

### **Cost per million dollars of value of capital works projects delivered.**

The cost for project delivery includes the total costs allocated to this service, including all overheads. The total cost is taken as a proportion of the value, in millions of dollars, of works delivered by the Department.

The efficiency measure is a key factor in evaluating the cost of the service provided to client (government) agencies in relation to the value of works projects managed.

| Actual 2005-06 | Actual 2006-07 | Actual 2007-08 | Target 2007-08 |
|----------------|----------------|----------------|----------------|
| \$25,392       | \$22,727       | \$19,828       | \$26,290       |

These figures reflect the efficient delivery of Government's capital works projects where the associated service costs have been controlled against a capital works program that has consistently increased over recent years. The 2007-08 actual figure versus the target figure particularly reflects an underspend on the budget for associated staffing costs, due to difficulties with attracting and retaining staffing levels.

## 2. Property Management

### **Cost per million dollars of gross rentals of buildings and office accommodation managed.**

The cost for property management includes the total costs allocated to this service, including all overheads. The total cost is taken as a proportion of the gross rental payments, in millions of dollars, of buildings and accommodation managed.



Within the cost for property management, the Department also provides management services for precincts (places where ownership is unclear or transitional), properties or contiguous sites where several agencies may have an interest or presence.

| Actual 2005-06 | Actual 2006-07 | Actual 2007-08 | Target 2007-08 |
|----------------|----------------|----------------|----------------|
| \$221,677      | \$272,141      | \$100,899      | \$142,032      |

The Department has been able to deliver the property management program nearly 30 per cent less than the initial target value. This is due primarily to an increase in gross rental costs with only a minimal increase in operating costs.

### 3. Maintenance

#### Cost per million dollars of value of minor works and maintenance services delivered.

The cost for maintenance includes the total costs allocated to this service, including all overheads. The total cost is taken as a proportion of the value, in millions of dollars, of minor works and maintenance delivered by the Department.

Included in the total costs are those associated with a call centre; contract development and management for minor works; breakdown repairs; and maintenance.

| Actual 2005-06 | Actual 2006-07 | Actual 2007-08 | Target 2007-08 |
|----------------|----------------|----------------|----------------|
| \$99,360       | \$85,785       | \$84,810       | \$114,498      |

The above result shows that the Department has contained service cost to clients whilst delivering a higher volume of maintenance costs.



## Report on Operations

### Works and Building Construction

#### Overview

The Department assists client agencies in delivering the non-residential building program across Western Australia.

This includes:

- Supporting agencies with strategic asset management planning;
- Engaging consultants and contractors to deliver the capital works program on behalf of client agencies; and
- Client agencies having their own budgets and managing their assets but using the Department as a contractor to build.

The program turnover of building works was \$562 million. The significant areas of growth have been the Department of Education and Training (DET – \$291 million) and WA Health (\$117 million). This is a considerable increase on the 2006-07 figures for DET (\$260 million) and WA Health (\$60 million).

### Major Achievements for 2007-08

#### Old Treasury Buildings

State Cabinet has agreed that the Department, in conjunction with the City of Perth, will prepare and expand the redevelopment proposal to incorporate the restoration of the Old Treasury Buildings, a new hotel development and possible demolition of the existing Law Chambers/Public Trust Office building to establish Cathedral Square.

Expressions of interest were called in late 2007. This project aims to redevelop the Old Treasury Buildings and is offering the site and building on a 99-year lease, ideally to provide much needed hotel accommodation. Funding has been provided for the planning required to determine a suitable developer to redevelop the Old Treasury Buildings.

#### Perth Arena

The State is developing the Perth Arena to cater for entertainment and sporting events to fill the void left by the closure of the Burswood Dome and Perth Entertainment Centre. A contract was let to BGC Construction in May 2007. The Perth Arena will provide a minimum of 12,000 seats in sporting mode and 14,000 seats in concert mode.

### Engineering Consultants Panel

The Department drew up an Engineering Consultants Panel to add to the existing building consultancy panels. These panels are used to streamline the selection processes and reduce the time and effort in getting suitably qualified consultants to projects. The Engineering Consultancy Panel is used by the lead consultants on projects, as well as by government departments where specific engineering advice is required.

### Commercial Property

#### Overview

The Department is responsible for managing the Government's office accommodation portfolio, as well as managing Fremantle Prison.

This includes:

- Strategic planning;
- Overseeing the Government's office accommodation policies;
- Managing government-owned, multi-tenanted office accommodation;
- Procurement and administration of leased office space;
- Delivery of fit-out services to government agencies; and
- Managing Fremantle Prison as a heritage icon and major tourist attraction.

In 2007-08, we administered 476 leases for government tenancies in 141 privately owned buildings. We also managed 90,000 square metres of government-owned office space in 20 multi-tenanted buildings controlled by the Minister for Housing and Works.

Government-owned buildings provided gross rents of \$35.6 million from both government and private tenants and returned \$21.1 million in net rent to the State. The difference represents the outgoings/running costs – for example, cleaning, security, utilities consumption, lift and air-conditioning expenses and maintenance involving these buildings.

The capital value of the portfolio is now approximately \$410 million.

### **Major Achievements for 2007-08**

#### ***New Fit-out at Westralia Square***

The refit of the existing premises supports the splitting of the Department of Justice into the Department of the Attorney General and the Department of Corrective Services. Following a review of the staging process, the completion date for the fit-out of Westralia Square has been adjusted until mid-2010. This schedule will better accommodate the two agencies, which will both occupy the building during the fit-out.

### ***Office Accommodation Strategic Plans (non-central business district)***

In 2007-08, the Department drew up strategic office accommodation plans for the greater metropolitan area and regional Western Australia. The plans were prepared in consultation with government agencies. They incorporate value-for-money, sustainability, and urban and regional planning considerations as principal objectives in better managing the Government's office accommodation. This approach is already starting to provide better results by identifying opportunities to leverage the Government's purchasing power as a large commercial tenant.

#### ***Government Office Accommodation Policies***

In 2007-08, the Department reviewed and revised its 2004 office accommodation policies. The new draft policy framework simplifies the policies and provides a greater focus on policy outcomes, including the more efficient use of office space, sustainability, universal access, and support for urban and regional planning. The draft policies will be submitted to Cabinet for endorsement in 2008.

### **Maintenance and Minor Works**

#### ***Overview***

The Department performs a role in arranging building maintenance and improvements for various agencies State-wide. The Department strives to ensure that buildings such as schools, police stations and government offices are maintained at an acceptable level for the convenience and safety of the public and staff.

In 2007-08, the Department managed works in excess of \$206 million using more than 2,310 suppliers to deliver services to more than 74 different clients. Some 35 per cent of these works were carried out in regional Western Australia. Work took place at 2,310 different premises in 495 towns and suburbs. Maintenance planning and procurement advice was provided to various government agencies throughout the year.

### **Major Achievements for 2007-08**

#### ***Fixing Our Schools Program***

The Department continued implementing the four-year \$65 million Fixing Our Schools program announced in 2004-05 on behalf of the Department of Education and Training. In 2007-08 departmental staff – assisted by service arrangers and trade contractors – planned, tendered and delivered \$4.9 million of maintenance works in the metropolitan area and \$9.3 million of similar work in country areas.

Over its four-year term, the Fixing Our Schools program has carried out air-conditioning replacements, roof and floor covering repairs, and paving and painting works. These are expected to significantly reduce the overall maintenance backlog at schools when the 2007-08 maintenance projects are completed during 2008-09.

### ***Investing in Our Schools Program***

In 2004, the then Department of Education, Science and Training invited schools to apply for Federal grants of up to \$150,000 per school. Western Australian schools were successful in obtaining funds totalling \$23.5 million for maintenance and improvements through the Department's delivery framework, for works such as the enclosure of covered assembly areas, new playground equipment, shade structures and air-conditioners. A further \$10.9 million of Investing in Our Schools program funding is scheduled for completion during 2008-09.

### ***Schedule of Rates Zone Maintenance Contracting***

Repair and breakdown maintenance services in the metropolitan area are procured through Schedule of Rates Zone Maintenance contracts that aim to standardise charges made for common and frequent services. This year, the existing 10 Schedule of Rate contracts were augmented to include business plans for 11 additional contracts and the extension of existing Schedule of Rate contracts to the CBD zone.

### ***Whole-of-Government Procurement Reform: Government Lift Contract***

The Department extended its whole-of-government Lift Maintenance contract to a range of agencies providing additional coverage of more than 170 lifts in 78 buildings for 13 different agencies. This whole-of-government approach to procurement is expected to reduce lift maintenance costs by 50 per cent. During 2007-08, the Department also advanced business plans for two additional

whole-of-government maintenance contracts:

- Mechanical services for major buildings; and
- A contract for fire equipment.

### **Housing Construction**

#### ***Overview***

The Department manages the planning, design and construction of modern residential accommodation for social and community housing across the State, including:

- Stand-alone houses;
- Grouped dwellings;
- Multi-unit complexes;
- Community-based complexes for the elderly and people with mental health issues;
- Transportable houses; and
- Accommodation for government employees in regional areas.

We are also engaged in joint venture partnerships with not-for-profit housing providers and work closely with architects and builders.

We work hard to ensure housing is affordable and sustainable and are trialling innovative building materials and designs.

#### ***Major Achievements for 2007-08***

- In the 12 months to 30 June 2008, the Department awarded 214 housing construction contracts valued at \$188.6 million, compared with 184 contracts valued at \$137 million in 2006-07.

- Through its Innovation in Affordable Housing project, the Department constructed three display homes in Banksia Grove using innovative construction materials and techniques, and commenced construction of a further 29 rental homes using these materials.

### **Aboriginal Communities Construction Services**

The Department delivers essential services (water, wastewater and power) to 91 of the largest remote communities through the Remote Area Essential Services Program (RAESP), and an emergency service to a further 180 or so smaller communities. The service includes a capital works component, a planned maintenance program and water quality testing service for the RAESP communities.

The Department also delivers a housing construction program and a further program to refurbish existing housing.

Ancillary projects include swimming pool construction, road construction, airstrip upgrades and ad hoc projects as required.

#### ***Major Achievements for 2007-08***

- Completion of new swimming pools at Warmun and Bidyadanga. The pools will benefit 1,275 people, and contribute significantly to improved health outcomes and school attendances of school aged children in these communities;
- A contract to construct a new road crossing at Packsaddle Creek Crossing, near Kununurra, commenced. This will provide access for the first time through the wet season to three communities;

- The completion of 15 houses in Ardyaloon, 14 in Kulumburu and six (for 18 separate households) in Ringer Soak;
- Existing houses were also refurbished in Ardyaloon (five), Kulumburu (10) and Ringer Soak (three);
- The Department commenced a major capital works program to address community water supplies in 11 communities which have water high in chemical content. Contracts have been awarded so far for 4 of the 11; and
- The Department measures water quality for micro biological contamination in the 91 RAESP communities on a monthly basis. We achieved 94 per cent compliance for microbiological contamination for 2007-08, against a target set by the Department of Health of 95 per cent.

## **Fremantle Prison**

### **Overview**

The Department manages and operates Fremantle Prison. The prison is one of Western Australia's premier heritage sites. It was built by convicts in the 1850s and was closed as a place of incarceration in November 1991 after 136 years of continuous use. It was opened to the public in 1992 as a visitor attraction.

### **Major Achievements for 2007-08**

- At the November 2007 State Tourism Awards, Fremantle Prison was awarded gold medals in the Major Tourist category, the Adventure Tourism category for the Tunnel Tours and in the Culture and Heritage category.

- Against a tightening tourism market, the prison was able to maintain its record numbers with almost 175,000 visitors attending in the past 12 months.
- Underlining the significance of Fremantle Prison as a heritage icon, it is one of 11 Australian convict sites nominated for the World Heritage list. The nomination was submitted to the World Heritage Office in January 2008, however an outcome is not expected until around June 2010.
- Fremantle Prison's Conservation Management Plan is being reviewed as part of the nomination for World Heritage listing. The updated Conservation Management Plan will ensure correct practices are adopted to maintain the heritage fabric of the site and to protect its heritage values.
- A \$2.2 million project to conserve the degraded fabric of the main cell block was completed in September 2007. The primary objectives were to restore and conserve the fabric of the western façade by repairing stonework and joinery; and to reinforce and improve the visibility of the heritage values of the structure by removing intrusive accretions and restoring painted surfaces to match those from the convict era.
- The Aboriginal heritage claim under the *Aboriginal Heritage Act 1972* was resolved during the year, which has enabled planned works to commence. These have included improving the drainage and lighting to the Gatehouse, upgrading of public toilets, returning the ground level of the Gatehouse forecourt to its original level, and developing a visitor café.

- Other major maintenance and conservation activities continued with roofs being replaced on prison buildings.

## **Building Industry Development**

### **Overview**

The Department aims to develop a better and more sustainable built environment delivered by an efficient and effective building industry.

### **Major Achievements for 2007-08**

- The Department has contributed to the work of the COAG Business Regulation and Competition Working Group in developing proposals for a national construction code and the harmonisation of building practitioner registration and trade licensing. The Department is also engaged in the COAG Working Group on Climate Change and Water dealing with building sustainability.
- The Department is involved in several national bodies including the Australian Building Codes Board, the Building Codes Committee and the National Technical Summit. This provides the WA input to the annual update of the Building Code of Australia (BCA). BCA2008 was adopted in WA on 1 May 2008.



- The Department completed drafting instructions and obtained approval to draft a new Building Act and an associated Certifiers Act to renew and reform the building approval process and the registration of building surveyors.
- The Department delivered the following legislative reforms:
  - *The Local Government (Building Surveyors) Regulations 2008* to set up the necessary framework for adopting the national accreditation framework for building surveyors and their registration in WA;
  - Further amendments to the *Building Regulations 1989* following passage of the *Local Government (Miscellaneous Provisions) Amendment Act 2007* in June 2007;
  - *The Local Government (Miscellaneous Provisions) Amendment (Smoke Alarms) Act 2007*; and
  - Drafting instructions for regulations intended to support the *Local Government (Miscellaneous Provisions) Amendment (Smoke Alarms) Act 2007*.
- The Department implemented the first stage of the 5 Star Plus sustainability standards for new houses on 1 September 2007. These standards set minimum requirements for greenhouse gas emissions in water heating and water-saving measures within new houses.

- The Department obtained approval to draft legislation to establish the Building Commission of WA. It will be formed by amalgamating the Department's Building Industry Development directorate with the Builders Registration Board, the Painters Registration Board and the Plumbers Licensing Board. It will administer an efficient building regulation system; ensure that buildings meet community needs and expectations; see that the building industry operates in a fair and efficient manner and that consumers get a fair deal. An implementation team is working to have the Building Commission operational by mid-2009.

## Office of Strategic Projects

### Overview

The Office of Strategic Projects was created in February 2008 to address the unique challenges faced in delivering the Government's highest risk projects, given the current unprecedented demands on the building industry. Its purpose is to assist government agencies to effectively manage high-risk infrastructure projects, to ensure quality results.

The Office of Strategic Projects is an independent division in the Department of Housing and Works and reports directly to the Minister for Housing and Works. It also administers the Major Government Projects Taskforce.

The office will provide expertise in relation to high-risk project management practices, including legal and commercial support in consultation

with the State Solicitor's Office. It will oversee and assist government agencies managing complex infrastructure works. In addition, the office will review business cases and project definition plans for all applicable government projects.

The Office of Strategic Projects and the Centre for Excellence and Innovation in Infrastructure Delivery (CEIID) share common objectives and are working in close partnership.

### Major Achievements for 2007-08

- Significant refining of the project monitoring mechanisms used by the Major Government Projects Taskforce; and
- The development of a draft project management framework (in consultation with CEIID) to guide the planning, development and delivery of major government projects and establish standardised terminology and method across government agencies.

*Fremantle Prison*



## Significant Issues and Trends

## Significant Issues and Trends

In assisting agencies with their buildings' infrastructure, the Department is facing a challenging market environment with skill shortages and substantial material cost increases dominated by the State's growing resource sector. This program is characterised by a big increase in the number of complex projects, including education and health facilities, performing arts centres in Perth and Albany, the Perth Arena, sporting facilities and other important community infrastructure projects including police and justice facilities.

The building program is being subject to considerable cost pressures in an overheated construction industry. The Office of Strategic Projects has been established to oversee key strategic infrastructure projects of high value and complexity.

The highly competitive construction and labour markets continue to provide a challenging environment for the delivery of the capital works program. To help address the skills shortage and contribute to the ongoing sustainability of the building and construction industry, the Department commenced the Industry Training program in 2005. The Department now has 120 apprentices across nine trades.

The Department is continuing to negotiate competitive rentals for government accommodation in a tight commercial rental environment, with an office vacancy rate in the Perth CBD of less than one per cent. Net commercial rentals in the CBD are forecast to increase by 15 per cent in 2008, compared to 25 per cent in 2007, and 53 per cent in 2006. The Department's office accommodation strategic plans and government office accommodation policies enable the Department to identify opportunities to leverage the Government's purchasing power as a large commercial tenant and ensure the efficient use of available office space.

Fremantle Prison has been nominated for World Heritage listing in recognition of its convict history. The proposed listing is recognition of the Department's ongoing commitment to preserve significant heritage buildings.



## Disclosure and Legal Compliance

# Disclosures and Legal Compliance

## Auditor General's Opinion



### Auditor General

#### INDEPENDENT AUDIT OPINION

To the Parliament of Western Australia

#### DEPARTMENT OF HOUSING AND WORKS FINANCIAL STATEMENTS AND KEY PERFORMANCE INDICATORS FOR THE YEAR ENDED 30 JUNE 2008

I have audited the accounts, financial statements, controls and key performance indicators of the Department of Housing and Works.

The financial statements comprise the Balance Sheet as at 30 June 2008, and the Income Statement, Statement of Changes in Equity, Cash Flow Statement, Schedule of Income and Expenses by Service, and Summary of Consolidated Account Appropriations and Income Estimates for the year then ended, a summary of significant accounting policies and other explanatory Notes.

The key performance indicators consist of key indicators of effectiveness and efficiency.

#### Director General's Responsibility for the Financial Statements and Key Performance Indicators

The Director General is responsible for keeping proper accounts, and the preparation and fair presentation of the financial statements in accordance with Australian Accounting Standards (including the Australian Accounting Interpretations) and the Treasurer's Instructions, and the key performance indicators. This responsibility includes establishing and maintaining internal controls relevant to the preparation and fair presentation of the financial statements and key performance indicators that are free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; making accounting estimates that are reasonable in the circumstances; and complying with the Financial Management Act 2006 and other relevant written law.

#### Summary of my Role

As required by the Auditor General Act 2006, my responsibility is to express an opinion on the financial statements, controls and key performance indicators based on my audit. This was done by testing selected samples of the audit evidence. I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my audit opinion. Further information on my audit approach is provided in my audit practice statement. Refer "<http://www.audit.wa.gov.au/pubs/Audit-Practice-Statement.pdf>".

An audit does not guarantee that every amount and disclosure in the financial statements and key performance indicators is error free. The term "reasonable assurance" recognises that an audit does not examine all evidence and every transaction. However, my audit procedures should identify errors or omissions significant enough to adversely affect the decisions of users of the financial statements and key performance indicators.

#### Audit Opinion

In my opinion,

- (i) the financial statements are based on proper accounts and present fairly the financial position of the Department of Housing and Works at 30 June 2008 and its financial performance and cash flows for the year ended on that date. They are in accordance with Australian Accounting Standards (including the Australian Accounting Interpretations) and the Treasurer's Instructions;
- (ii) the controls exercised by the Department 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; and
- (iii) the key performance indicators of the Department are relevant and appropriate to help users assess the Department's performance and fairly represent the indicated performance for the year ended 30 June 2008.

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

COLIN MURPHY  
AUDITOR GENERAL

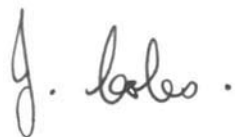
4 September 2008



## Certification Statement: Performance Indicators

### Certification of Performance Indicators

I hereby certify that the performance indicators are based on proper records, are relevant and appropriate for assisting users to assess the performance of the Department of Housing and Works, and fairly represent the performance of the Department of Housing and Works for the financial year ended 30 June 2008.

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

JOHN COLES  
ACTING DIRECTOR GENERAL  
ACCOUNTABLE AUTHORITY

1 September 2008

### Certification of Financial Statements


The accompanying financial statements of the Department of Housing and Works 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 2008 and the financial position as at 30 June 2008.

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.



RUTH LESLIE  
CHIEF FINANCE OFFICER

1 September 2008



JOHN COLES  
ACTING DIRECTOR GENERAL  
ACCOUNTABLE AUTHORITY

1 September 2008

DEPARTMENT OF HOUSING AND WORKS

INCOME STATEMENT  
FOR THE YEAR ENDED 30 June 2008

|   | Note | 2008<br>\$000  | 2007<br>\$000  |
|---|------|----------------|----------------|
| <b>COST OF SERVICES</b>                                     |      |                |                |
| <b>Expenses</b>   |      |                |                |
| Supplies and services                                       | 7    | 860,356        | 669,900        |
| Employee benefits expenses                                  | 8    | 23,042         | 20,427         |
| Capital user charge   | 9    | -              | 15,832         |
| Grants and Subsidies  | 10   | 255            | -              |
| Depreciation and amortisation expense                       | 11   | 8,865          | 6,735          |
| Accommodation expenses                                      | 12   | 1,160          | 1,149          |
| Other expenses  | 13   | 1,285          | 1,119          |
| <b>Total cost of services</b>                               |      | <b>894,963</b> | <b>715,162</b> |
| <b>Income</b>   |      |                |                |
| <b>Revenue</b>  |      |                |                |
| User charges and fees                                       | 14   | 879,968        | 672,064        |
| Commonwealth grants and contributions                       | 15   | 25             | 237            |
| Other revenue   | 16   | 15             | 22             |
| <b>Total revenue</b>  |      | <b>880,008</b> | <b>672,323</b> |
| <b>Total income other than income from State Government</b> |      | <b>880,008</b> | <b>672,323</b> |
| <b>NET COST OF SERVICES</b>                                 |      | <b>14,955</b>  | <b>42,839</b>  |
| <b>INCOME FROM STATE GOVERNMENT</b>                         |      |                |                |
| Service appropriation                                       | 17   | 23,636         | 36,266         |
| Liabilities assumed by the Treasurer                        |      | 781            | 731            |
| Resources received free of charge                           |      | 504            | 539            |
| <b>Total income from State Government</b>                   |      | <b>24,921</b>  | <b>37,536</b>  |
| <b>SURPLUS/(DEFICIT) FOR THE PERIOD</b>                     |      | <b>9,966</b>   | <b>(5,303)</b> |

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

DEPARTMENT OF HOUSING AND WORKS

BALANCE SHEET  
AS AT 30 JUNE 2008

|                                      | Note   | 2008<br>\$000  | 2007<br>\$000  |
|--------------------------------------|--------|----------------|----------------|
| <b>ASSETS</b>                        |        |                |                |
| <b>Current Assets</b>                |        |                |                |
| Cash and cash equivalents            | 29     | 50,305         | 62,881         |
| Restricted cash and cash equivalents | 18, 29 | 12,128         | 16,645         |
| Receivables                          | 19     | 104,966        | 74,520         |
| Inventories                          | 21     | 99             | 82             |
| Amounts receivable for services      | 20     | 25             | 25             |
| <b>Total Current Assets</b>          |        | <b>167,523</b> | <b>154,153</b> |
| <b>Non-Current Assets</b>            |        |                |                |
| Restricted cash and cash equivalents | 18     | 171            | 108            |
| Amounts receivable for services      | 20     | 22,083         | 17,268         |
| Property, plant and equipment        | 22     | 542,515        | 342,214        |
| Intangible assets                    | 23     | -              | -              |
| <b>Total Non-Current Assets</b>      |        | <b>564,769</b> | <b>359,590</b> |
| <b>TOTAL ASSETS</b>                  |        | <b>732,292</b> | <b>513,743</b> |
| <b>LIABILITIES</b>                   |        |                |                |
| <b>Current Liabilities</b>           |        |                |                |
| Payables                             | 25     | 10,630         | 16,031         |
| Provisions                           | 26     | 3,954          | 3,961          |
| Other payables                       | 27     | 110,808        | 93,780         |
| <b>Total Current Liabilities</b>     |        | <b>125,392</b> | <b>113,772</b> |
| <b>Non-Current Liabilities</b>       |        |                |                |
| Provisions                           | 26     | 1,592          | 1,313          |
| Lease incentive                      |        | 37,751         | 39,142         |
| <b>Total Non-Current Liabilities</b> |        | <b>39,343</b>  | <b>40,455</b>  |
| <b>Total Liabilities</b>             |        | <b>164,735</b> | <b>154,227</b> |
| <b>NET ASSETS</b>                    |        | <b>567,557</b> | <b>359,516</b> |
| <b>EQUITY</b>                        |        |                |                |
| Contributed equity                   | 28     | 139,420        | 61,410         |
| Reserves                             |        | 254,810        | 134,745        |
| Accumulated surplus                  |        | 173,327        | 163,361        |
| <b>TOTAL EQUITY</b>                  |        | <b>567,557</b> | <b>359,516</b> |
| <b>TOTAL LIABILITIES AND EQUITY</b>  |        | <b>732,292</b> | <b>513,743</b> |

The Balance Sheet should be read in conjunction with the accompanying notes.

**DEPARTMENT OF HOUSING AND WORKS**  
**STATEMENT OF CHANGES IN EQUITY**  
**FOR THE YEAR ENDED 30 June 2008**

|   | Note | 2008<br>\$000  | 2007<br>\$000  |
|---|------|----------------|----------------|
| <b>Balance of equity at start of period</b> |      | 359,516        | 245,195        |
| <b>CONTRIBUTED EQUITY</b>                   | 28   |                |                |
| Balance at start of period                  |      | 61,410         | 40,410         |
| Capital contribution                        |      | 78,010         | 21,000         |
| Balance at end of period                    |      | <u>139,420</u> | <u>61,410</u>  |
| <b>RESERVES</b>                             | 28   |                |                |
| <b>Asset revaluation reserve</b>            |      |                |                |
| Balance at start of period                  |      | 134,745        | 36,084         |
| Gains from asset revaluation                |      | 120,065        | 98,661         |
| Balance at end of period                    |      | <u>254,810</u> | <u>134,745</u> |
| <b>ACCUMULATED SURPLUS</b>                  | 28   |                |                |
| Balance at start of period                  |      | 163,361        | 168,701        |
| Change in Accounting Policy                 |      | -              | (37)           |
| Restated balance at start of period         |      | 163,361        | 168,664        |
| Surplus/(Deficit) for the period            |      | 9,966          | (5,303)        |
| Balance at end of period                    |      | <u>173,327</u> | <u>163,361</u> |
| <b>Balance of equity at end of period</b>   |      | <u>567,557</u> | <u>359,516</u> |
| Total income and expense for the period     |      | <u>130,032</u> | <u>93,358</u>  |

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

**DEPARTMENT OF HOUSING AND WORKS**  
**CASH FLOW STATEMENT**  
**FOR THE YEAR ENDED 30 June 2008**

|  | Note | 2008<br>\$000   | 2007<br>\$000   |
|--|------|-----------------|-----------------|
| <b>CASH FLOWS FROM STATE GOVERNMENT</b>                    |      |                 |                 |
| Service appropriation                                      |      | 18,796          | 32,843          |
| Capital contributions                                      |      | 78,010          | 21,000          |
| Holding account drawdowns                                  |      | 25              | 25              |
| Receipts from Treasurer's Advance                          |      | 20,000          | 30,000          |
| Payments to Treasurer's Advance                            |      | (20,000)        | (30,000)        |
| <b>Net cash provided by State Government</b>               |      | <u>96,831</u>   | <u>53,868</u>   |
| <b>Utilised as follows:</b>                                |      |                 |                 |
| <b>CASH FLOWS FROM OPERATING ACTIVITIES</b>                |      |                 |                 |
| <b>Payments</b>  |      |                 |                 |
| Employee benefits  |      | (22,055)        | (19,184)        |
| Supplies and services                                      |      | (869,056)       | (675,184)       |
| Capital user charge  |      | -               | (15,832)        |
| Accommodation  |      | (1,160)         | (1,149)         |
| Grants and subsidies                                       |      | (255)           | -               |
| GST payments on purchases                                  |      | (95,584)        | (69,321)        |
| GST payments to the taxation authority                     |      | (7,673)         | (11,145)        |
| Other payments   |      | (1,303)         | (1,061)         |
| <b>Receipts</b>  |      |                 |                 |
| User charges and fees                                      |      | 871,759         | 694,116         |
| Commonwealth grants and contributions                      |      | 25              | 237             |
| GST receipts on sales                                      |      | 90,954          | 78,026          |
| GST receipts from the taxation authority                   |      | 7,050           | 4,105           |
| Other receipts   |      | 2,476           | 17,692          |
| <b>Net cash (used in)/provided by operating activities</b> | 29   | <u>(24,822)</u> | <u>1,300</u>    |
| <b>CASH FLOWS FROM INVESTING ACTIVITIES</b>                |      |                 |                 |
| Purchase of non-current physical assets                    |      | (89,102)        | (27,654)        |
| <b>Net cash used in investing activities</b>               |      | <u>(89,102)</u> | <u>(27,654)</u> |
| <b>Net (decrease)/increase in cash held</b>                |      | (17,093)        | 27,514          |
| Cash and cash equivalents at the beginning of period       |      | 79,526          | 52,012          |
| <b>CASH AND CASH EQUIVALENTS AT THE END OF PERIOD</b>      | 29   | <u>62,433</u>   | <u>79,526</u>   |

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

DEPARTMENT OF HOUSING AND WORKS

SUMMARY OF CONSOLIDATED ACCOUNT APPROPRIATIONS AND INCOME ESTIMATES  
FOR THE YEAR ENDED 30 June 2008

|  | 2008<br>Estimate<br>\$000 | 2008<br>Actual<br>\$000 | Variance<br>\$000 | 2008<br>Actual<br>\$000 | 2007<br>Actual<br>\$000 | Variance<br>\$000 |
|--|---------------------------|-------------------------|-------------------|-------------------------|-------------------------|-------------------|
| <b>DELIVERY OF SERVICES</b>  |                           |                         |                   |                         |                         |                   |
| Item 75 net amount appropriated to deliver services  | 19,489                    | 23,636                  | 4,147             | 23,636                  | 36,266                  | (12,630)          |
| <b>Total appropriations provided to deliver services</b>   | 19,489                    | 23,636                  | 4,147             | 23,636                  | 36,266                  | (12,630)          |
| <b>CAPITAL</b>   |                           |                         |                   |                         |                         |                   |
| Item 159 capital contribution  | 95,524                    | 78,010                  | (17,514)          | 78,010                  | 21,000                  | 57,010            |
| <b>ADMINISTERED TRANSACTIONS</b>   |                           |                         |                   |                         |                         |                   |
| Items 76, 77, 78 & 79 administered grants, subsidies and other transfer payments                 | 80,984                    | 81,184                  | 200               | 81,184                  | 31,710                  | 49,474            |
| <b>Total administered transactions</b>   | 80,984                    | 81,184                  | 200               | 81,184                  | 31,710                  | 49,474            |
| <b>GRAND TOTAL</b>   | 195,997                   | 182,830                 | (13,167)          | 182,830                 | 88,976                  | 93,854            |
| <b>Details of Expenses by Service</b>  |                           |                         |                   |                         |                         |                   |
| Delivery, management and maintenance of Government buildings, projects, and office accommodation | 832,875                   | 894,963                 | 62,088            | 894,963                 | 715,162                 | 179,801           |
| Total cost of services   | 832,875                   | 894,963                 | 62,088            | 894,963                 | 715,162                 | 179,801           |
| Less total income  | (810,946)                 | (880,008)               | 69,062            | (880,008)               | (701,814)               | (178,194)         |
| Net cost of services   | 21,929                    | 14,955                  | (6,974)           | 14,955                  | 13,348                  | 1,607             |
| Adjustments <sup>(a)</sup>   | (2,440)                   | 8,681                   | 11,121            | 8,681                   | 22,918                  | (14,237)          |
| <b>Total appropriations provided to deliver services</b>   | 19,489                    | 23,636                  | 4,147             | 23,636                  | 36,266                  | (12,630)          |
| <b>Capital Expenditure</b>   |                           |                         |                   |                         |                         |                   |
| Purchase of non-current physical assets  | 96,619                    | 89,102                  | (7,517)           | 89,102                  | 27,654                  | 61,448            |
| Adjustments for other funding sources  | (1,095)                   | (11,092)                | (9,997)           | (11,092)                | (6,654)                 | (4,438)           |
| <b>Capital contribution (appropriation)</b>  | 95,524                    | 78,010                  | (17,514)          | 78,010                  | 21,000                  | 57,010            |
| <b>DETAILS OF INCOME ESTIMATES</b>   |                           |                         |                   |                         |                         |                   |
| Revenues disclosed as Administered Income  | 18,500                    | 21,106                  | 2,606             | 21,106                  | 18,607                  | 2,499             |

(a) Adjustments comprise movements in cash balances and other accrual items such as receivables, payables and superannuation.

The Summary of Consolidated Account Appropriations, Variance to Budget and Actual should be read in conjunction with the accompanying notes.

Note 36 'Explanatory statement' provides details of any significant variations between estimates and actual results for 2008 and between the actual results for 2007 and 2008."



## 1. Departmental Mission and Funding

The Department's mission is to respond to the hopes of all Western Australians for their housing and construction needs.

The Department is predominantly funded by Parliamentary appropriations. Revenues controlled by the Department are net appropriated under the Financial Administration and Audit (Net Appropriation) Determination 2003, which causes all revenue controlled by the Department to be subject to net appropriation in the 2007/2008 financial year. The financial statements encompass all funds through which the Department controls resources to carry on its functions.

## 2. Australian equivalents to International Financial Reporting Standards

The Department's financial statements for the year ended 30 June 2008 have been prepared in accordance with Australian equivalents to International Financial Reporting Standards (AIFRS), which comprise a Framework for the Preparation and Presentation of Financial Statements (the Framework) and Australian Accounting Standards (including the Australian Accounting Interpretations).

In preparing these financial statements the Department has adopted, where relevant to its operations, new and revised Standards and Interpretations from their operative dates as issued by the AASB and formerly the Urgent Issues Group (UIG).

### Early adoption of standards

The Department cannot early adopt an Australian Accounting Standard or Australian Accounting Interpretation unless specifically permitted by TI 1101 'Application of Australian Accounting Standards and Other Pronouncements'. No Standards and Interpretations that have been issued or amended but

are not yet effective have been early adopted by the Department for the annual reporting period ended 30 June 2008.

## 3. Summary of significant accounting policies

### (a) General Statement

The financial statements constitute a general-purpose financial report, which has been prepared in accordance with the Australian Accounting Standards, the Framework, Statements of Accounting Concepts and other authoritative pronouncements of the Australian Accounting Standards Board as applied by the Treasurer's Instructions. Several of these are modified by the Treasurer's Instructions to vary application, disclosure, format and working.

The Financial Management Act and the Treasurer's Instructions are legislative provisions governing the preparation of financial statements and take precedence over the Accounting Standards, the Framework, Statements of Accounting Concepts and other authoritative pronouncements of the Australian Accounting Standards Board.

Where modification is required and has 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 in accordance with Accounting Standard AAS 29 "Financial Reporting by Government Departments" on the accrual basis of accounting using the historical cost convention, modified by the revaluation of land, buildings and infrastructure which have been measured at fair value.

The accounting policies adopted in the preparation of

the financial statements have been consistently applied throughout all periods presented unless otherwise stated.

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

The judgements that have been made in the process of applying the Department's accounting policies that have the most significant effect on the amounts recognised in the financial statements are disclosed at note 4 'Judgements made by management in applying accounting policies'.

The key assumptions made concerning the future, and other key sources of estimation uncertainty at the balance sheet date that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are disclosed at note 5 'Key sources of estimation uncertainty'.

### (c) Reporting entity

The reporting entity comprises the Department of Housing and Works.

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 notes 37 'Administered expenses and income' and note 38 'Administered assets and liabilities'.

## (d) Contributed Equity

UIG Interpretation 1038 'Contributions by Owners Made to Wholly-Owned Public Sector Entities' requires transfers in the nature of equity contributions 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 contributions (appropriations) have been designated as contributions by owners by Treasurer's Instruction (TI) 955 'Contributions by Owners made to Wholly Owned Public Sector Entities' and have been credited directly to Contributed Equity.

Transfer of net assets to/from other agencies are designated as contributions by owners where the transfers are non-discretionary and non-reciprocal. See note 28 'Equity'.

## (e) Income

### Revenue recognition

Revenue is 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 control transfer to the purchaser and can be measured reliably.

#### *Rendering of services*

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

### *Service Appropriations*

Service Appropriations are recognised as revenues 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 holding account held at the Department of Treasury and Finance. See note 17 'Income from State Government' for further detail.

### *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 2007-2008 Budget Statements, the Department retained \$972 million in 2008 (\$794 million in 2007) from the following:

- Provision of contract services;
- Executive vehicle scheme;
- GST input credits;
- GST receipts on sales;
- Rental income sufficient to cover outgoings paid for government owned buildings; 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, which is 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.

Where contributions recognised as revenues during the reporting period were obtained on the condition that they be expended in a particular manner or used over a particular period, and those conditions were undischarged as at the balance sheet date, the nature of, and amounts pertaining to, those undischarged conditions are disclosed in the notes.

## Gains

Gains may be realised or unrealised and 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) Property, Plant and Equipment

### *Capitalisation/expensing of assets*

Items of property, 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 property, plant and equipment costing less than \$5,000 are immediately expensed direct to the Income Statement (other than where they form part of a group of similar items which are significant in total).

### *Initial recognition and measurement*

All items of property, plant and equipment are initially recognised at cost.

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

## *Subsequent measurement*

After recognition as an asset, the Department uses the revaluation model for the measurement of land and buildings; and the cost model for all other property, plant and equipment. Land and buildings are carried at fair value less accumulated depreciation on buildings and accumulated impairment losses. All other items of property, plant and equipment are carried at historical cost less accumulated depreciation and accumulated impairment losses.

Where market-based evidence is available, the fair value of land and buildings is determined on the basis of current market buying values determined by reference to recent market transactions. When buildings are revalued by reference to recent market transactions, the accumulated depreciation is eliminated against the gross carrying amount of the asset and the net amount restated to the revalued amount.

Where market-based evidence is not available, the fair value of land and buildings is determined on the basis of existing use. This normally applies where buildings are specialised or where land use is restricted. Fair value for existing use assets is determined by reference to the cost of replacing the remaining future economic benefits embodied in the asset, i.e. the depreciated replacement cost. Where the fair value of buildings is dependent on using the depreciated replacement cost, the gross carrying amount and the accumulated depreciation are restated proportionately.

Independent valuations of land and buildings are provided annually by the Western Australian Land Information Authority (Valuation Services) and recognised with sufficient regularity to ensure that the carrying amount does not differ materially from the asset's fair value at the balance sheet date.

When buildings are revalued the accumulated depreciation is eliminated against the gross carrying amount of the asset and the net amount restated to the revalued amount.

Fair value of infrastructure has been determined by reference to the depreciated replacement cost (existing use basis) as the assets are specialised and no market-based evidence of value is available. Land under infrastructure is included in land reported under Property, plant and equipment. Independent valuations are obtained on an annual basis.

When infrastructure is revalued, the accumulated depreciation is restated proportionately with the change in the gross carrying amount of the asset so that the carrying amount of the asset after revaluation equals its revalued amount. The most significant assumptions in estimating fair value are made in assessing whether to apply the existing use basis to assets and in determining estimated useful life. Professional judgment by the valuer is required where the evidence does not provide a clear distinction between market type assets and existing use assets.

Refer to note 22 'Property, plant and equipment' for further information on revaluations.

## *Derecognition*

Upon disposal or derecognition of an item of property, plant and equipment and infrastructure, any revaluation reserve relating to that asset is retained in the asset revaluation reserve.

## *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.

Land is not depreciated. Depreciation on other assets is calculated using the straight-line method, using rates, which are reviewed annually. Estimated useful lives for each class of depreciable asset are:

|                               |                |
|-------------------------------|----------------|
| Buildings                     | 10 to 40 years |
| Heritage assets               | 100 years      |
| Plant and equipment           | 10 years       |
| Computer hardware             | 3 years        |
| Air conditioning              | 10 years       |
| Office furniture and fittings | 10 years       |
| Office machines and equipment | 5 years        |

## **(g) Intangible Assets**

### *Computer Software*

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

Significant costs associated with the acquisition or development of computer software are initially recognised at cost. For assets acquired at no cost or for nominal consideration, 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.

The carrying value of intangible assets is reviewed for impairment annually when the asset is not yet in use, or more frequently when an indicator of impairment arises during the reporting year indicating that the carrying value may not be recoverable.

Amortisation for intangible assets with finite useful lives is calculated for the period of the expected benefit (estimated useful life) on the straight-line basis using rates, which are reviewed annually. 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:

|                   |         |
|-------------------|---------|
| Computer software | 5 years |
|-------------------|---------|

## (h) Impairment of Assets

Property, plant and equipment and intangible assets are tested for any indication of impairment at each balance sheet date. 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. As the Department is a not-for-profit entity, unless an 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.

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 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 each balance sheet date.

See note 3(o) 'Receivables' and note 24 'Impairment of Assets'.

## (i) Leases

The Department has entered into a number of operating lease arrangements for the rental of properties and motor vehicles where the lessor effectively retains all the risks and benefits incidental to ownership of the items held under the operating leases. Equal instalments of the lease payments are charged to the Income Statement over the lease term, as this is representative of the pattern of benefits to be derived from the leased property.

Lease Income from operating leases where the Department is a lessor is recognised in income on a straight-line basis over the lease term.

## (j) Financial Instruments

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

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

These have been disaggregated into the following classes:

### Financial Assets

- Cash and cash equivalents
- Restricted cash and cash equivalents
- Receivables
- Amounts receivable for services

### Financial Liabilities

- Payables
- Other 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 rate 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.

## (k) Cash and Cash Equivalents

For the purpose of the Cash Flow Statement, cash and cash equivalents includes restricted cash and cash equivalents. These are comprised of 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.

## (l) Accrued Salaries

The accrued salaries suspense account (see note 18 '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.

Accrued salaries represent the amount due to staff but unpaid at the end of the financial year, as the pay date for the last pay period for that financial year does not coincide with 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 net fair value.

## (m) Amounts Receivable for Services (Holding Account)

The Department receives appropriation funding on an accrual basis that recognises the full annual cash and non-cash cost of services. The appropriations are paid partly in cash and partly as an asset (Holding Account receivable) that is accessible on the emergence of the cash funding requirement to cover items such as leave entitlements and asset replacement.

See also note 17 'Income from State Government' and note 20 'Amounts receivable for services'.

## (n) Inventories

Inventories are measured at the lower of cost and net realisable value. Costs are assigned by the method most appropriate to each particular class of inventory, with the majority being valued on the average cost basis.

Inventories not held for resale are valued at cost unless they are no longer required, in which case they are valued at net realisable value.

See note 21 'Inventories'.

## (o) Receivables

Receivables are recognised and carried at original invoice amount less an allowance for 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 days. See note 3(j) 'Financial Instruments' and note 19 'Receivables'.

## (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 they are generally settled within 30 days. See note 3(j) 'Financial Instruments' and note 25 'Payables'.

## (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 and amount and are recognised where there is a present legal, equitable 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 each balance sheet date. See note 26 'Provisions'.

## (i) Provisions - Employee Benefits

### *Annual Leave and Long Service Leave*

The liability for annual and long service leave expected to be settled within 12 months after the balance sheet date is recognised and measured at the undiscounted amounts expected to be paid when the liabilities are settled. Annual and long service leave expected to be settled more than 12 months after the balance sheet date is measured at the present value of amounts expected to be paid when the liabilities are settled. Leave liabilities are in respect of services provided by employees up to the balance sheet date.

When assessing expected future payments consideration is given to expected future wage and salary levels including non-salary components such as employer superannuation contributions. In addition, the long service leave liability also considers the experience of employee departures and periods of service.

The expected future payments are discounted using market yields at the balance sheet date on national government bonds with terms to maturity that match, as closely as possible, the estimated future cash outflows.

All annual leave and 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 balance sheet date.



## *Superannuation*

The Government Employees Superannuation Board (GESB) administers the following superannuation schemes.

Employees may contribute to the Pension Scheme, a defined benefit pension scheme now closed to new members or the Gold State Superannuation Scheme (GSS), a defined benefit lump sum scheme also closed to new members. The Department has no liabilities for superannuation charges under the Pension or the GSS Schemes as the liability has been assumed by the Treasurer.

Employees commencing employment prior to 16 April 2007 who are not members of either the Pension or the GSS Schemes 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). Both of these schemes are accumulation schemes. The Department makes concurrent contributions to GESB on behalf of employees in compliance with the Commonwealth Government's Superannuation Guarantee (Administration) Act 1992. These contributions extinguish the liability for superannuation charges in respect of the WSS and GESBS Schemes.

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

See also note 3(s) 'Superannuation expense'.

## **(ii) 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'. See note 13 'Other Expenses' and note 26 'Provisions'.

### *Restoration Costs*

A provision is recognised where the Department has a legal, equitable or constructive obligation to undertake restoration work. Estimates are based on the present value of expected future cash outflows.

A site rehabilitation account has been established to provide for costs of rehabilitating the Mt Walton disposal site after the final intractable waste operation takes place in the future. This provision will be added to each time a disposal operation occurs, ensuring the site will be appropriately restored. See note 26 'Provisions' and note 31 'Contingent Liabilities'.

## **(s) Superannuation Expense**

The following elements are included in calculating the superannuation expense in the Income Statement:

- (a) Defined benefit plans - Change in the unfunded employer's liability (i.e. current service cost and, actuarial gains and losses) assumed by the Treasurer in respect of current employees who are members of the Pension Scheme and current employees who accrued a benefit on transfer from that Scheme to

the Gold State Superannuation Scheme (GSS); and

- (b) Defined contribution plans - Employer contributions paid to the GSS (concurrent contributions), the West State Superannuation Scheme (WSS), and the GESB Super Scheme (GESBS).

Defined benefit plans - in order to reflect the true cost of services, the movements (i.e. current service cost and, actuarial gains and losses) in the liabilities in respect of the Pension Scheme and the GSS Scheme transfer benefits are recognised as expenses directly in the Income Statement. As these liabilities are assumed by the Treasurer (refer note 3(r)(i), a revenue titled 'Liabilities assumed by the Treasurer' equivalent to the expense is recognised under Income from State Government in the Income Statement. See note 17 'Income from State Government'.

Defined contribution plans - in order to reflect the Department's true cost of services, the Department is funded for the equivalent of employer contributions in respect of the GSS Scheme (excluding transfer benefits). These contributions were paid to the GESB during the year and placed in a trust account administered by the GESB on behalf of the Treasurer. The GESB subsequently paid these employer contributions in respect of the GSS Scheme to the Consolidated Fund.

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

**(t) Resources Received Free of Charge or For Nominal Cost**

Resources received free of charge or for nominal cost that can be reliably measured are recognised as income and as assets or expenses as appropriate, at fair value.

**(u) Construction Work in Progress**

Construction work in progress is stated at the aggregate of contract costs incurred to date plus recognised profits less recognised losses and progress billings. If there are contracts where progress billings exceed the aggregate costs incurred plus profits less losses, the net amounts are presented under other payables.

Contract costs include all costs directly related to specific contracts, costs that are specifically chargeable to the customer under the terms of the contract and an allocation of overhead expenses incurred in connection with the Department's construction activities in general.

**(v) Lease Incentives**

In instances where the lessor has provided incentives for the Department to enter into an operating lease, the Department has recognised the aggregate benefit of incentives as a reduction of rental expense over the lease term, on a straight-line basis. Examples of lease incentives include up-front cash payments or the reimbursement or assumption by the lessor of costs of the lease such as leasehold improvements.

**(w) Comparative Figures**

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

**(x) Right to Receive**

The asset recognised is the State Government's right to receive the Perth Convention and Exhibition Centre in 35

years from when construction was completed in 2003-04. This value has been determined by depreciating the construction costs at 2% per annum from completion date over 35 years, being the term of the lease. See note 38 'Administered Assets and Liabilities'

**4 Judgements made by management in applying accounting policies**

The judgements that have been made in the process of applying accounting policies that have the most significant effect on the amounts recognised in the financial statements include:

*Operating Lease Commitments*

The Department has entered into a number of commercial leases and has determined that the lessor retains all the significant risks and rewards of ownership of the property. Accordingly, the leases have been classified as an operating lease.

*Recognition and Valuation of Heritage Assets*

The recognition and valuation of Heritage Assets of the Department are based on fair value supplied by the Western Australian Land Information Authority (Valuation Services). Management takes the view that fair value provides a more reliable and relevant determination.

**5 Key sources of estimation uncertainty**

An environmental analysis to provide a quantifiable estimate of the amount required to rehabilitate the Mt Walton intractable waste disposal site has been obtained for the 2007/2008 financial year. Calculations performed in assessing the restoration costs provision incorporate a number of key estimates. The calculation of the provision will be conducted annually and adjusted using the most up to date information available. See note 26 'Provisions'.

Other key assumptions made concerning the future,

and other key sources of estimation uncertainty at the balance sheet date do not have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year.

**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 and Australian Accounting Interpretations effective for annual reporting periods beginning on or after 1 July 2007 that impacted on the Department :

1. AASB 7 'Financial Instruments: Disclosures' (including consequential amendments in AASB 2005-10 'Amendments to Australian Accounting Standards [AASB 132, AASB 101, AASB 114, AASB 117, AASB 133, AASB 139, AASB 1, AASB 4, AASB 1023 and AASB 1038]'). This Standard requires new disclosures in relation to financial instruments and while there is no financial impact, the changes have resulted in increased disclosures, both quantitative and qualitative, of the Department's exposure to risks, including enhanced disclosure regarding components of the Department's financial position and performance, and changes to the way of presenting certain items in the notes to the financial statements.

The following Australian Accounting Standards and Interpretations are not applicable to the Department as they will have no impact or do not apply:

#### AASB Standards and Interpretations

|         |   |
|---------|---|
| 101     | 'Presentation of Financial Statements' (Relating to the changes made to the standard issued in October 2006)  |
| 2005-10 | 'Amendments to Australian Accounting Standards (AASB 132, AASB 101, AASB 114, AASB 117, AASB 133, AASB 139, AASB 1, AASB 4, AASB 1023, & AASB 1038)'  |
| 2007-1  | 'Amendments to Australian Accounting Standards arising from AASB Interpretation 11 [AASB 2]'  |
| 2007-4' | Amendments to Australian Accounting Standards arising from ED 151 and Other Amendments (AASB 1, 2, 3, 4, 5, 6, 7, 102, 107, 108, 110, 112, 114, 116, 117, 118, 119, 120, 121, 127, 128, 129, 130, 131, 132, 133, 134, 136, 137, 138, 139, 141, 1023 & 1038). These amendments arise as a result of the AASB decision to make available all options that currently exist under IFRSs and that certain additional Australian disclosures should be eliminated. The Treasurer's Instructions has been amended to maintain the existing practice when the standard first applied and as a consequence there is no financial impact. |
| 2007-5  | 'Amendments to Australian Accounting Standard – Inventories Held for Distribution by Not-for-Profit Entities (AASB 102)'  |
| 2007-7  | 'Amendments to Australian Accounting Standards [AASB 1, AASB 2, AASB 4, AASB 5, AASB 107 & AASB 128]'   |

#### Voluntary changes in Accounting Policy

The Department has increased the capitalisation threshold to \$5,000 for property, plant and equipment. Physical assets controlled by the Department with a value of less than \$5,000 is now directly expensed in the Income Statement. See note 22 and note 3(f) 'Property, Plant and Equipment'.

#### Future impact of Australian Accounting Standards not yet operative

The Department cannot early adopt an Australian Accounting Standard or Australian Accounting Interpretation unless specifically permitted by TI 1101 'Application of Australian Accounting Standards and Other Pronouncements'. Consequently, the Department has not applied the following Australian Accounting Standards and Australian Accounting Interpretations that have been issued and which may impact the Department but are not yet effective. Where applicable, the Department plans to apply these Standards and Interpretations from their application date:

|          |  |
|----------|--|
| AASB 101 | 'Presentation of Financial Statements'(September 2007). This Standard has been revised and will change the structure of the financial statements. These changes will require that owner changes in equity are presented separately from non-owner changes in equity. The Department does not expect any financial impact when the Standard is first applied. The Standard is required to be applied to annual reporting periods beginning on or after 1 January 2009 |
|          | Review of AAS 27 'Financial Reporting by Local Governments', 29 'Financial Reporting by Government Departments' and 31 'Financial Reporting by   |

Governments'. The AASB has made the following pronouncements from its short term review of AAS 27, AAS 29 and AAS 31:

|                     |  |
|---------------------|--|
| AASB 1004           | 'Contributions' (December 2007) The Standard is required to be applied to annual reporting periods beginning on or after 1 July 2008   |
| AASB 1050           | 'Administered Items' (December 2007) The Standard is required to be applied to annual reporting periods beginning on or after 1 July 2008  |
| AASB 1051           | 'Land under Roads' (December 2007) The Standard is required to be applied to annual reporting periods beginning on or after 1 July 2008  |
| AASB 1052           | 'Disaggregated Disclosures' (December 2007) The Standard is required to be applied to annual reporting periods beginning on or after 1 July 2008   |
| AASB 2007-9         | Amendments to Australian Accounting Standards arising from the review of AASs 27, 29 and 31 [AASB 3, AASB 5, AASB 8, AASB 101, AASB 114, AASB 116, AASB 127 & AASB 137] (December 2007) The Standard is required to be applied to annual reporting periods beginning on or after 1 July 2008 |
| Interpretation 1038 | 'Contributions by Owners Made to Wholly-Owned Public Sector Entities (December 2007). The Standard is required to be applied to annual reporting periods beginning on or after 1 July 2008   |

The existing requirements in AAS 27, AAS 29 and AAS 31 have been transferred to the above new and existing topic-based Standards and Interpretation. These requirements remain substantively unchanged.

# NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2008

The new and revised Standards make some modifications to disclosures, otherwise there will be no financial impact.

The following Australian Accounting Standards and Interpretations are not applicable to the Department as they will have no impact or do not apply:

| AASB             | Standards and Interpretations   |
|------------------|---|
| AASB 3           | 'Business Combinations' (March 2008)  |
| AASB 8           | Operating Segments' AASB 1049 'Financial Reporting of General Government Sectors by Governments'  |
| AASB 2007-2      | 'Amendments to Australian Accounting Standards arising from AASB Interpretation 12 [AASB 1, AASB 117, AASB 118, AASB 120, AASB 121, AASB 127, AASB 131 & AASB 139]' – paragraphs 1 to 8                       |
| AASB 2007-3      | 'Amendments to Australian Accounting Standards arising from AASB 8 [AASB 5, AASB 6, AASB 102, AASB 107, AASB 119, AASB 127, AASB 134, AASB 136, AASB 1023 & AASB 1038]'                                       |
| AASB 2007-6      | 'Amendments to Australian Accounting Standards arising from AASB 123 [AASB 1, AASB 101, AASB 107, AASB 111, AASB 116 & AASB 1138 and Interpretations 1 & 12]'   |
| AASB 2007-8      | 'Amendments to Australian Accounting Standards arising from AASB 101'   |
| AASB 2008-3      | 'Amendments to Australian Accounting Standards arising from AASB 3 and AASB 127 [AASB 1, 2, 4, 5, 7, 1014, 107, 112, 114, 116, 121, 128, 131, 132, 133, 134, 136, 137, 138, 139 and Interpretations 9 & 107]' |
| Interpretation 4 | 'Determining whether an Arrangement contains a Lease' (February 2007)   |

2008  
\$000

2007  
\$000

## 7 Supplies and services

|                             |                |                |
|-----------------------------|----------------|----------------|
| Managed contracts           | 855,974        | 666,275        |
| Consultants and contractors | 2,678          | 2,129          |
| Maintenance and repairs     | 490            | 302            |
| Government leasing expense  | 23             | 147            |
| Motor vehicles              | 715            | 553            |
| Consumables                 | 336            | 259            |
| Communications              | 99             | 82             |
| Other                       | 41             | 153            |
|                             | <u>860,356</u> | <u>669,900</u> |

## 8 Employee benefits expenses

|  |               |               |
|--|---------------|---------------|
| Wages and salaries   | 18,080        | 15,676        |
| Superannuation - defined contribution plans <sup>(a)</sup> | 2,231         | 1,543         |
| Superannuation - defined benefit plans <sup>(b) (c)</sup>  | 781           | 731           |
| Long service leave <sup>(d)</sup>                          | 335           | 892           |
| Annual leave <sup>(d)</sup>                                | 1,615         | 1,585         |
|  | <u>23,042</u> | <u>20,427</u> |

(a) Defined contribution plans include West State, Gold State and GESB Super Scheme. (Contributions paid)

(b) Defined benefit plans include Pension scheme and Gold State (pre-transfer benefit).

(c) An equivalent notional income is also recognised (see note 17 'Income from State Government').

(d) Includes a superannuation contribution component.

Employment on-costs such as workers' compensation insurance are included at note 13 'Other expenses'. The employment on-costs liability is included at note 26 'Provisions'

## 9 Capital user charge

- 15,832

The charge was a levy applied by Government for the use of its capital.  
The final charge was levied in 2006-07.

## 10 Grants and Subsidies

255 -

This Grant was provided for the 'Fitzroy Futures Fund' and will be used to support programs to further social and economic development projects that are identified by the Fitzroy Futures Forum Leadership Group as priorities and key initiatives for their community.

## 11 Depreciation and amortisation expense

|  |              |              |
|--|--------------|--------------|
| <b>Depreciation</b>                        |              |              |
| Buildings                                  | 6,663        | 4,961        |
| Office machines and equipment              | -            | 22           |
| Furniture and Fittings                     | 1            | 2            |
| Computer hardware                          | 1            | 4            |
| Plant and equipment                        | 1            | 4            |
| Leasehold Improvements                     | 2,199        | 1,581        |
| Total depreciation                         | <u>8,865</u> | <u>6,574</u> |
| <b>Amortisation</b>                        |              |              |
| Intangible assets                          | -            | 161          |
| <b>Total depreciation and amortisation</b> | <u>8,865</u> | <u>6,735</u> |

# NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2008

|  | 2008<br>\$000  | 2007<br>\$000  |
|--|----------------|----------------|
| <b>12 Accommodation expenses</b>   |                |                |
| Lease rentals  | <u>1,160</u>   | <u>1,149</u>   |
| <b>13 Other expenses</b>   |                |                |
| Employment on-costs (a)  | 1,167          | 1,013          |
| Cost of Goods Sold   | <u>118</u>     | <u>106</u>     |
|  | <u>1,285</u>   | <u>1,119</u>   |
| (a) Includes workers compensation insurance and other employment on-costs. The on-costs liability associated with the recognition of annual and long service liability is included at note 26 'Provisions'. Superannuation contributions accrued as part of the provision for leave are employee benefits and are not included in employment on-costs. |                |                |
| <b>14 User charges and fees</b>  |                |                |
| Fees for managed building works  | 27,240         | 25,845         |
| Miscellaneous services   | 4,708          | 4,594          |
| Rents for Government office accommodation  | <u>134,717</u> | <u>109,019</u> |
|  | <u>166,665</u> | <u>139,458</u> |
| Managed building works (a)   | 713,303        | 562,097        |
| Correction of prior period error   | -              | (29,491)       |
| Restated Balance of Managed building works   | <u>713,303</u> | <u>532,606</u> |
|  | <u>879,968</u> | <u>672,064</u> |
| (a) See note 19 'Receivables' and note 27 'Other Payables'   |                |                |
| <b>15 Commonwealth grants and contributions</b>  | <u>25</u>      | <u>237</u>     |
| <b>16 Other revenue</b>  |                |                |
| Executive vehicle scheme   | <u>15</u>      | <u>22</u>      |
| <b>17 Income from State Government</b>   |                |                |
| Appropriation received during the year:  |                |                |
| Service appropriations (a)   | <u>23,636</u>  | <u>36,266</u>  |
| The following liabilities have been assumed by the Treasurer during the financial year:  |                |                |
| - Superannuation (b)   | <u>781</u>     | <u>731</u>     |
| Total Liabilities assumed by the Treasurer   | 781            | 731            |

Resources received free of charge (c)  
Determined on the basis of the following estimates provided by agencies:

|   |               |               |
|---|---------------|---------------|
| Department of the Attorney General            | 209           | 153           |
| Department of Education and Training          | -             | 7             |
| Western Australian Land Information Authority | <u>295</u>    | <u>379</u>    |
|   | <u>504</u>    | <u>539</u>    |
|   | <u>24,921</u> | <u>37,536</u> |

- (a) Service appropriations are accrual amounts reflecting the full cost of services delivered. The appropriation revenue comprises a cash component and a receivable (asset). The receivable (holding account) comprises the depreciation expense for the year and any agreed increase in leave liability during the year.
- (b) The assumption of the superannuation liability by the Treasurer is a notional income to match the notional superannuation expense reported in respect of current employees who are members of the pension scheme and current employees who have a transfer benefit entitlement under the Gold State Superannuation Scheme. (The notional superannuation expense is disclosed at note 8 'Employee Benefits Expense').
- (c) Where assets or services have been received free of charge or for nominal cost, the Department recognises revenues equivalent to the fair value of the assets and/or the fair value of those services that can be reliably determined and which would have been purchased if not donated, and those fair values shall be recognised as assets or expenses, as applicable. The exception occurs where the contribution of assets or services are in the nature of contributions by owners, in which case the Department makes the adjustment direct to equity.

## 18 Restricted cash and cash equivalents

### Current

|                         |        |        |
|-------------------------|--------|--------|
| Fitout contribution (a) | 12,128 | 16,645 |
|-------------------------|--------|--------|

### Non-current

|                                       |               |               |
|---------------------------------------|---------------|---------------|
| Accrued salaries suspense account (b) | <u>171</u>    | <u>108</u>    |
|                                       | <u>12,299</u> | <u>16,753</u> |

- (a) Building owners contribution received to fund fitout works for re-location of government agencies.
- (b) Amount held in suspense account is only to be used for the purpose of meeting the 27th pay in a financial year that occurs every 11 years.



# NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2008

## 19 Receivables

|   | 2008<br>\$000 | 2007<br>\$000 |
|---|---------------|---------------|
| Receivables   | 46,340        | 35,411        |
| Accrued revenues  | 16,604        | 14,786        |
| GST receivable  | 729           | -             |
| Prepayments   | 11,336        | 8,986         |
| Property manager's trust (a)  | 2,260         | 3,072         |
| Construction work in progress (b)   |               |               |
| Contract costs incurred and recognised profits less recognised losses   | 462,735       | 514,418       |
| Correction of prior period error  | -             | (65,643)      |
| Restated Balance of contract costs incurred and recognised profits less recognised losses   | 462,735       | 448,775       |
| Progress billing  | (435,038)     | (482,464)     |
| Correction of prior period error  | -             | 45,954        |
| Restated Balance of progress billing  | (435,038)     | (436,510)     |
| Total Construction work in progress   | 27,697        | 12,265        |
| Total Receivables   | 104,966       | 74,520        |
| Credit Risk   |               |               |
| Aging of receivables past due but not impaired based on the information provided to senior management, at the balance sheet date: |               |               |
| More than 15 days but less than 30 days   | 7,715         | 6,781         |
| More than 30 days but less than 60 days   | 8,875         | 9,461         |
| More than 60 days   | 1,984         | 1,119         |
|   | 18,574        | 17,361        |

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

(a) This is the amount held in trust by the Department's corporate property manager that manages the rental services for the Department.

(b) Construction work in progress has arisen under construction contracts. Movement of disclosure from 'Inventories' to 'Receivables' applies AASB 102 'Inventories' and AASB 111 'Construction Contracts'.

Management had noted some issues during the course of the year on the accrual for revenue on projects. As a consequence of the analysis that was performed a correction was brought to account for life-to-date project balances for the financial year 2007/2008. The effect on the 2006/2007 financial year was to decrease project receivables by \$19.689m and to increase project payables by \$9.802m. The net effect of \$29.491m has been reflected in revenue. See note 14 'User Charges and Fees' and note 27 'Other Payables'.

See note 3(o) 'Receivables' and note 35 'Financial Instruments'

## 20 Amounts receivable for services

|             |        |        |
|-------------|--------|--------|
| Current     | 25     | 25     |
| Non-current | 22,083 | 17,268 |
|             | 22,108 | 17,293 |

Represents the non-cash component of service appropriations {see note 3(m) 'Amounts receivable for services (Holding Account)'}'. It is restricted in that it can only be used for asset replacement or payment of leave liability.

All of the above receivables are fully performing and as the Department's counterpart is the Department of Treasury and Finance these receivables are of reputable credit quality.

## 21 Inventories

|                             |    |    |
|-----------------------------|----|----|
| Inventories held for resale | 99 | 82 |
|-----------------------------|----|----|

# NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2008

## 22 Property, plant and equipment

|  | 2008<br>\$000  | 2007<br>\$000  |
|--|----------------|----------------|
| Land   |                |                |
| Land at fair value <sup>(a)</sup>                    | 132,607        | 82,937         |
| Building   |                |                |
| Buildings at fair value <sup>(a)</sup>               | 292,531        | 217,245        |
| Accumulated depreciation <sup>(c)</sup>              | -              | -              |
|  | <u>292,531</u> | <u>217,245</u> |
| Total Properties (includes land and buildings)       | <u>425,138</u> | <u>300,182</u> |
| Office furniture and fittings at cost <sup>(b)</sup> | 7              | 18             |
| Less policy change <sup>(b)</sup>                    | -              | (10)           |
| Accumulated depreciation                             | <u>(1)</u>     | <u>(1)</u>     |
|  | <u>6</u>       | <u>7</u>       |
| Office machines and equipment at cost <sup>(b)</sup> | -              | 128            |
| Less policy change <sup>(b)</sup>                    | -              | (8)            |
| Accumulated depreciation                             | <u>-</u>       | <u>(120)</u>   |
|  | <u>-</u>       | <u>(0)</u>     |
| Computer hardware at cost <sup>(b)</sup>             | 13             | 16             |
| Less policy change <sup>(b)</sup>                    | -              | (16)           |
| Accumulated depreciation                             | <u>(1)</u>     | <u>-</u>       |
|  | <u>12</u>      | <u>-</u>       |
| Plant and equipment at cost <sup>(b)</sup>           | 11             | 36             |
| Less policy change <sup>(b)</sup>                    | -              | (19)           |
| Accumulated depreciation                             | <u>(1)</u>     | <u>(6)</u>     |
|  | <u>10</u>      | <u>11</u>      |
| Building improvements in progress at cost            |                |                |
| Building improvements                                | <u>95,133</u>  | <u>24,211</u>  |
|  | <u>95,133</u>  | <u>24,211</u>  |
| Leasehold improvements                               | 27,618         | 21,006         |
| Accumulated depreciation                             | <u>(5,402)</u> | <u>(3,203)</u> |
|  | <u>22,216</u>  | <u>17,803</u>  |
|  | <u>542,515</u> | <u>342,214</u> |

- (a) Land and buildings were revalued as at 1 July 2007 by the Western Australian Land Information Authority (Valuation Services). The valuations were performed during the year ended 30 June 2008 and recognised at 30 June 2008. In undertaking the revaluation, fair value was determined by reference to market values. (See note 3(f) 'Property, Plant and Equipment'). Valuation Services, the Office of the Auditor General and the Department of Treasury and Finance assessed the valuations globally to ensure that the valuations provided (as at 1 July 2007) were compliant with fair value at 30 June 2008.
- (b) A restatement of Office Furniture and Fittings, Office Machines and Equipment, Computer Hardware, Plant and Equipment for the financial year 2006/2007 has been implemented. This has occurred from a change in policy by the Department of Housing and Works with recognition of assets increasing from \$1,000 to \$5,000. Physical assets controlled by the Department with a value of less than \$5,000 is now directly expensed in the Income Statement. The effect on the 2007/2008 financial year was to decrease the carrying amount of each asset class and decrease retained earnings in Equity by the cost amount of prior year purchases accordingly. This policy change has been restated in each of the affected financial statement line items for the prior year, as described above.
- (c) A restatement of accumulated depreciation for Buildings for the financial year 2006/2007 has been implemented to ensure valuations are effected as at financial year end 30 June 2007 and in accordance with the Department's accounting policy. The effect on the 30 June 2007 financial year is to decrease accumulated depreciation and increase the asset revaluation reserve in equity by \$4.961m.

## 22 Property, plant and equipment (Continued)

Reconciliations of the carrying amounts of property, plant and equipment at the beginning and end of the reporting period are set out below.

|                                      | Land and<br>Buildings<br>\$000 | Building<br>Improvements<br>in Progress<br>\$000 | Office<br>Machines<br>and Equip.<br>\$000 | Air<br>Conditioning<br>\$000 | Furniture<br>and Fittings<br>\$000 | Computer<br>Hardware<br>\$000 | Plant &<br>Equip.<br>\$000 | Leasehold<br>Improvements<br>\$000 | Total<br>\$000 |
|--------------------------------------|--------------------------------|--|---|------------------------------|------------------------------------|-------------------------------|----------------------------|------------------------------------|----------------|
| <b>2007/08</b>                       |                                |  |   |                              |                                    |                               |                            |                                    |                |
| Carrying amount at start of year     | 300,182                        | 24,211   | -   | -                            | 7                                  | -                             | 11                         | 17,803                             | 342,214        |
| Transfers                            | -                              | -  | -   | -                            | -                                  | -                             | -                          | -                                  | -              |
| Additions                            | 11,555                         | 75,192   | -   | -                            | -                                  | 13                            | -                          | 6,612                              | 93,372         |
| Disposals                            | -                              | (4,270)  | -   | -                            | -                                  | -                             | -                          | -                                  | (4,270)        |
| Revaluation increments/ (decrements) | 120,064                        | -  | -   | -                            | -                                  | -                             | -                          | -                                  | 120,064        |
| Depreciation/Amortisation            | (6,663)                        | -  | -   | -                            | (1)                                | (1)                           | (1)                        | (2,199)                            | (8,865)        |
| Carrying amount at end of year       | 425,138                        | 95,133   | -   | -                            | 6                                  | 12                            | 10                         | 22,216                             | 542,515        |

|                                  | Land and<br>Buildings<br>\$000 | Building<br>Improvements<br>in Progress<br>\$000 | Office<br>Machines<br>and Equip.<br>\$000 | Air<br>Conditioning<br>\$000 | Furniture<br>and Fittings<br>\$000 | Computer<br>Hardware<br>\$000 | Plant &<br>Equip.<br>\$000 | Leasehold<br>Improvements<br>\$000 | Total<br>\$000 |
|----------------------------------|--------------------------------|--|---|------------------------------|------------------------------------|-------------------------------|----------------------------|------------------------------------|----------------|
| <b>2006/07 (Restated)</b>        |                                |  |   |                              |                                    |                               |                            |                                    |                |
| Carrying amount at start of year | 200,854                        | 4,447  | 120                                       | -                            | -                                  | -                             | 17                         | 15,905                             | 221,343        |
| Transfers (a)                    | 1,253                          | -  | -   | -                            | -                                  | -                             | -                          | -                                  | 1,253          |
| Additions                        | -                              | 19,764   | -   | -                            | 8                                  | -                             | -                          | 3,479                              | 23,251         |
| Disposals                        | -                              | -  | -   | -                            | -                                  | -                             | -                          | -                                  | -              |
| Revaluation increments           | 103,036                        | -  | -   | -                            | -                                  | -                             | -                          | -                                  | 103,036        |
| Depreciation/Amortisation        | (4,961)                        | -  | (120)                                     | -                            | (1)                                | -                             | (6)                        | (1,581)                            | (6,669)        |
| Carrying amount at end of year   | 300,182                        | 24,211   | (0)                                       | -                            | 7                                  | -                             | 11                         | 17,803                             | 342,214        |

(a) Transfer of Dumus House Lift Project to Government Properties

# NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2008

|   | 2008<br>\$000 | 2007<br>\$000 |
|---|---------------|---------------|
| <b>23 Intangible assets</b>   |               |               |
| Computer software at cost   | 804           | 804           |
| Accumulated amortisation  | (804)         | (804)         |
|   | <u>-</u>      | <u>-</u>      |
| <b>Intangible Assets Reconciliation:</b>  |               |               |
| Carrying amount at start of year  | -             | 161           |
| Amortisation expense  | -             | (161)         |
|   | <u>-</u>      | <u>-</u>      |
| <b>24 Impairment of assets</b>  |               |               |
| There were no indications of impairment of property, plant & equipment and intangible assets as at 30 June 2008.  |               |               |
| <b>25 Payables</b>  |               |               |
| GST liability to the Australian Taxation Office   | -             | 3,652         |
| Accrued expenses  | 10,300        | 12,230        |
| Accrued salaries  | 262           | 100           |
| Other   | 68            | 49            |
|   | <u>10,630</u> | <u>16,031</u> |
| See also note 3(p) 'Payables' and note 35 'Financial Instruments'.  |               |               |
| <b>26 Provisions</b>  |               |               |
| <i>Current</i>  |               |               |
| Annual leave  | 1,957         | 2,234         |
| Long service leave (a)  | 1,980         | 1,705         |
| Employment on-costs (b)   | 17            | 22            |
|   | <u>3,954</u>  | <u>3,961</u>  |
| <i>Non-current</i>  |               |               |
| Long service leave (a)  | 1,126         | 1,013         |
| Employment on-costs (b)   | 10            | 10            |
|   | <u>1,136</u>  | <u>1,023</u>  |
| <i>Other Provisions</i>   |               |               |
| Restoration costs (c)   | 456           | 290           |
|   | <u>1,592</u>  | <u>1,313</u>  |
| (a) Long service leave liabilities have been classified as current where there is no unconditional right to defer settlement for at least 12 months after balance sheet date. Assessments indicate that actual settlement of the liabilities will occur as follows: |               |               |
| Within 12 months of balance sheet date  | 1,997         | 1,727         |
| More than 12 months after balance sheet date  | 1,136         | 1,023         |
|   | <u>3,133</u>  | <u>2,750</u>  |

(b) The settlement of annual and long service leave liabilities gives rise to the payment of employment on-costs. The provision is the present value of expected future payments. The associated expense, apart from the unwinding of the discount (finance cost), is included in note 13 'Other Expenses'.

(c) The Department acquired an intractable waste facility at Mt Walton in April 2005. The facility was transferred from the Department of Environment to resolve a conflict of interest. The Department has a legal obligation to restore the site.

## Movements in Provisions

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

### Restoration costs provision

|                                    |            |            |
|------------------------------------|------------|------------|
| Carrying amount at start of year   | 290        | 290        |
| Additional provisions recognised   | 166        | -          |
| Carrying amount at the end of year | <u>456</u> | <u>290</u> |

### Employment on-cost provision

|  |           |           |
|--|-----------|-----------|
| Carrying amount at start of year               | 33        | 39        |
| Additional provisions recognised               | 34        | 63        |
| Payments/other sacrifices of economic benefits | (40)      | (69)      |
| Carrying amount at the end of year             | <u>27</u> | <u>33</u> |

## 27 Other Payables

|   |                    |                  |
|---|--------------------|------------------|
| Invoices raised for services to be completed next financial year                          | 4,755              | 14,004           |
| Prepayments for construction work in progress (a)   |                    |                  |
| Progress billing  | 1,225,757          | 464,220          |
| Correction of prior period error  | -                  | 267,000          |
| Restated balance of progress billing  | <u>1,225,757</u>   | <u>731,220</u>   |
| Contract costs incurred and recognised profits less recognised losses                     | (1,119,704)        | (394,246)        |
| Correction of prior period error  | -                  | (257,198)        |
| Restated Balance of contract costs incurred and recognised profits less recognised losses | <u>(1,119,704)</u> | <u>(651,444)</u> |
| Total Prepayments for Construction work in progress                                       | <u>106,053</u>     | <u>79,776</u>    |
|   | <u>110,808</u>     | <u>93,780</u>    |

(a) See note 14 'User Charges and Fees' and note 19 'Receivables'.

# NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2008

|   | 2008<br>\$000  | 2007<br>\$000  |
|---|----------------|----------------|
| <b>28 Equity</b>  |                |                |
| Equity represents the residual interest in the net assets of the Department. The Government holds the equity interest in the Department on behalf of the community. The assets revaluation reserve represents that portion of equity resulting from the revaluation of non-current assets.  |                |                |
| <b>Contributed equity</b>   |                |                |
| Balance at start of the year  | 61,410         | 40,410         |
| <b>Contributions by owners</b>  |                |                |
| Capital contributions <sup>(a)</sup>  | 78,010         | 21,000         |
| Balance at end of the year  | <u>139,420</u> | <u>61,410</u>  |
| (a) Capital contributions (appropriations) and non-discretionary (non-reciprocal) transfers of net assets from other State Government agencies have been designated as contributions by owners in Treasurer's Instruction TI 955 'Contributions by Owners Made to Wholly Owned Public Sector Entities' and are credited directly to equity. |                |                |
| <b>Reserves</b>   |                |                |
| <b>Asset revaluation reserve:</b>   |                |                |
| Balance at start of the year  | 134,745        | 36,084         |
| Net revaluation increments  | 120,065        | 98,661         |
| Balance at end of the year  | <u>254,810</u> | <u>134,745</u> |
| <b>Accumulated surplus</b>  |                |                |
| Balance at start of the year  | 163,361        | 168,701        |
| Result for the period   | 9,966          | (5,303)        |
| Change in Accounting Policy   | -              | (37)           |
| Balance at the end of the year  | <u>173,327</u> | <u>163,361</u> |

|   | 2008<br>\$000   | 2007<br>\$000 |
|---|-----------------|---------------|
| <b>29 Notes to the Cash Flow Statement</b>  |                 |               |
| <u>Reconciliation of cash</u>   |                 |               |
| Cash at the end of the financial year as shown in the Cash Flow Statement is reconciled to the related items in the Balance Sheet as follows: |                 |               |
| Cash and cash equivalents   | 50,305          | 62,881        |
| Restricted cash and cash equivalents (refer to note 18)   | 12,128          | 16,645        |
|   | <u>62,433</u>   | <u>79,526</u> |
| <u>Reconciliation of net cost of services to net cash flows provided by/(used in) operating activities</u>                                    |                 |               |
| Net cost of services  | (14,955)        | (42,839)      |
| Non-cash items:   |                 |               |
| Depreciation and amortisation expense   | 8,865           | 6,735         |
| Doubtful debts expense  | -               | -             |
| Superannuation expense  | 781             | 731           |
| Resources received free of charge   | 504             | 539           |
| (Increase)/decrease in assets:  |                 |               |
| Current receivables   | (26,277)        | 2,417         |
| Other current assets  | (4,248)         | (3,465)       |
| Increase/(decrease) in liabilities:   |                 |               |
| Current payables  | 26,296          | 17,870        |
| Unearned revenues   | (9,249)         | 3,489         |
| Other current liabilities   | (1,768)         | (3,269)       |
| Provisions  | 272             | 750           |
| Change in GST Liability   | (3,652)         | 1,458         |
| Other non-current liabilities   | (1,391)         | 16,884        |
| Net cash provided by/(used in) operating activities   | <u>(24,822)</u> | <u>1,300</u>  |



# NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2008

|  | 2008<br>\$000  | 2007<br>\$000  |
|--|----------------|----------------|
| <b>30 Commitments for expenditure</b>  |                |                |
| 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  | 95,996         | 69,198         |
| Later than 1 year and not later than 5 years   | 143,871        | 245,861        |
| Payable later than five years  | -              | -              |
|  | <u>239,867</u> | <u>315,059</u> |
| The capital commitments include amounts for:   |                |                |
| Construction contracts   | <u>239,867</u> | <u>315,059</u> |
| Lease commitments (a)  |                |                |
| Commitments in relation to leases contracted for at the balance sheet date but not recognised in the financial statements are payable as follows:  |                |                |
| Within 1 year  | 76,004         | 78,011         |
| Later than 1 year and not later than 5 years   | 212,736        | 238,760        |
| Payable later than five years  | <u>123,247</u> | <u>153,216</u> |
|  | <u>411,987</u> | <u>469,987</u> |
| Representing:  |                |                |
| Cancellable operating leases   | 242            | 93             |
| Non-cancellable operating leases   | <u>411,745</u> | <u>469,893</u> |
|  | <u>411,987</u> | <u>469,986</u> |
| Non-cancellable operating lease commitments  |                |                |
| Commitments for minimum lease payments are payable as follows:   |                |                |
| Within 1 year  | 75,762         | 77,917         |
| Later than 1 year and not later than 5 years   | 212,736        | 238,760        |
| Payable later than five years  | <u>123,247</u> | <u>153,216</u> |
|  | <u>411,745</u> | <u>469,893</u> |
| (a) The department has conducted a review of cancellable and non-cancellable leases for the financial years 2006/2007 and 2007/2008. This has been reflected accordingly. There is no financial impact from this review. |                |                |

|   | 2008<br>\$000 | 2007<br>\$000 |
|---|---------------|---------------|
| <b>31 Contingent Liabilities</b>  |               |               |
| <u>Contaminated Sites</u>   |               |               |
| Under the Contaminated Sites Act 2003, the Department is required to report known and suspected contaminated sites to the Department of Environment and Conservation (DEC). In accordance with the Act, DEC classifies these sites on the basis of the risk to human health, the environment and environmental values. Where sites are classified as <i>contaminated - remediation required</i> or <i>possibly contaminated - investigation required</i> , the Department may have a liability in respect of investigation or remediation expenses. |               |               |
| During 2006/2007 financial year the Department reported one contaminated site to DEC. Whilst there is no possibility of reimbursement of any future expenses that may be incurred in the remediation of this site, the Department may apply for funding from the Contaminated Sites Management Account to undertake further investigative work or to meet remediation costs that may be required.   |               |               |
| See also note 3(r)(ii) 'Provisions - Other' and note 26 'Provisions'.   |               |               |
| <b>32 Supplementary financial information</b>   |               |               |
| <u>Write-Offs</u>   |               |               |
| During the financial year, no write-offs were applied (2007: \$2,854) under the authority of the Accountable Authority.   |               |               |
| <b>33 Remuneration of members of the accountable authority and senior officers</b>  |               |               |
| The remuneration for the Accountable Authority and Senior Officers of the Department has been disclosed within the Housing Authority annual report.   |               |               |
| No senior officers are members of the Pension Scheme.   |               |               |
| <b>34 Remuneration of Auditor</b>   |               |               |
| Remuneration payable to the Auditor General for the financial year is as follows:   |               |               |
| Auditing the accounts, financial statements and performance indicators  | <u>118</u>    | <u>115</u>    |

## 35 Financial Instruments

### (a) Financial Risk Management Objectives and Policies

Financial instruments held by the Department are cash and cash equivalents, restricted cash and cash equivalents, Treasurer's advances and receivables and payables. All of the Department's cash is held in the public bank account (non-interest bearing) apart from restricted cash held in a special purpose account. 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 Department measures credit risk on a fair value basis and monitors risk on a regular basis.

The maximum exposure to credit risk at balance sheet date in relation to each class of recognised financial assets is the gross carrying amount of those assets inclusive of any provisions for impairment.

Credit risk associated with the Department's financial assets is minimal. 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. There are no significant concentrations of risk.

Past due receivables are monitored on an ongoing basis. Within each directorate of the Department debt recovery procedures are utilised and updated appropriately. Unresolved receivables are escalated to the relevant business manager for further action as required. For any amounts not past due or impaired, no amounts included in that total have had terms that have been renegotiated.

Provision for impairment of financial assets is calculated based on past experience, and current and expected changes in client credit ratings. For financial assets that are either past due or impaired, refer to Note 19 'Receivables'.

The Department adheres to Treasurer's Instruction (TI) 323 'Timely payment of accounts' and all payments are paid within the 30 days of the receipt of the creditor's claim, or within 30 days provision of the goods or service (whichever is the later), except where the terms or conditions of a contract relating to a claim for payment provide for alternate payment arrangements or where a discount is available for early payment.

#### *Liquidity risk*

The Department is exposed to liquidity risk through its trading in the normal course of business. Liquidity risk arises when the Department is unable to meet its financial obligations as they fall due.

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

#### *Market risk*

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 all cash and cash equivalents and restricted cash are non-interest bearing, and have no borrowings other than the Treasurer's advance (non-interest bearing).

### (b) Categories of Financial Instruments

In addition to cash, the carrying amounts of each of the following categories of financial assets and financial liabilities at the balance sheet date are as follows:

|  | 2008<br>\$000  | 2007<br>\$000  |
|--|----------------|----------------|
| <b>Financial Assets</b>                          |                |                |
| Cash and cash equivalents                        | 50,305         | 62,881         |
| Restricted cash and cash equivalents             | 12,299         | 16,753         |
| Receivables                                      | 104,966        | 74,520         |
| Amounts receivable for services                  | 22,108         | 17,293         |
|  | <u>189,678</u> | <u>171,447</u> |
| <b>Financial Liabilities</b>                     |                |                |
| Financial liabilities measured at amortised cost | 121,438        | 109,811        |

## 35 Financial Instruments (Continued)

### (c) Financial Instruments Disclosure

#### *Credit Risk, Liquidity Risk and Interest Rate Risk Exposures*

The following table details the exposure to liquidity risk and interest rate risk as at balance sheet date. The Department's maximum exposure to credit risk at the balance sheet date is the carrying amount of the financial liabilities as shown on the following table. The table is based on information provided to senior management of the Department. The contractual maturity amounts in the table are representative of the undiscounted amounts at the balance sheet date.

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

The Department does not hold any financial assets that had to have their terms renegotiated that would have otherwise resulted in them being past due or impaired.

#### Contractual Maturity Analysis:

|                              | 1 - 30 Days<br>\$000 | Carrying<br>Amount<br>\$000 |
|------------------------------|----------------------|-----------------------------|
| <b>2008</b>                  |                      |                             |
| <u>Financial Liabilities</u> |                      |                             |
| Payables                     | 10,630               | 10,630                      |
| Other Payables               | 110,808              | 110,808                     |
|                              | <u>121,438</u>       | <u>121,438</u>              |
| <b>2007</b>                  |                      |                             |
| <u>Financial Liabilities</u> |                      |                             |
| Payables                     | 16,031               | 16,031                      |
| Other Payables               | 93,780               | 93,780                      |
|                              | <u>109,811</u>       | <u>109,811</u>              |

# NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2008

## 36 Explanatory statement

Significant variations between estimates and actual results for income and expense as presented in the financial statement titled 'Summary of Consolidated Account Appropriations and Income Estimates' are shown below.

Significant variations are considered to be those greater than 10% or \$1 million.

### (a) Significant variations between actual and prior year actual

#### TOTAL APPROPRIATION TO DELIVER SERVICES

|   | 2008<br>Actual<br>\$000 | 2007<br>Actual<br>\$000 | Variation<br>\$000 |
|---|-------------------------|-------------------------|--------------------|
| Net amount appropriated to deliver services | 23,636                  | 36,266                  | (12,630)           |

The decrease in appropriation is mainly due to the cessation of funding for the Capital User Charge (\$15.832m) and an increase in funding for other various movements of \$3.202m.

#### CAPITAL

|                                      |        |        |        |
|--------------------------------------|--------|--------|--------|
| Capital Contribution (appropriation) | 78,010 | 21,000 | 57,010 |
|--------------------------------------|--------|--------|--------|

The increased funding of \$57.010m in 2007/08 represents the capital contributions for the upgrade of Dumas House and Royal Street government owned buildings and the construction of the Perth Arena.

#### ADMINISTERED

|  |        |        |        |
|--|--------|--------|--------|
| Amount provided for Administered Grants, Subsidies and Other Transfer Payments | 81,184 | 31,710 | 49,474 |
|--|--------|--------|--------|

The increase in Administered activity between the 2007 actual and the 2008 actual is due to a substantial increase in state funding for the Housing Authority.

#### Details of Expenses by Service

|  |         |         |         |
|--|---------|---------|---------|
| Delivery, management and maintenance of Government buildings, projects, and office accommodation | 894,963 | 715,162 | 179,801 |
|--|---------|---------|---------|

The increase is largely due to an increase in client turnover activity for managed contracts on behalf of other government departments.

|   |           |           |           |
|---|-----------|-----------|-----------|
| Total revenues from ordinary activities | (880,008) | (701,814) | (178,194) |
|---|-----------|-----------|-----------|

The increase is largely due to an increase in client turnover activity for managed contracts on behalf of other government departments.

#### Capital Expenditure

|   |        |        |        |
|---|--------|--------|--------|
| Purchase of non-current physical assets | 89,102 | 27,654 | 61,448 |
|---|--------|--------|--------|

The variance is largely due to the costs associated with the construction of the Perth Arena.

#### DETAILS OF REVENUE ESTIMATES

|   |        |        |       |
|---|--------|--------|-------|
| Revenues disclosed as Administered Revenues | 21,106 | 18,607 | 2,499 |
|---|--------|--------|-------|

Revenues received as Administered Income have increased due to market rent conditions for tenancies.

### (b) Significant variations between estimate and actual

Details and reasons for significant variations between estimates and actual results are shown below. Significant variations are considered to be those greater than 10% of the estimate or \$1million.

#### TOTAL APPROPRIATION TO DELIVER SERVICES

|  | 2008<br>Estimates<br>\$000 | 2008<br>Actual<br>\$000 | Variation<br>\$000 |
|--|----------------------------|-------------------------|--------------------|
| Net amount appropriated to deliver services for the year | 19,489                     | 23,636                  | 4,147              |

Various adjustments have been agreed to the appropriation to deliver services by way of supplementary funding for:

|  |              |
|--|--------------|
|  | \$000        |
| Creation of Office of Strategic Projects | 2,500        |
| Increased Depreciation Charge            | 1,417        |
| Mesothelioma Claim                       | 230          |
|  | <u>4,147</u> |

#### CAPITAL

|                                      |        |        |          |
|--------------------------------------|--------|--------|----------|
| Capital Contribution (appropriation) | 95,524 | 78,010 | (17,514) |
|--------------------------------------|--------|--------|----------|

The decreased funding of \$17.514m in 2007/2008 represents the decreased drawdown of capital funding for the refurbishment programs for Dumas House in West Perth, 151 Royal Street in East Perth and the Perth Arena Project. This is largely due to the revised construction cash flows for the Perth Arena Project.

#### Details of Expenses by Service

|                        |         |         |        |
|------------------------|---------|---------|--------|
| Total Cost of Services | 832,875 | 894,963 | 62,088 |
|------------------------|---------|---------|--------|

The increase in costs is mainly due to the level of managed contracts on behalf of Government Departments being higher than expected.

|   |           |           |        |
|---|-----------|-----------|--------|
| Total revenues from ordinary activities | (810,946) | (880,008) | 69,062 |
|---|-----------|-----------|--------|

The increase in revenue is mainly due to the level of managed contracts on behalf of Government Departments being higher than expected.

#### Capital Expenditure

|   |        |        |         |
|---|--------|--------|---------|
| Purchase of non-current physical assets | 96,619 | 89,102 | (7,517) |
|---|--------|--------|---------|

The variance is largely due to the revised construction cash flows for the Perth Arena Project.

#### DETAILS OF REVENUE ESTIMATES

|   |        |        |       |
|---|--------|--------|-------|
| Revenues disclosed as Administered Revenues | 18,500 | 21,106 | 2,606 |
|---|--------|--------|-------|

Revenues received as Administered Income have increased due to market rent conditions for tenancies.

|   | 2008<br>\$000  | 2007<br>\$000 |
|---|----------------|---------------|
| <b>37 Administered expenses and income</b>  |                |               |
| <b>Expenses</b>   |                |               |
| Grants expense for capital purposes <sup>(a)</sup>  | 81,184         | 31,710        |
| Depreciation  | -              | -             |
| Managed contracts expenses  | -              | -             |
| Net decrease in asset revaluation   | -              | -             |
| Payments to government  | 21,106         | 18,607        |
| Total administered expenses   | <u>102,290</u> | <u>50,317</u> |
| <b>Income</b>   |                |               |
| Rent  | 21,106         | 18,607        |
| Administered grants <sup>(a)</sup>  | 81,184         | 31,710        |
| Total administered revenues   | <u>102,290</u> | <u>50,317</u> |
| <b>38 Administered assets and liabilities</b>   |                |               |
| <b>Current assets</b>   |                |               |
| Cash and cash equivalents assets  | 722            | 722           |
| Total administered current assets   | <u>722</u>     | <u>722</u>    |
| <b>Non-current assets</b>   |                |               |
| Properties at fair value  | -              | -             |
| Construction work in progress   | -              | -             |
| Right to receive <sup>(b)</sup>   | 51,300         | 51,300        |
| Total administered non-current assets   | <u>51,300</u>  | <u>51,300</u> |
| <b>Total administered assets</b>  | <u>52,022</u>  | <u>52,022</u> |
| <b>Total administered net assets</b>  | <u>52,022</u>  | <u>52,022</u> |
| (a) State funding for the Housing Authority has been included under the umbrella of the Department. |                |               |
| (b) See note 3(x) 'Right to Receive'  |                |               |

## Ministerial Directives

No ministerial directives were received during 2007-08.

## Audit Committee

The audit committee was reconstituted in August 2007 and is now a seven-member advisory committee comprised of members of the corporate executive. It was established to assist the Accountable Authority (the Director General) discharge his responsibilities under Section 53 of the *Financial Management Act 2006*.

The committee met four times during the year.

## Internal Audit Function

In accordance with the requirements of the *Financial Management Act 2006*, the Management Review and Audit Branch (which incorporates internal audit services) operates as an independent appraisal unit within the Department. The branch has a mandate to not only provide internal audit services, but also an extended role and scope to undertake management review processes as permitted under the Act.

Comprehensive audit plans are developed annually that address key business risk areas and help achieve departmental strategies by providing advice on business activities and corporate frameworks.

The branch has a charter that defines its independence, role, responsibilities, scope of activities and authority.

## Authorisation Framework

The Department has a formal framework that specifies positions approved by the Minister for Housing and Works to authorise work applying to contracts awarded under the *Public Works Act 1902*. This includes construction, maintenance, fit-out and associated consultancy contracts.

These authorisations are subject to budget and program approval (and other requirements).

Public works projects managed by the Department, carried out in the name of the Minister for Housing and Works, are subject to normal public sector authorisations processes and the *Financial Management Act 2006*.

## Risk Management Function

The Department has an appropriate risk management framework in place supported by arrangements to identify, analyse, evaluate and develop control strategies to manage risk.

Since June 2007, the Department has taken a systematic approach towards risk management. This included revising the existing risk management policy to incorporate responsibilities and reporting obligations and the development of risk management guidelines and customised risk reference tables to assess and manage risk.

To promote use of the risk framework throughout the organisation, an awareness and education program is underway to assist staff make better decisions using a risk-based approach. This included holding workshops to assess risk to core activities, holding information sessions for regional staff, and completing risk assessments for designated projects.

Monthly risk progress reporting is provided to the corporate executive and every two months updates are provided to the internal audit committee.

The Department has started integrating risk management into its strategic planning process. Managing and addressing risks, issues and trends will become a primary driver for new initiatives and projects for the future.

## Other Financial Disclosures

### Pricing Policies of Services Provided

The Department uses a full or partial cost recovery method to charge for its goods and services. Charges are determined in order to achieve full cost recovery, and are either fixed or a percentage depending on the service provided. These include:

- Providing services to government agencies to support the planning and delivery of its non-residential building programs. A service charge is levied to achieve full cost recovery, including the direct costs of providing the services and the indirect departmental overheads. Asset planning advice and program management services are charged on a time basis. Rates charged reflect the total costs of personnel delivering the service. Charges for project management services for individual projects are a percentage of the cost of the project. The percentages are on a sliding scale inversely proportional to the value of the project and adjusted for locality and project complexity. The total charges represent less than two per cent of the annual works program;
- Managing maintenance and minor works on behalf of agencies; and
- Offering a range of tours to the public at Fremantle Prison. Tour prices are reviewed annually, with price increases maintained around the Consumer Price Index.

## Major Capital Projects

### Works in Progress

| Project   | Expected Completion Date | Estimated Cost to Complete | Estimated Total Cost |
|---|--------------------------|----------------------------|----------------------|
| Dumas House, West Perth, and 151 Royal Street, East Perth Refurbishment | 2009                     | \$3.5m                     | \$10.2m              |
| Perth Arena   | 2010                     | \$247m                     | \$335m               |

### Completed Projects

| Project                                      | Budget  | Final Cost |
|--|---------|------------|
| Fremantle Prison Restoration 2007-08 Program | \$1.07m | \$1.07m    |
| Perth Arena Site Remediation                 | \$7.5m  | \$8.82m    |



## Staffing Levels

The Department of Housing and Works' full-time equivalent (FTE) staffing numbers are detailed in the table below:

|                                   | 2006-07       | 2007-08       |
|-----------------------------------|---------------|---------------|
| Permanent Full-time               | 220.01        | 223.50        |
| Permanent Part-time               | 8.88          | 10.89         |
| Contract Full-time and Part -time | 23.73         | 35.93         |
| Seconded In                       | 1             | 6             |
| Seconded Out                      | 2             | 1             |
| <b>Total FTE</b>                  | <b>255.62</b> | <b>277.32</b> |

## Recruitment and Staff Development

### Learning and Development

The Department continued to develop its workforce by enhancing its Learning and Development, Graduate Development and Change Management programs.

A comprehensive Learning and Development plan was developed based on the results of a development needs survey. The broad focus of the plan is on developing management and leadership skills, as well as the competencies to build and support teams. This will support the rebuilding process occurring in the Department following the structural review that concluded this year.

The Department continued to maintain a program of general learning and development opportunities for staff in all divisions, including the following:

- A strategy was developed to facilitate training to identify and manage asbestos in its residential, government and commercial buildings;
- An innovative Aboriginal Cultural Awareness program was rolled out. It incorporates indigenous client participation and a practical focus on the ways the Department's client services affect the lives of indigenous clients and how small, positive changes can make a difference;
- A financial skills development program commenced. It focuses on both personal financial literacy and awareness of the public sector financial 'big-picture';
- Positive work culture workshops were held to support team building;
- Our tailored project management program continued;
- Access was provided to training on issues involving sustainable development and construction;
- Staff selection skills training was provided to support a streamlined approach to recruitment;
- Safety awareness training (the mandatory Worksafe 'Blue Card') was held for those required to regularly visit construction sites;
- We continued our commitment to equal employment opportunity training and are looking at introducing advanced diversity training for managers later in 2008; and

- The scholarship program continued to support staff seeking career development through formal study. This year, 54 staff were offered assistance in disciplines such as strategic procurement, commerce, leadership, finance, law, IT, project management, building, and public housing policy. This compares to 39 staff in 2006-07.

### Indigenous Traineeship Program

The Indigenous Traineeship program commenced in February 2008. Seven young indigenous people were accepted into the program which is designed to enable the participants to achieve the Certificate III in Business Studies through on-the-job training and in-house training sessions. This training includes formal instruction and advice on job application and interview skills. Trainees are provided with the skills necessary to succeed in gaining permanent employment at the conclusion of their 12-month traineeships.

Further support is provided to trainees through a formal mentoring network comprising 11 experienced departmental staff, with each trainee allocated two mentors.

## Graduate Program

In 2007-08, the Department expanded the Graduate Development program from just accounting and finance to include placements for graduate project officers. Four graduate project officers were appointed: three in the Works and Building Services portfolio; and one in the Housing Services portfolio. Recruiting has commenced for the next intake which will further expand the number of graduate placement opportunities.

In keeping with our Indigenous Employment strategy, the Graduate Development program has been further enhanced to provide a specific Indigenous Graduate program, along with scholarships to support the completion of studies. The current recruitment drive includes the provision of up to 10 indigenous graduate placement opportunities.

## Industry Training Program

The Department commenced the Industry Training program in 2005 to address the skills shortage and contribute to the sustainability of the building and construction industry.

The Department now has 96 metropolitan-based apprentices and 24 in regional areas in nine trades. The trades are carpentry and joinery, painting and decorating, glazing and bevelling, plumbing and gas fitting, air-conditioning and refrigeration, tiling, plastering, bricklaying, and electrical.

The apprentices continued to be placed with contractors and subcontractors who undertake to supervise and provide quality on-the-job training. The aim of the Industry Training program is to produce high-quality tradespeople for the Western Australian building and construction industry.

In regional Western Australia, the Department consolidated trade training programs in Halls Creek, South Hedland and Fitzroy Crossing. In Halls Creek, three apprentices are engaged on the construction of housing, urban renewal projects, and refurbishment of the Halls Creek Hostel. In South Hedland, five apprentices in general construction have been engaged on the South Hedland New Living project.

This year also saw the expansion of the program to the Peel and South West areas with 12 apprentices commencing in March 2008.

The Industry Training program continues to receive strong endorsement from industry, contractors, apprentices and their families. Through this program, the Department is contributing to the sustainability of the building and construction industry by fulfilling its obligations to promote careers, support and manage apprentices to trade completion, and help address skills shortages.

## Industrial Relations

Departmental staff are employed under the *Public Service General Agreement 2006*.

## Governance Disclosures

### Disclosure of Pecuniary Interest

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

### Other Legal Requirements

#### Advertising

In accordance with the disclosures required under Section 175ZE of the *Electoral Act 1907*, the Department has incurred the following expenditure on advertising and market research organisations:

| Advertising and Market Research       | Value               |
|---------------------------------------|---------------------|
| <b>Advertising Agencies</b>           |                     |
| 303 Advertising Pty Ltd               | \$6,858.98          |
| <b>Market Research Organisations</b>  | <b>Nil</b>          |
| <b>Polling Organisations</b>          | <b>Nil</b>          |
| <b>Direct Mail Organisations</b>      | <b>Nil</b>          |
| <b>Mail Advertising Organisations</b> |                     |
| Marketforce Productions               | \$242,406.92        |
| Media Decisions WA                    | \$318,163.94        |
| <b>Total</b>                          | <b>\$567,429.84</b> |

### Disability Access and Inclusion Plan Outcomes

The Department aims to provide services that are accessible and meet the requirements of people with disabilities.

The Department has finalised its Disability Access and Inclusion Plan and has undertaken a number of initiatives in order to meet the desired outcomes of the plan as follows:

**Outcome 1: People with disabilities have the same opportunities as other people to access the service of, and any events organised by, a public authority.**

The Department provides housing to people with disabilities under the Commonwealth Disability Housing program and the rental housing program through construction, spot purchases and modifications. Housing is either built to a generic design to meet ongoing demand, or customised to meet individual circumstances.

As part of the Department's commitment to the Mental Health Housing Strategy, the Department also provides housing to people with mental illness under the Community Disability Housing program. The Department is also a key participant in a trial to co-ordinate care for people with mental illness. The trial is led by the Department of the Premier and Cabinet and involves other government and non-government agencies.

The Department also offers a loan tailored to people with disabilities. The Access home loan helps people with a disability access affordable home ownership or modify their existing home.

**Outcome 2: People with disabilities have the same opportunities as other people to access the buildings and other facilities of a public authority.**

The Department is building all new homes in line with the principles of visitability. Visitability ensures people with a mobility disability are able to access and use the main functional areas of a home.

Our buildings and customer service areas are accessible to people with disabilities. Departmental facilities are reviewed on an ongoing basis to ensure improved accessibility and upgraded as required.

Each year, we also evaluate the design and functionality of any housing we build for people with disabilities to ensure continuous improvement under the Community Disability Housing program.

**Outcome 3: People with disabilities receive information from a public authority in a format that will enable them to access the information as readily as other people are able to access it.**

The Department provides information in alternative formats on request and a working group has been established to allow large print documents to be created from our computer system as required. The working group is also establishing interim procedures to ensure that people with disabilities receive information as readily as other people.

**Outcome 4: People with disabilities receive the same level and quality of service from the staff of a public authority as other people receive from the staff of that public authority.**

Departmental staff attend compulsory disability awareness training that focuses on increasing staff understanding of the issues that affect people with disabilities. This training ensures that staff respond sensitively and provide quality service. The Department also provides a mental health first aid course to ensure staff can help if there is an emergency.

The Department also appoints Equal Employment Opportunity contact officers around the State to act as advocates, respond to issues and provide advice to people with disabilities and other groups in the workplace.

**Outcome 5: People with disabilities have the same opportunities as other people to make complaints to a public authority.**

The Department provides a feedback system that allows people to lodge complaints verbally, in writing or online.

**Outcome 6: People with disabilities have the same opportunities as other people to participate in any public consultation by a public authority.**

People with disabilities, their advocates and disability groups are involved in consultations and briefings on buildings, policies and programs that may affect them.

As well as these strategies, the Policy Officer Disability and Seniors Services are working with Techniworks, an online training company, to develop an online training and information package outlining the Department's Disability Access and Inclusion Plan. The training package will ensure that all existing staff and new recruits are fully informed about the Disability Access and Inclusion Plan's desired outcomes and their role.

## Compliance with Public Sector Standards and Ethical Codes

### Compliance with Public Sector Standards

Information about the public sector standards and the WA Code of Ethics is published on the Department's intranet and included in induction briefings. As a quality assurance requirement, an internal audit of the Department's compliance with the public sector Recruitment, Selection and Appointment Standard and the Redeployment Standard was conducted. Training on recruitment and selection procedures was conducted on a group basis for prospective selection committee participants and employees seeking refresher training, which included sessions on the standard.

Training was again provided to existing and new contact officers to ensure compliance with relevant standards.

Articles to raise awareness of the standards continued to be a regular feature in the human resources newsletter.

A new online induction program is being implemented. This includes information on the public sector standards and the public sector Code of Ethics.

In 2007-08, there were no breach claims involving the Recruitment, Selection and Appointment Standard.

### Compliance with Codes of Ethics and Codes of Conduct

Mandatory misconduct awareness sessions were held during October-December 2007. These sessions were also provided on-site to employees in regional offices across Western Australia.

In line with the *Premier's Circular 2008/01*, a review of the Department's Code of Conduct commenced. When finalised, the code will be available to staff on the intranet and will form part of online induction program.

### Recordkeeping Plans

The Department complies with the *State Records Act 2000* and is committed to the principles and standards provided by the State Records Commission.

### Recordkeeping Training Program

The recordkeeping program comprises training products focused on staff. All new staff are enrolled for the training within one month of commencing. Existing staff are enrolled in all new modules as they are implemented. The training includes:

- Recordkeeping Awareness Training. A total of 1,482 staff were enrolled in the recordkeeping awareness training. Of this total, 66 per cent staff completed the training, 11 per cent had started, and 23 per cent had yet to commence;
- TRIM system training; and
- One-on-one training was also introduced in 2007-08. This complements the online courses and allows training to be structured to users' work practices.

Future plans include:

- Online business classification training;
- Completion of a recordkeeping and information management training plan to identify specialised training requirements for record practitioners and information managers; and
- Surveying users to assess the recordkeeping training program and services provided.

## Government Policy Requirements

### Corruption Prevention

Detection and prevention of fraud, corruption and misconduct are addressed under specific business units' risk management activities, with appropriate reporting procedures established. The Department has a fraud policy and prevention strategy, and appropriate risk management policies that incorporate strategies to minimise the risk of fraud, misconduct and corruption.

These policies and guidelines, in conjunction with audits of contractors, internal audit business reviews and stringent controls over financial payments, have helped the Department develop a culture of awareness relating to potential fraud, corruption and misconduct.

Fraud reporting systems and procedures for dealing with the notification of fraudulent activity are also in place.

All staff attended specific misconduct awareness training sessions in 2007-08.

### Substantive Equality

The Department of Housing and Works is committed to implementing substantive equality in all aspects of its service delivery. In 2006-07, a whole-of-Department substantive equality policy was developed to incorporate substantive equality principles into the Department's policies and procedures. The Department is continuing to review its practices in line with the Government's Policy Framework for Substantive Equality. During 2007-08, the implementation of substantive equality continued primarily throughout the housing arm of the Department.

All of the Department's policies and procedures will be re-evaluated with a view to ensuring that its services are equally accessible to people from all ethnic and cultural backgrounds. This involves considering the distinctive needs of these groups and assessing how the Department can tailor its services to meet these needs and achieve equal outcomes for all clients.

The Department is also continuing to implement the recommendations in the Equal Opportunity Commission's (EOC) *Finding A Place* report of 2004 that correspond with the principles of the substantive equality policy.



### Perth Solar City

The Department is leading a consortium of public and private organisations in the Perth Solar City (PSC) project. PSC is an innovative project aimed at reducing household electricity demand, particularly during peak demand periods, through a large-scale trial of energy management measures including cost reflective pricing, smart metering and cost-effective energy efficiency devices. Distributed solar energy generation and solar hot water systems will also feature as a component of the program.

The Australian Government has committed \$13.9 million towards the Perth Solar City project.

Homeowners, rental tenants and small businesses will be invited to participate in the project through their local councils.

Participants will be offered:

- In-home energy assessments to assist householders and businesses understand their opportunities for more sustainable energy use;
- Energy efficiency packages, including low-watt lights, low-flow showerheads, insulation, and passive solar modifications;
- Discounted solar hot water heaters;
- Photovoltaic panel systems, with two financing options to reduce the upfront cost;

- Thousands of free and heavily discounted smart meters and in-house monitors, which show householders how much power they're using and what it costs in dollars and greenhouse gas emissions; and
- Time-of-use tariffs to encourage off-peak energy use and energy cost savings.

The project will commence in Perth's Eastern Region. Once established, the trial communities will be monitored to measure the effectiveness of the technologies and strategies. Effective elements from the trial will then be offered to householders and business owners throughout Perth, using the consortium and community networks. By 2013, it is estimated that the project will save more than 50,000 tonnes a year of greenhouse gases and cut peak loads by at least six megawatts.

#### 5 Star Plus

The Department of Housing and Works has developed two new building codes that will require all new homes to incorporate minimum energy and water efficiency measures. The Energy Use in Houses Code and the Water Use in Houses Code were announced by the Premier as part of his Climate Change Action statement in May 2007 and took effect on 1 September 2007. Some of the measures required include the installation of a solar or 5 Star gas hot water system, and water efficient taps, showerheads and toilets.

While 5 Star Plus is mandatory for new homes lodged for approval after 1 September 2007, existing homeowners can also use these codes to improve energy and water efficiency in their homes.

The Department of Housing and Works, on behalf of the State Government, is also working with other States to advance nationally consistent Building Code of Australia (BCA) sustainability standards for buildings.

#### Green Building Standards

The Department has been a member of the Green Building Council of Australia since 2005. The Department is currently investigating the feasibility of contributing funding to the development of a Green Star 'Public Buildings' rating tool.

The Department is working with the Sustainable Energy Development Office (SEDO) as part of a national, inter-jurisdictional steering committee led by the NSW Department of Environment and Climate Change, to implement the National Australian Building Environmental Rating System (NABERS) nationally. The Department is considering opportunities for the application of the NABERS tool in public buildings in partnership with other relevant government agencies.

## Office Accommodation Policies

In August 2004, the Department of Housing and Works released Office Accommodation Policies: A Guide to the Procurement and Management of Western Australian Government Office Accommodation. These policies apply to the majority of government agencies in WA.

The policies require minimum NABERS Energy ratings for government office accommodation. The NABERS Energy ratings benchmark the energy and greenhouse performance of office buildings.

The policies are currently under review and will include Green Building Council Green Star benchmarks in the 2008 version. Under the current policies:

- Government will only accommodate agencies in premises that achieve a minimum 3.5 Star NABERS Energy rating base building. The Department reserves the right to waive this requirement where it is not feasible under certain market conditions;
- Existing government tenants are required to assess their energy performance and bring their tenancy to a minimum 4 Star NABERS Energy tenancy rating where cost effective to do so; and
- All new tenancy fit-outs and new office buildings shall achieve a minimum 4.5 Star NABERS Tenancy and Base Building Rating performance level, where cost effective to do so.

In addition to energy conservation, all government buildings are required to maximise water efficiency by installing water efficient taps, showerheads, toilets and appliances rated at 3 Star or better.

### 140 William St

The Department was instrumental in sustainability criteria being incorporated into the development of the site at 140 William Street. The complex is designed to demonstrate excellence in sustainability, including a commitment that the office component meets the requirements for a 5 Star rating under the Green Building Council of Australia's Green Star office tool. A 5 Star rating signifies 'Australian excellence' in environmental building design. The office component will also meet the requirements for an Australian Building Greenhouse Rating of 4.5 Stars for the base building and fit-out.

### Sustainability clauses

The Department has sustainability clauses in its standard works contracts, so that consultants designing and constructing public buildings are required to consider issues such as energy and water efficiency, waste minimisation, building materials, and durability. A checklist has been included in the standard contract to provide feedback. Consultants are also requested to benchmark building initiatives using the Green Building Council Green Star guidelines.

## Sustainable Non-Residential Buildings Policy

The Department of Housing and Works is using market-based voluntary sustainability rating tools such as NABERS and the Green Building Council's Green Star to support green design initiatives for buildings procured by the Department.

### Canning Vale Police Station

The Department managed the delivery of the project which was designed on passive solar principles with a north-south orientation and incorporating minimum east-west exposure to allow maximum natural daylight, while minimising solar gain and glare. Materials have been selected and detailed to minimise the amount of material used and to favour low embodied energy materials. Locally sourced stone and certified eco-ply linings have also been specified. There is a full range of energy efficiency initiatives in the electrical services, including zoning of lights, timed switches and movement sensor switches.

## **Canning River Eco Education Centre**

The Department managed the delivery of the project which features an environmentally sensitive design to minimise energy and water consumption. It features low-flow fixtures, stormwater capture, wastewater re-use for irrigation and a building management system including sub-metering that effectively reduces energy wastage. Correct site orientation, natural ventilation and consideration of prevailing winds, high performance glazing and shading techniques, insulation and a combination of light and heavy materials all contribute to the thermal characteristics of the building.

## **Sustainability in Prisons**

The Department is supporting the Department of Corrective Services to develop a range of appropriate design criteria that can be applied to prisons for the West Kimberley Regional and Eastern Goldfields Prison projects. Both projects are in the schematic design stage and it is hoped that this process will facilitate the development of practical sustainability criteria for future projects.

## **Sustainability in Schools**

The Department has been consulting with the Department of Education and Training on how to apply a sustainability framework to the standard pattern primary school design. This framework is based on the Green Building Council of Australia's Green Star (Education) rating tool and covers such aspects of sustainable building design as indoor environment quality, energy and water use, pollutant emissions and transport. A trial of these measures to an equivalent 4 Star Green Star standard is expected in 2008-09.

## **Sustainability Action Plan**

The Department has recently updated its Sustainability Action Plan (SAP) which details how the agency is addressing sustainability in its operations, including the environmental performance of its buildings, vehicle fleet management and human services, and the delivery of its services and programs.

### **Waste**

In accordance with the waste management audit recommendations, the Department promotes waste avoidance, waste reduction and waste recycling where it is available and practical. It recycles waste office paper, cardboard, office machine cartridges, aluminium cans and co-mingled waste. At the agency's East Perth offices, significant savings have been made by reducing general office waste and increasing the recycling of cardboard.

A strategy has been put in place to gradually reduce the number of stand-alone desktop printers and to increase the number of multi-functional machines. This will reduce printing costs and save paper. In the meantime, when new printers are purchased, priority will be given to duplex machines.

### **Water**

In accordance with government requirements, a Water Management Efficiency Plan for the Department's office buildings has been prepared outlining the details of water saving strategies for the next 12 months. This will measure and maximise water efficiency for all of our offices.

### **Energy**

The Department monitors and reports on its energy consumption against the government benchmarks established by the Energy Smart government program. In the last financial year, modifications were carried out on the Department's office buildings. These included replacement and upgrading of existing air-conditioning, upgrades to air-conditioning controls and management software, and modifications to lighting including the removal of surplus light tubes. Other energy efficiency initiatives include upgrade to cooling towers, chillers, dampers, lighting controls, metering and replacing of power saving light globes.

## Vehicles and Travel

In the metropolitan area, all of the Department's lease vehicles have four cylinders in accordance with government policy. In regional locations, the vast majority of cars are four-cylinder vehicles except where a thorough business case can justify a six-cylinder vehicle and has management approval. All the Department's lease vehicles are sourced from the whole-of-government fleet contract and are carbon neutral.

### TravelSmart

The Department participates in the State Government's TravelSmart workplace program, and developed a Green Transport Plan in 2006 with input from staff. The TravelSmart committee has been progressing and implementing the plan's actions, which include promoting healthy, active and environmentally friendly travel options for staff. A key action identified in the Green Transport Plan was to improve staff shower and change room facilities. A major refurbishment of these facilities was completed in 2007. Surveys conducted before and after the upgrade showed that there has been an increase in the number of staff walking, jogging and cycling to work as illustrated below:

| Staff Travel Survey Results  | 2005 | 2007 |
|--|------|------|
| Respondents who walk/ran/cycled as their <b>usual</b> method of travel to work     | 5.7% | 9.6% |
| Respondents who walk/ran/cycled as their <b>secondary</b> method of travel to work | 9%   | 15%  |

The TravelSmart committee conducted a staff travel survey in late 2007 and is using the results of this survey to review the Green Transport Plan during 2008.

## Occupational Safety and Health

Employee safety and welfare is a high priority with initiatives taken to actively promote Occupational Safety and Health (OSH) across the organisation. Initiatives include:

- A voluntary health and lifestyle program, which includes 'healthy heart' pathology with consultations and feedback for employees, launched in February 2008;
- A review of work practices and procedures affecting employees working in regional and remote areas with specific outcomes already implemented;
- OSH awareness training for managers; and
- The development of an online induction training system.

The Department continued its focus on injury management and rehabilitation in its approach to claims management, and continued to support officers returning to work from extended absences due to ill health.

The Workers' Compensation Policy outlines the Department's practices and procedures, with reference to the *Workers' Compensation and Injury Management Act 1981*. It is available on the intranet.

| Indicator                      | 2007-08 | Target 2007-08 |
|--------------------------------|---------|----------------|
| Number of fatalities           | 0       | 0              |
| Number of lost time injuries:  | 2       | -              |
| Frequency rate <sup>1</sup>    | 3.4     | -              |
| Incident rate <sup>2</sup>     | 0.64    | 0.081          |
| Lost Time Injury Severity Rate | 0       | 0              |

1. Number of lost time injuries per million hours worked

2. Number of lost time injuries and diseases per one hundred workers employed

No existing rehabilitation cases were carried over into 2007-08. There were two new rehabilitation cases established during the year.

# Department of Housing and Works Offices

## Head Office

99 Plain Street  
East Perth 6004  
Tel: (08) 9222 4666  
Toll free: 1800 093 325

TTY (08) 9476 2446  
Translation and Interpreting  
Service 13 14 50

[www.dhw.wa.gov.au](http://www.dhw.wa.gov.au)  
[wa.gov.au](http://wa.gov.au)

## METROPOLITAN OFFICES

### Fremantle

42 Queen Street  
Fremantle 6160  
Tel: (08) 9430 0300

### Kwinana

Shop 13, Hub Commercial  
Centre, 40 Meares Avenue  
Kwinana 6167  
Tel: (08) 9439 0300

### Mandurah

11 Pinjarra Road  
Mandurah 6210  
Tel: (08) 9535 5788

### Cannington

17 Manning Road  
Cannington 6107  
Tel: (08) 9356 0444

### Armadale

Unit 1, 42 Commerce  
Avenue, Armadale 6112  
Tel: (08) 9497 1600

### Bentley

Brownlie Towers  
Shop 5, 32 Dumond Street  
Bentley 6102  
Tel: (08) 9350 3700

### Mirrabooka

6 Ilkeston Place  
Mirrabooka 6061  
Tel: (08) 9344 0555

### Midland

21 Old Great Northern  
Highway Midland 6056  
Tel: (08) 9250 9191

### City Office

605 Wellington St  
Perth 6000  
Tel: (08) 9476 2444

## GREAT SOUTHERN

### Albany

131 Aberdeen Street  
Albany 6330  
Tel: (08) 9842 0444

### Katanning

30 Richardson Street  
Katanning 6317  
Tel: (08) 9821 1822

## SOUTH WEST

### Bunbury

22 Forrest Avenue  
Bunbury 6230  
Tel: (08) 9792 2111

### Manjimup

Unit 10, 30-32 Rose Street  
Manjimup 6258  
Tel: (08) 9771 1200

### Busselton

Suite 4, 8-10 Prince Street  
Busselton 6280  
Tel: (08) 9752 4388

## GOLDFIELDS

### Kalgoorlie

220 Hannan Street  
Kalgoorlie 6430  
Tel: (08) 9093 5200

### Esperance

Balmoral Square  
The Esplanade  
Esperance 6450  
Tel: (08) 9071 2046

## MID WEST

### Geraldton

Union Bank Building  
201 Marine Terrace  
Geraldton 6530  
Tel: (08) 9923 4444

### Carnarvon

30 Robinson Street  
Carnarvon 6701  
Tel: (08) 9941 1129

### Meekatharra

Main Street  
Meekatharra 6642  
Tel: (08) 9981 1115

## PILBARA

### South Hedland

Cnr Brand & Tonkin Sts  
South Hedland 6722  
Tel: (08) 9160 2800

### Karratha

3-5 Welcome Road  
Karratha 6714  
Tel: (08) 9144 1707

## KIMBERLEY

### Broome

Frederick Street  
Broome 6725  
Tel: (08) 9192 0100

### Halls Creek

Lot 72, Great Northern  
Hwy, Halls Creek 6770  
Tel: (08) 9168 9300

### Kununurra

Cnr Messmate Way &  
Konkerberry Drive  
Kununurra 6743  
Tel: (08) 9168 1588

### Derby

Lot 265 Loch Street  
Derby 6728  
Tel: (08) 9191 1411

## WHEATBELT

### Northam

Mclver House  
297 Fitzgerald Street  
Northam 6401  
Tel: (08) 9622 1500

### Merredin

44 Mitchell Street  
Merredin 6415  
Tel: (08) 9041 1744

### Narrogin

Government Building  
Park Street  
Narrogin 6312  
Tel: (08) 9881 1299

## GOVERNMENT REGIONAL OFFICERS' HOUSING (GROH)

### Central Office

203 Nicholson Rd, Shenton Park 6008  
Tel: (08) 9286 6000  
Fax (08) 9286 6025  
Toll free: 1800 644 708

### Goldfields

77A Hannan Street, Kalgoorlie 6430  
Tel: (08) 9021 8107  
Fax: (08) 9091 1255

### Karratha

5/16 Hedland Place, Karratha 6714  
Tel: (08) 9144 4213  
Fax: (08) 9185 3784

### South Hedland

Cnr Tonkin & Brand Sts South  
Hedland 6722  
Tel: (08) 9140 2187  
Fax (08) 9140 2267

## FREMANTLE PRISON

The Terrace,  
Fremantle WA 6160  
Tel: (08) 9336 9200  
Fax: 9430 7188  
[info@fremantleprison.com](mailto:info@fremantleprison.com)

## KEYSTART

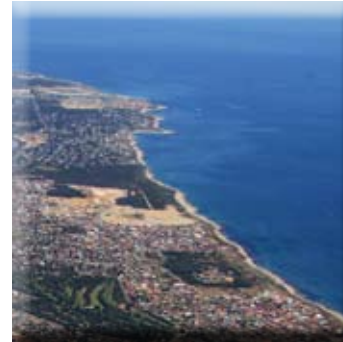
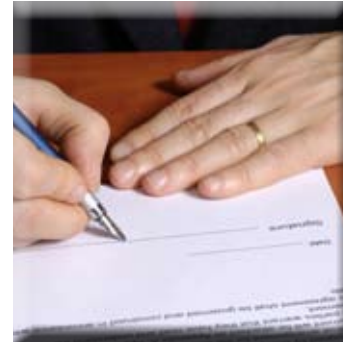
Level 6, 218 St Georges Terrace  
Perth 6000  
Tel: (08) 9338 3100  
Toll Free: 1300 361 517  
Country: 1800 199 050  
Fax: (08) 9338 3101  
[info@keystart.com.au](mailto:info@keystart.com.au)

## COUNTRY HOUSING AUTHORITY

Suite 20A, Hyatt Centre  
23 Plain Street  
East Perth 6004  
Tel: (08) 9325 8200  
Freecall: 1800 158 200  
Fax: (08) 9221 3126



# Western Australian Building Management Authority 2007-08 Annual Report





## Perth Skyline at night

### WABMA Contents

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## Statement of Compliance

FOR THE YEAR ENDED 30 JUNE 2008

To the Hon Troy Buswell MLA Minister for Housing and Works

In accordance with Section 61 of the *Financial Management Act 2006*, I hereby submit for your information and presentation to Parliament, the Annual Report of the Western Australian Building Management Authority for the financial year ended 30 June 2008.

The Annual Report has been prepared in accordance with the provisions of the *Financial Management Act 2006*.



John Coles  
Acting Director General

## Overview

The Western Australian Building Management Authority was established under the *Public Works Act 1902* as a body corporate. The Authority is responsible for servicing borrowings dating from the capital works program of 1984-85 and the borrowings to construct the Peel Health Campus in 1996.

The Authority holds the residual borrowings from the amalgamation of the former Ministry of Housing and the Department of Contract and Management Services. Statutory requirements related to staffing and compliance with statutory reporting requirements, as well as the Public Sector Standards and Codes, have been integrated into the Department of Housing and Works' annual report.

## Auditor General's Opinion



Auditor General

### INDEPENDENT AUDIT OPINION

To the Parliament of Western Australia

#### **WESTERN AUSTRALIAN BUILDING MANAGEMENT AUTHORITY FINANCIAL STATEMENTS AND KEY PERFORMANCE INDICATORS FOR THE YEAR ENDED 30 JUNE 2008**

I have audited the accounts, financial statements, controls and key performance indicators of the Western Australian Building Management Authority.

The financial statements comprise the Balance Sheet as at 30 June 2008, and the Income Statement, Statement of Changes in Equity and Cash Flow Statement for the year then ended, a summary of significant accounting policies and other explanatory Notes.

The key performance indicators consist of a key indicator of effectiveness.

#### **Director General's Responsibility for the Financial Statements and Key Performance Indicators**

The Director General is responsible for keeping proper accounts, and the preparation and fair presentation of the financial statements in accordance with Australian Accounting Standards (including the Australian Accounting Interpretations) and the Treasurer's Instructions, and the key performance indicators. This responsibility includes establishing and maintaining internal controls relevant to the preparation and fair presentation of the financial statements and key performance indicators that are free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; making accounting estimates that are reasonable in the circumstances; and complying with the Financial Management Act 2006 and other relevant written law.

### Summary of my Role

As required by the Auditor General Act 2006, my responsibility is to express an opinion on the financial statements, controls and key performance indicators based on my audit. This was done by testing selected samples of the audit evidence. I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my audit opinion. Further information on my audit approach is provided in my audit practice statement. Refer "<http://www.audit.wa.gov.au/pubs/Audit-Practice-Statement.pdf>".

An audit does not guarantee that every amount and disclosure in the financial statements and key performance indicators is error free. The term "reasonable assurance" recognises that an audit does not examine all evidence and every transaction. However, my audit procedures should identify errors or omissions significant enough to adversely affect the decisions of users of the financial statements and key performance indicators.

### Audit Opinion

In my opinion,

- (i) the financial statements are based on proper accounts and present fairly the financial position of the Western Australian Building Management Authority at 30 June 2008 and its financial performance and cash flows for the year ended on that date. They are in accordance with Australian Accounting Standards (including the Australian Accounting Interpretations) and the Treasurer's Instructions;
- (ii) the controls exercised by the Authority 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; and
- (iii) the key performance indicators of the Authority are relevant and appropriate to help users assess the Authority's performance and fairly represent the indicated performance for the year ended 30 June 2008.

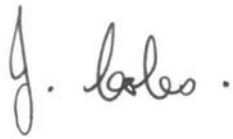
COLIN MURPHY  
AUDITOR GENERAL

4 September 2008

## Certification Statement: Performance Indicators

### Certification of Performance Indicators

I hereby certify that the performance indicators are based on proper records, are relevant and appropriate for assisting users to assess the performance of the Western Australian Building Management Authority, and fairly represent the performance of the Western Australian Building Management Authority for the financial year ended 30 June 2008.

A handwritten signature in dark ink, appearing to read 'J. Coles'.

JOHN COLES  
ACTING DIRECTOR GENERAL  
ACCOUNTABLE AUTHORITY

1 September 2008

## Performance Indicators

### **Outcome: WABMA borrowings are serviced in accordance with the Western Australian Treasury Corporation (WATC) repayment schedule.**

The Western Australian Building Management Authority (WABMA) is a body corporate established under the *Public Works Act 1902*. WABMA is responsible for servicing borrowings dating from the 1984/85 Capital Works Program and the 1996 borrowings for construction of the Peel Health Campus.

The previous output measures of the WABMA were transferred to the Department of Housing and Works on 1 July 2002, as the Department was made responsible for the procurement of the Government's building works from 2002/03.

The Peel Health Campus loan repayment (that is, a cost to WABMA), has a revenue payment from the Health Department to balance the cost. The loan repayment has no effect on the cost of producing DHW services and therefore an efficiency indicator relating total cost per unit of output is not provided.

Similarly, the costs of servicing borrowings made during the period 1984 to 1987, to fund the State capital works building program, are excluded. These costs were covered by a direct appropriation from Treasury.

The balance of WATC loans as at June 30, 2008 is \$105 million reducing from \$115.9 million in 2006-07.

### **Efficiency and Effectiveness Indicator**

#### **The percentage of loan repayments made by the scheduled payment date specified in the Western Australian Treasury Corporation's loan repayment schedule.**

This indicator provides information on how the WABMA is managing its borrowings by providing data on the timeliness in which the Authority makes its loan repayments in relation to borrowings for the 1984/85 Capital Works Program and the Peel Health Campus as stipulated in the Western Australian Treasury Corporation (WATC) loan repayment schedule. It also shows whether all loans that should have been processed in relation to the financial year have been processed.

| Effectiveness Indicator  | Target for 2008-09 | Actual for 2007-08 | Actual 2007-08 |
|--|--------------------|--------------------|----------------|
| Percentage of loan repayment transactions processed in accordance with the WATC loan repayment schedule. | 100%               | 100%               | 100%           |

## Certification Statement: Financial Statements

### Certification of Financial Statements

The accompanying financial statements of the Western Australian Building Management Authority 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 2008 and the financial position as at 30 June 2008.

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.



RUTH LESLIE  
CHIEF FINANCE OFFICER

1 September 2008



JOHN COLES  
ACTING DIRECTOR GENERAL  
ACCOUNTABLE AUTHORITY

1 September 2008



WESTERN AUSTRALIAN BUILDING MANAGEMENT AUTHORITY

INCOME STATEMENT

FOR THE YEAR ENDED 30 JUNE 2008

|   | Note | 2008<br>\$000 | 2007<br>\$000 |
|---|------|---------------|---------------|
| <b>COST OF SERVICES</b>                                     |      |               |               |
| <b>Expenses</b>   |      |               |               |
| Finance costs   | 4    | 7,819         | 8,704         |
| Supplies and services                                       | 5    | 17            | 16            |
| <b>Total cost of services</b>                               |      | <b>7,836</b>  | <b>8,720</b>  |
| <b>Income</b>   |      |               |               |
| <b>Revenue</b>  |      |               |               |
| Interest revenue  | 6    | 6,659         | 4,183         |
| <b>Total revenue</b>  |      | <b>6,659</b>  | <b>4,183</b>  |
| <b>Total income other than income from State Government</b> |      | <b>6,659</b>  | <b>4,183</b>  |
| <b>NET COST OF SERVICES</b>                                 |      | <b>1,177</b>  | <b>4,537</b>  |
| <b>INCOME FROM STATE GOVERNMENT</b>                         | 7    |               |               |
| Service Appropriation                                       |      | 4,000         | 4,700         |
| <b>Total income from State Government</b>                   |      | <b>4,000</b>  | <b>4,700</b>  |
| <b>SURPLUS FOR THE PERIOD</b>                               |      | <b>2,823</b>  | <b>163</b>    |

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

WESTERN AUSTRALIAN BUILDING MANAGEMENT AUTHORITY

BALANCE SHEET

AS AT 30 JUNE 2008

|                                      | Note | 2008<br>\$000   | 2007<br>\$000   |
|--------------------------------------|------|-----------------|-----------------|
| <b>ASSETS</b>                        |      |                 |                 |
| <b>Current Assets</b>                |      |                 |                 |
| Cash and cash equivalents            | 12   | 421             | 809             |
| Receivables                          | 8    | 41,874          | 2,260           |
| <b>Total Current Assets</b>          |      | <b>42,295</b>   | <b>3,069</b>    |
| <b>Non-Current Assets</b>            |      |                 |                 |
| Receivables                          | 8    | -               | 39,185          |
| <b>Total Non-Current Assets</b>      |      | <b>-</b>        | <b>39,185</b>   |
| <b>TOTAL ASSETS</b>                  |      | <b>42,295</b>   | <b>42,254</b>   |
| <b>LIABILITIES</b>                   |      |                 |                 |
| <b>Current Liabilities</b>           |      |                 |                 |
| Payables                             | 9    | 17              | 17              |
| Borrowings                           | 10   | 105,008         | 10,740          |
| <b>Total Current Liabilities</b>     |      | <b>105,025</b>  | <b>10,757</b>   |
| <b>Non-Current Liabilities</b>       |      |                 |                 |
| Borrowings                           | 10   | -               | 105,250         |
| <b>Total Non-Current Liabilities</b> |      | <b>-</b>        | <b>105,250</b>  |
| <b>Total Liabilities</b>             |      | <b>105,025</b>  | <b>116,007</b>  |
| <b>NET LIABILITIES</b>               |      | <b>(62,730)</b> | <b>(73,753)</b> |
| <b>EQUITY</b>                        |      |                 |                 |
| Contributed equity                   | 11   | 20,587          | 12,387          |
| Accumulated deficit                  | 11   | (83,317)        | (86,140)        |
| <b>TOTAL EQUITY</b>                  |      | <b>(62,730)</b> | <b>(73,753)</b> |

The Balance Sheet should be read in conjunction with the accompanying notes.

WESTERN AUSTRALIAN BUILDING MANAGEMENT AUTHORITY

STATEMENT OF CHANGES IN EQUITY  
FOR THE YEAR ENDED 30 JUNE 2008

|   | Note | 2008<br>\$000   | 2007<br>\$000   |
|---|------|-----------------|-----------------|
| <b>Balance of Equity at start of period</b>   |      | (73,753)        | (81,816)        |
| <b>CONTRIBUTED EQUITY</b>                     | 11   |                 |                 |
| Balance at start of period                    |      | 12,387          | 4,487           |
| Capital contribution                          |      | 8,200           | 7,900           |
| Balance at end of period                      |      | <u>20,587</u>   | <u>12,387</u>   |
| <b>ACCUMULATED DEFICIT</b>                    | 11   |                 |                 |
| Balance at start of period                    |      | (86,140)        | (86,303)        |
| Surplus for the period                        |      | 2,823           | 163             |
| Balance at end of period                      |      | <u>(83,317)</u> | <u>(86,140)</u> |
| <b>Balance of equity at end of the period</b> |      | <u>(62,730)</u> | <u>(73,753)</u> |

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

WESTERN AUSTRALIAN BUILDING MANAGEMENT AUTHORITY

CASH FLOW STATEMENT  
FOR THE YEAR ENDED 30 JUNE 2008

|   | Note | 2008<br>\$000  | 2007<br>\$000  |
|---|------|----------------|----------------|
| <b>CASH FLOWS FROM STATE GOVERNMENT</b>                     |      |                |                |
| Service appropriation                                       |      | 4,000          | 4,700          |
| Capital contributions                                       |      | 8,200          | 7,900          |
| <b>Net cash provided by State Government</b>                |      | <u>12,200</u>  | <u>12,600</u>  |
| <b>Utilised as follows:</b>                                 |      |                |                |
| <b>CASH FLOWS FROM OPERATING ACTIVITIES</b>                 |      |                |                |
| <b>Payments</b>   |      |                |                |
| Finance costs   |      | (8,178)        | (8,769)        |
| Supplies and Services                                       |      | (17)           | (14)           |
| <b>Receipts</b>   |      |                |                |
| Interest received   |      | 3,969          | 4,183          |
| <b>Net cash used in operating activities</b>                | 12   | <u>(4,226)</u> | <u>(4,600)</u> |
| <b>CASH FLOWS FROM FINANCING ACTIVITIES</b>                 |      |                |                |
| Proceeds from borrowings                                    |      | 2,259          | 2,045          |
| Repayment of borrowings                                     |      | (10,621)       | (10,147)       |
| <b>Net cash used in financing activities</b>                |      | <u>(8,362)</u> | <u>(8,102)</u> |
| <b>Net (decrease)/increase in cash and cash equivalents</b> |      | (388)          | (102)          |
| Cash and cash equivalents at the beginning of period        |      | 809            | 911            |
| <b>CASH AND CASH EQUIVALENTS AT THE END OF PERIOD</b>       | 12   | <u>421</u>     | <u>809</u>     |

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

## 1. Australian equivalents to International Financial Reporting Standards

The Authority's financial statements for the year ended 30 June 2008 have been prepared in accordance with Australian equivalents to International Financial Reporting Standards (AIFRS), which comprise a Framework for the Preparation and Presentation of Financial Statements (the Framework) and Australian Accounting Standards (including the Australian Accounting Interpretations).

In preparing these financial statements the Authority has adopted, where relevant to its operations, new and revised Standards and Interpretations from their operative dates as issued by the AASB and formerly the Urgent Issues Group (UIG).

### Early adoption of standards

The Authority cannot early adopt an Australian Accounting Standard or Australian Accounting Interpretation unless specifically permitted by TI 1101 'Application of Australian Accounting Standards and Other Pronouncements'. No Standards and Interpretations that have been issued or amended but are not yet effective have been early adopted by the Authority for the annual reporting period ended 30 June 2008.

## 2. Summary of significant accounting policies

### (a) General Statement

The financial statements constitute a general-purpose financial report, which has been prepared in accordance with the Australian Accounting Standards, the Framework, Statements of Accounting Concepts and other authoritative pronouncements of the Australian Accounting Standards Board as applied by the Treasurer's Instructions. Several of these are modified by

the Treasurer's Instructions to vary application, disclosure, format and working.

The Financial Management Act and the Treasurer's Instructions are legislative provisions governing the preparation of financial statements and take precedence over the Accounting Standards, the Framework, Statements of Accounting Concepts and other authoritative pronouncements of the Australian Accounting Standards Board.

Where modification is required and has 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).

The key assumptions made concerning the future, and other key sources of estimation uncertainty at the balance sheet date that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are disclosed at note 3 'Key sources of estimation uncertainty'.

### (c) Reporting entity

The reporting entity comprises the Western Australian Building Management Authority.

### (d) Contributed Equity

UIG Interpretation 1038 'Contributions by Owners Made to Wholly-Owned Public Sector Entities' requires transfers in the nature of equity contributions 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 contributions (appropriations) have been designated as contributions by owners by Treasurer's Instruction (TI) 955 'Contributions by Owners made to Wholly Owned Public Sector Entities' and have been credited directly to Contributed Equity.

### (e) Income

#### Revenue Recognition

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

#### Service Appropriations

Service appropriations are recognised as revenues at nominal value in the period in which the Authority gains control of the appropriated funds. The Authority gains control of appropriated funds at the time those funds are deposited to the bank account or credited to the holding account held at Treasury. (See note 7 'Income from State Government').

#### Interest

Revenue is recognised as the interest accrues.

## (f) Leases

Finance lease rights and obligations are initially recognised, at the commencement of the lease term, as assets and liabilities equal in amount to the fair value of the leased item or, if lower, the present value of the minimum lease payments, determined at the inception of the lease. Minimum lease payments are apportioned between the finance charge and the reduction of the outstanding lease liability, according to the interest rate implicit in the lease.

The Western Australian Building Management Authority (WABMA) completed construction of the Peel Health Campus in 1998–1999. WABMA funded the project from borrowings through the Western Australian Treasury Corporation (WATC).

The fully operational Peel Health Campus is leased to a private health services provider. WABMA reports this asset as a lease receivable.

WABMA, as a lessor, has entered into a finance lease for the use of the Peel Health campus facility. WABMA's rights and obligations under finance leases, which are leases that effectively transfer to the lessee substantially the entire risks and benefits incident to ownership of the leased items, are initially recognised as a lease receivable asset equal to the cost of constructing Peel Health Campus (see note 8 'Receivables').

The lease receivable asset is allocated between current and non-current components. The finance revenue resulting from the lease is allocated between interest revenue and reduction of the lease receivable, according to the interest rate implicit in the lease.

The Peel Health Campus loan Agreement was finalised on the 1st July, 2008 by receiving the full lease payment from the Health Department of Western Australia. The Western Australian Treasury Corporation also received

full payment on the 1st July, 2008.

See note 2(K) 'Borrowings'.

## (g) Financial Instruments

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

- Loans and receivables; and
- Financial liabilities measured at amortised cost.

These have been disaggregated into the following classes:

### Financial Assets

- Cash and cash equivalents
- Receivables

### Financial Liabilities

- Payables
- WATC Borrowings

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 rate 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.

## (h) Cash and Cash Equivalents

For the purpose of the Cash Flow Statement, 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, and bank overdrafts.

## (i) Receivables

Receivables are recognised and carried 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 Authority will not be able to collect the debts. The carrying amount is equivalent to fair value as it is due for settlement within 30 days. See note 2(g) 'Financial Instruments' and note 8 'Receivables'.

## (j) Payables

Payables are recognised at the amounts payable when the Authority becomes obliged to make future payments as a result of a purchase of assets, services or repayment of loans. The carrying amount is equivalent to fair value, as they are generally settled within 30 days. See note 2(g) 'Financial Instruments' and note 9 'Payables'.

## (k) Borrowings

All loans are initially recognised at cost, being the fair value of the net proceeds received. Subsequent measurement is at amortised cost using effective interest rate method.

Borrowings arranged through the Western Australian Treasury Corporation (WATC) were to meet funding for Capital Works programs (1984–1987 financial years) and to provide funding for construction of the Peel Health campus.

The 1984–1987 borrowings were initially matched in the statement of financial position with building assets that the Western Australian Building Management Authority (WABMA) had procured. These buildings are no longer controlled by WABMA and were written-back in the 1995–1996 financial year resulting in an abnormal loss of \$156 million in that year. WABMA is now carrying an equity deficit that is diminishing each year as the borrowing is repaid.

The Peel Health Campus borrowings were restructured on 15 June 2001 by agreement between WABMA and WATC. No change to WABMA's liability for the Peel Health campus borrowings occurred. The loan repayment schedule and the maturity date were altered to better match with the primary revenue stream associated with the leasing of Peel Health Campus.

The Peel Health Campus loan Agreement was finalised on the 1st July, 2008 by receiving the full lease payment from the Health Department of Western Australia. The Western Australian Treasury Corporation also received full payment on the 1st July, 2008. See note 2(f) 'Leases'.

Borrowings from WATC for the funding of the Capital Works programs was finalised on the 16th July, 2008.

See note 2(g) 'Financial Instruments' and note 10 'Borrowings'.

## (l) Comparative Figures

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

## (m) Subsequent Events

The Peel Health Campus loan Agreement was finalised on the 1st July, 2008 by receiving the full balance of borrowings from the Health Department of Western Australia of \$41.421m. The Western Australian Treasury

Corporation also received the full balance of borrowings on the 1st July, 2008 of \$41.421m.

Borrowings from WATC for the funding of the Capital Works programs was also finalised, with the full balance of borrowings of \$63.586m paid by the 16th July, 2008.

See note 10 'Borrowings'.

## 3. Disclosure of changes in accounting policy and estimates

### Initial application of an Australian Accounting Standard

The Authority has applied the following Australian Accounting Standards and Australian Accounting Interpretations effective for annual reporting periods beginning on or after 1 July 2007 that impacted on the Authority:

1. AASB 7 'Financial Instruments: Disclosures' (including consequential amendments in AASB 2005-10 'Amendments to Australian Accounting Standards [AASB 132, AASB 101, AASB 114, AASB 117, AASB 133, AASB 139, AASB 1, AASB 4, AASB 1023 and AASB 1038]'). This Standard requires new disclosures in relation to financial instruments and while there is no financial impact, the changes have resulted in increased disclosures, both quantitative and qualitative, of the Authority's exposure to risks, including enhanced disclosure regarding components of the Authority's financial position and performance, and changes to the way of presenting certain items in the notes to the financial statements.

### Future impact of Australian Accounting Standards not yet operative

The Authority cannot early adopt an Australian

Accounting Standard or Australian Accounting Interpretation unless specifically permitted by TI 1101 'Application of Australian Accounting Standards and Other Pronouncements'. Consequently, the Authority has not applied the following Australian Accounting Standards and Australian Accounting Interpretations that have been issued and which may impact the Authority but are not yet effective. Where applicable, the Authority plans to apply these Standards and Interpretations from their application date:

- i. AASB 101 'Presentation of Financial Statements' (September 2007). This Standard has been revised and will change the structure of the financial statements. These changes will require that owner changes in equity are presented separately from non-owner changes in equity. The Authority does not expect any financial impact when the Standard is first applied. The Standard is required to be applied to annual reporting periods beginning on or after 1 January 2009.
- ii. AASB 2007-9 'Amendments to Australian Accounting Standards arising from the review of AASs 27, 29 and 31 [AASB 3, AASB 5, AASB 8, AASB 101, AASB 14, AASB 116, AASB 127 & AASB 137] (December 2007). The Standard is required to be applied to annual reporting periods beginning on or after 1 January 2008.

# NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2008

|   | 2008<br>\$000 | 2007<br>\$000 |
|---|---------------|---------------|
| <b>4 Finance costs</b>                    |               |               |
| Interest on 1984 - 1987 borrowings        | 4,304         | 4,736         |
| Interest on Peel Health Campus borrowings | <u>3,515</u>  | <u>3,968</u>  |
|   | <u>7,819</u>  | <u>8,704</u>  |
| See note 10 and note 2(k) 'Borrowings'    |               |               |

## 5 Supplies and services

|                    |           |           |
|--------------------|-----------|-----------|
| Accrued Audit Fees | <u>17</u> | <u>16</u> |
|--------------------|-----------|-----------|

## 6 Interest revenue

|   |              |              |
|---|--------------|--------------|
| Interest on lease payments in respect of Peel Health Campus | <u>6,659</u> | <u>4,183</u> |
|---|--------------|--------------|

## 7 Income from State Government

|  |              |              |
|--|--------------|--------------|
| Appropriation received during the year:<br>Service appropriation | <u>4,000</u> | <u>4,700</u> |
|--|--------------|--------------|

## 8 Receivables

|                         |               |               |
|-------------------------|---------------|---------------|
| Leases                  |               |               |
| Current                 | 41,874        | 2,260         |
| Non-current             | -             | 39,185        |
| Total Lease Receivables | <u>41,874</u> | <u>41,445</u> |

### (a) Terms and conditions

Leases receivable represents the investment in a direct finance lease of the Peel Health Campus, net of unearned revenue, and is allocated between current and non-current elements. The principal component of the lease rental due within one year is shown as current and the remainder as non-current.

The lease was initially valued at \$55.9 million and the lease term is 20 years commencing on 13 August 1998. There is no unguaranteed residual value associated with the lease. Payments are received quarterly.

### (b) Finance lease commitments

|   |               |               |
|---|---------------|---------------|
| Minimum lease payments receivable not later than one year                           | 41,874        | 6,070         |
| Minimum lease payments receivable later than one year and not later than five years | -             | 18,972        |
| Minimum lease payments receivable later than five years                             | <u>-</u>      | <u>16,403</u> |
| Minimum lease payments receivable   | 41,874        | 41,445        |
| Discounting of lease receivable   | <u>-</u>      | <u>25,563</u> |
| Gross investment in lease receivable as at 30 June                                  | <u>41,874</u> | <u>67,008</u> |
| (i) Discounting is at implicit interest rate of lease.                              |               |               |

## 9 Payables

|                    |           |           |
|--------------------|-----------|-----------|
| Accrued audit fees | <u>17</u> | <u>17</u> |
|--------------------|-----------|-----------|

## 10 Borrowings

WABMA has two separate borrowings through the WA Treasury Corporation:

|                                |                  |                  |
|--------------------------------|------------------|------------------|
| 1984 - 1987 borrowings         | 285,074          | 285,074          |
| Less: Repayments of borrowings | <u>(221,488)</u> | <u>(213,219)</u> |
|                                | 63,586           | 71,855           |
| Peel Health Campus borrowings  | 55,923           | 55,923           |
| Less: Repayments of borrowings | <u>(14,502)</u>  | <u>(11,788)</u>  |
|                                | 41,421           | 44,135           |
| Total borrowings               | <u>105,008</u>   | <u>115,990</u>   |
| Current                        | 105,008          | 10,740           |
| Non-current                    | <u>-</u>         | <u>105,250</u>   |
| Total borrowings               | <u>105,008</u>   | <u>115,990</u>   |



# NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2008

|                                      |                               | 2008<br>\$000                           | 2007<br>\$000 |
|--------------------------------------|-------------------------------|---|---------------|
| (i) Significant Terms and Conditions |                               |   |               |
|                                      | <u>1984 - 1987 borrowings</u> | <u>Peel borrowings</u>                  |               |
| Nature of borrowings                 | debt portfolio                | fixed principal and interest repayments |               |
| Composition                          | short and long stock lines    | single loan contract                    |               |
| Face value                           | \$285,074,300                 | \$55,500,000                            |               |
| Premium                              | n/a                           | \$422,910                               |               |
| Date of maturity                     | 15/10/2017                    | 15/08/2018                              |               |
| Interest rate                        | variable                      | 8.621%                                  |               |
| Interest repayment schedule          | quarterly                     | quarterly                               |               |
| Capital repayment schedule           | quarterly fixed amounts       | quarterly compounding                   |               |
| Repricing dates                      | monthly                       | n/a                                     |               |
| Guaranteed by the Treasurer          | yes                           | yes                                     |               |
| Readily traded on organised markets  | yes                           | no                                      |               |

## (ii) Interest Rate Risk Exposure

WABMA's exposure to interest rate risk and repricing maturities on its borrowings as at 30 June 2007 are:

### Carrying amounts of financial liabilities exposed to interest rate risk

|  |        |        |
|--|--------|--------|
| 1 year or less                           | 63,586 | 30,686 |
| 1 to 5 years                             | -      | 29,147 |
| Over 5 years                             | -      | 12,022 |
| Total borrowings with interest rate risk | 63,586 | 71,855 |

The weighted average effective interest rates are:

|                                | 2007<br>% | 2008<br>% |
|--------------------------------|-----------|-----------|
| 1984 - 1987 borrowings:        | 6.19      | 6.63      |
| Peel Health Campus borrowings: | 9.02      | 9.02      |

See note 15 'Financial Instruments', note 2(f) 'Leases' and note 2(k) 'Borrowings'

## 11 Equity

Liabilities exceed assets for the Authority and there is therefore no residual interest in the assets of the Authority. The deficiency arose from the construction and deployment of assets to other Government agencies while the Authority retained the undertaking to service the financial costs of that construction activity.

### **Contributed Equity**

|                          |        |       |
|--------------------------|--------|-------|
| Balance at start of year | 12,387 | 4,487 |
|--------------------------|--------|-------|

### **Contributions by owners**

|                        |        |        |
|------------------------|--------|--------|
| Capital Contribution   | 8,200  | 7,900  |
| Balance at end of year | 20,587 | 12,387 |

(a) Capital Contributions (appropriations) and non-discretionary (non-reciprocal) transfers of net assets from other State Government agencies have been designated as contributions by owners in Treasurer's Instruction TI 955 'Contributions by Owners Made to Wholly Owned Public Sector Entities' and are credited directly to equity.

### **Accumulated deficit**

|                          |          |          |
|--------------------------|----------|----------|
| Balance at start of year | (86,140) | (86,303) |
| Result for the period    | 2,823    | 163      |
| Balance at end of year   | (83,317) | (86,140) |

## 12 Notes to the Cash Flow Statement

### Reconciliation of cash

Cash at the end of the financial year as shown in the Cash Flow Statement is reconciled to the related items in the Balance Sheet as follows:

|  |         |         |
|--|---------|---------|
| Cash and cash equivalents  | 421     | 809     |
| <u>Reconciliation of net cost of services to net cash flows used in operating activities</u> |         |         |
| Net cost of services   | (1,177) | (4,537) |
| (Increase)/decrease in assets:   |         |         |
| Current receivables  | (2,689) | -       |
| Other current assets   | -       | -       |
|  | -       | -       |
| Increase/(decrease) in liabilities:  |         |         |
| Current Liabilities  | -       | -       |
| Non-Current Liabilities  | (359)   | (63)    |
| Net cash used in operating activities  | (4,226) | (4,600) |

# NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2008

|   | 2008<br>\$000 | 2007<br>\$000 |
|---|---------------|---------------|
| <b>13 Remuneration of Auditor</b>   |               |               |
| Remuneration payable to the Auditor General for the financial year is as follows: |               |               |
| Auditing the accounts, financial statements and performance indicators            | <u>17</u>     | <u>17</u>     |

## 14 Remuneration of members of the accountable authority and senior officers

The remuneration for the Accountable Authority and Senior Officers of the Western Australian Building Management Authority has been disclosed within the Housing Authority annual report.

No senior officers are members of the Pension Scheme.

## 15 Financial instruments

### (a) Financial Risk Management Objectives and Policies

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

#### *Credit risk*

Credit risk arises when there is the possibility of the Authority's receivables defaulting on their contractual obligations resulting in financial loss to the Authority. The Authority measures credit risk on a fair value basis and monitors risk on a regular basis.

The maximum exposure to credit risk at balance sheet date in relation to each class of recognised financial assets is the gross carrying amount of those assets inclusive of any provisions for impairment.

The carrying amount of lease receivables recorded in the financial statements, net of any provisions for losses, represents WABMA's maximum exposure to credit risk without taking account of the value of any collateral or other security obtained. These amounts are owing from a single debtor.

Credit risk associated with the Authority's financial assets is minimal. For receivables other than government, the Authority trades only with recognised, creditworthy third parties. The Authority 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

#### *Market risk*

The Authority does not trade in foreign currency and is not materially exposed to other price risks. The Authority's exposure to market risk for changes in interest rates relate primarily to the long-term debt obligations. The Authority's borrowings are all obtained through the Western Australian Treasury Corporation (WATC). (See note 10 and note 2k) The risk is managed by WATC through portfolio diversification and variation in maturity dates. Other than as detailed in the Interest rate sensitivity analysis table, the Authority is not exposed to interest rate risk as all other cash and cash equivalents are either non interest bearing or at a fixed rate and the Authority has no borrowings other than the WATC borrowings.

### (b) Categories of Financial Instruments

In addition to cash, the carrying amounts of each of the following categories of financial assets and financial liabilities at the balance sheet date are as follows:

#### **Financial Assets**

|                           |               |               |
|---------------------------|---------------|---------------|
| Cash and cash equivalents | 421           | 809           |
| Loans and receivables     | <u>41,874</u> | <u>41,445</u> |
|                           | 42,295        | 42,254        |

#### **Financial Liabilities**

|  |         |         |
|--|---------|---------|
| Financial liabilities measured at amortised cost | 105,025 | 116,007 |
|--|---------|---------|

## 15 Financial Instruments (Continued)

### (c) Financial Instruments Disclosure

#### *Credit Risk, Liquidity Risk and Market Risk Exposures*

The following table details the exposure to liquidity risk as at balance sheet date. The Authority's maximum exposure to credit risk at the balance sheet date is the carrying amount of the financial liabilities as shown on the following table. The table is based on information provided to senior management of the Authority. The contractual maturity amounts in the table are representative of the undiscounted amounts at the balance sheet date. An adjustment for discounting has been made where material.

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

The Authority does not hold any financial assets that had to have their terms renegotiated that would have otherwise resulted in them being past due or impaired.

#### *Liquidity Risk*

##### Contractual Maturity Analysis:

|             | Within 1<br>Year | 1 - 2 Years | 2 - 3<br>Years | 3 - 4<br>Years | 4 - 5<br>Years | More than<br>5 Years | Adjustment<br>for<br>discounting | Carrying<br>Amount |
|-------------|------------------|-------------|----------------|----------------|----------------|----------------------|----------------------------------|--------------------|
| <b>2008</b> | \$000            | \$000       | \$000          | \$000          | \$000          | \$000                | \$000                            | \$000              |

##### Financial Liabilities

|                     |                |          |          |          |          |          |                |                |
|---------------------|----------------|----------|----------|----------|----------|----------|----------------|----------------|
| Payables            | 17             | -        | -        | -        | -        | -        | -              | 17             |
| WATC Borrowings (a) | 106,490        | -        | -        | -        | -        | -        | (1,482)        | 105,008        |
|                     | <u>106,507</u> | <u>0</u> | <u>0</u> | <u>0</u> | <u>0</u> | <u>0</u> | <u>(1,482)</u> | <u>105,025</u> |

|             |       |       |       |       |       |       |       |       |
|-------------|-------|-------|-------|-------|-------|-------|-------|-------|
| <b>2007</b> | \$000 | \$000 | \$000 | \$000 | \$000 | \$000 | \$000 | \$000 |
|-------------|-------|-------|-------|-------|-------|-------|-------|-------|

##### Financial Liabilities

|                     |               |               |               |               |               |               |                 |                |
|---------------------|---------------|---------------|---------------|---------------|---------------|---------------|-----------------|----------------|
| Payables            | 17            | -             | -             | -             | -             | -             | -               | 17             |
| WATC Borrowings (a) | 41,377        | 18,496        | 17,005        | 15,726        | 11,723        | 57,377        | (45,715)        | 115,990        |
|                     | <u>41,394</u> | <u>18,496</u> | <u>17,005</u> | <u>15,726</u> | <u>11,723</u> | <u>57,377</u> | <u>(45,715)</u> | <u>116,007</u> |

(a) WABMA has two separate borrowings through the WA Treasury Corporation. (See note 10 and Note 2(k))

#### *Market Risk*

The Authority does not consider there to be any exposure to material market risks.



**Department of Housing and Works**  
Government of Western Australia

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