



Department of Treasury and Finance

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Annual Report 2010-11

Statement of compliance

For the year ended 30 June 2011

Hon Christian Porter MLA BEc, BA (Hons), LLB, MSc Treasurer; Attorney General

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 Treasury and Finance for the financial year ended 30 June 2011.

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



Michael Barnes
A/Under Treasurer
13 September 2011

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EXECUTIVE SUMMARY

Under Treasurer's Review

Our work and leadership in 2010-11

Officers of the Department of Treasury and Finance (DTF) again provided a lead role in 2010-11 in assisting the State Government to maintain responsible financial and economic management, including policy development and implementation to support the delivery of major services and infrastructure.

The Department in 2010-11 worked extensively at both State and Federal level to ensure Western Australia's economic security and value for money in State Government activities.

Our economic environment

The 2010-11 financial year saw a strengthening of the Western Australian economy, building on a 2009-10 recovery from the effects of the global economic downturn. While a particularly strong mining industry was a major contributor to this recovery, it was partially offset by subdued property and household spending activity.

Commonwealth-State issues

The Department played a key role in 2010-11 in advising the State Government on national initiatives that affect the State's autonomy or have implications for the State's economy.

Major Commonwealth/State issues for the Department, working in partnership with the Department of the Premier and Cabinet and other agencies, included the Commonwealth's proposed mining tax (see 'Minerals Resource Rent Tax' below), the tax forum scheduled for October 2011, health and disability services reform plans, Goods and Services Tax (GST) sharing arrangements, and implementation of previously agreed reforms to the framework of Commonwealth payments for specific purposes.

The 2011-12 State Budget removed a concession that had for some decades been applied to the royalties on iron ore 'fines'. This concession dated to the 1960s when iron ore fines were considered a secondary product, as the greater demand was for lump iron ore. In modern times, both products are in almost equal demand and the concession was considered antiquated. This had the effect of increasing the royalty from 5.625 per cent to 7.5 per cent (phased in over two years).

This issue was the source of significant and public disagreement between the State and the Commonwealth, given the interaction with the Commonwealth's proposed mining tax and the potential impact on Western Australia's share of GST revenue. The State Government affirmed that the resources belong to the people of Western Australia, and that it is the State's role to collect payment for the resources on behalf of the people of Western Australia.



Under Treasurer Timothy Marney

Commonwealth Grants Commission

In February 2011, the Commonwealth Grants Commission released new recommendations for the distribution of GST revenue grants among the States for 2011-12.

The Commission recommended that Western Australia receive 72 per cent of its population share of GST grants, up slightly from 68 per cent in 2010-11. This is still by far the lowest share of any State, the next lowest being Victoria at 90 per cent.

Compared to our full population share, the 72 per cent share recommended by the Commission will cost Western Australia about \$1.5 billion in 2011-12 alone.

The increase in 2011-12 reflects belated recognition of the State's arguments about labour cost pressures in Western Australia. However, DTF considers the increase to be only a temporary reprieve, as Western Australia's grant share is still projected to drop substantially over coming years as the full effects of recent growth in the value of mining production and the Western Australian economy more generally feed into the Commission's formula.

The Department will, in conjunction with the Department of the Premier and Cabinet, continue to actively prosecute the State's case for a more equitable share of national GST collections for the longer-term.

This will include submissions to the Commonwealth's review of the arrangements for sharing GST revenue amongst the States and Territories announced in 2011.

Minerals Resource Rent Tax

On 2 July 2010, the Commonwealth Government announced that it would replace its previously proposed Resource Super Profits Tax (RSPT) with a Minerals Resource Rent Tax (MRRT) applied only to iron ore and coal, and an extension of the existing Petroleum Resource Rent Tax (PRRT) to the North West Shelf and onshore petroleum (including gas) projects (commencing 1 July 2012).

DTF undertook a detailed analysis of the proposed Minerals Resource Rent Tax.

It recommended that the Commonwealth's proposed mining tax regime should not proceed, appropriately leaving the revenue base to the States, as owners of the minerals, in accord with the Australian Constitution.

The DTF Business

A new Treasurer and Minister for Finance

In December 2010, Hon Christian Porter MLA was appointed Western Australian State Treasurer, relieving the Premier of the role, and Hon Simon O'Brien MLC was appointed Minister for Finance.

Under this new agreement, the Treasurer took responsibility for the agency's Treasury, Strategic Projects and Shared Services businesses, while the Minister for Finance took responsibility for the State Revenue, Government Procurement and Building Management and Works businesses.

This arrangement remained in place until 31 March 2011. A further adjustment to Ministerial portfolios was made, from 1 April 2011, when the Treasurer passed responsibility for the Department's Shared Services business to the Minister for Finance.

These arrangements remained in place until 30 June 2011 (see 'New Agencies for 2011-12').

Office accommodation

As part of the State Government's 'master planning' approach to office accommodation, the Department's Building Management and Works and Government Procurement businesses were relocated to the newly-completed Optima Centre in Herdsman in April 2011.

Other sections of the Department also commenced relocating in 2010-11. In April 2011, the Office of the Under Treasurer relocated from Dumas House in West Perth to become the first State Government tenant of a new complex at 140 William Street in the Perth CBD, now named Gordon Stephenson House.

This marked the start of a program that will continue into 2011-12 and ultimately see the entire newly-formed Department of Treasury located in the new premises.

Review of Shared Services business

In January 2011, the Premier announced that an independent review of the Department's Shared Services business would be undertaken by the Economic Regulation Authority.

The previous independent review of Shared Services recommended the business be reviewed again after 18 months, and two years had elapsed since that review and good governance requires this recommendation to be followed through.

The review focussed on:

- the effectiveness and efficiency of Shared Services at its current level of operations;
- how the effectiveness and efficiency of Shared Services is likely to vary with the number of agencies it services;
- the impact that 'rolling-in' to Shared Services had on the operations of a selection of representative agencies;
- whether the provision of shared corporate services within the public sector, as implemented so far, provided a net benefit to the State;
- whether rolling-in the remaining agencies into Shared Services would provide a net benefit to the State; and
- whether alternative options for the provision of shared services within the public sector would provide a greater net benefit to the State.

Roll-ins of additional agencies to Shared Services were temporarily put on hold for the duration of the review. Until that point, 55 agencies had rolled into Shared Services since the project began in 2003.

The findings and recommendations of the review were made public early in July 2011, and the consequent decision to decommission Shared Services will give rise to a major, multi-disciplinary, multi-agency project in 2011-12 and beyond.

Revenue administration

The State Government's Pay-roll Tax Rebate took effect on 1 July 2010. The rebate application process significantly increased the volume of work and the number of new pay-roll tax registrations received. There were around 6,400 registered pay-roll clients who received the rebate via a cheque or a debt offset, totalling approximately \$100 million.

On 1 March 2011, new duty lodgment and payment arrangements were introduced. To coincide with the legislative arrangements, State Revenue enhanced its Revenue Online (ROL) system to allow taxpayers to pay duty at settlement, providing their agent is registered to use ROL. To assist with understanding of the new arrangements, over 40 education sessions were conducted, in Perth and in regional Western Australia.

These sessions covered the legislative amendments and provided hands-on system training for industry professionals.

The greater use of ROL will assist State Revenue in dealing with anticipated increased workloads arising from improvements in property market transaction levels in 2011-12.

New agencies for 2011-12

The Premier announced in February 2011 that the Department of Treasury and Finance would be split into a Department of Treasury and a Department of Finance.

From 1 July 2011, the Department of Treasury will be dedicated to providing the Western Australian State Government with high level economic policy advice and forecasting in relation to the State's increasingly sophisticated economy, record investments in major projects, complex Commonwealth-State relations and preparation of State budgets. This new Department of Treasury incorporates the current Treasury and Strategic Projects businesses of the Department of Treasury and Finance.

The new Department of Finance, also commencing operation on 1 July 2011, will take up revenue, management of government building projects and works, and shared corporate services functions by integrating the State Revenue, Building Management and Works, Government Procurement and Shared Services businesses of the Department of Treasury and Finance.

On this basis, the Department of Treasury and Finance ceased operations on 30 June 2011. All of DTF's staff were transferred to either one of the two new agencies.

Our achievements in 2010-11

Retaining the State's triple-A credit rating

International credit ratings agency Standard & Poor's again affirmed Western Australia's triple-A credit rating and stable outlook in December 2010, quoting the State's very capable management, strong financial position and strong economy.

International credit ratings agency Moody's also re-affirmed Western Australia's triple-A credit rating in February 2011, stating the outlook for the rating was stable. These rankings again rate the State at the lowest possible level of risk.

Cost and demand modelling

DTF worked with a number of major State Government agencies in 2010-11 on the development and refinement of cost and demand models. These models improve budget forecasting and provide increased transparency around the key drivers of demand for, and cost of, Government services, in turn informing options to improve the efficiency and effectiveness of Government service delivery.

Managing the delivery of Federal Government programs

DTF's Building Management and Works business continued to deliver the Building the Education Revolution (BER) program to construct infrastructure in State Government schools in Western Australia.

For the Primary Schools for the 21st Century component, at the end of June 2011, more than 57 builders had completed 948 buildings worth over \$904.5 million at 636 State Government schools, and across the board, the BER schools construction program was at about 95 per cent completion.

The Federal Government's BER Implementation Taskforce, which audited the program in all jurisdictions, found Western Australia's management of its State schools construction program to be exemplary, and had implemented the program with commercial nous and a sharp focus on value for money.

The taskforce's inquiries found that on a per-square-metre basis, Western Australia had achieved the lowest costs of any public or private education sector in Australia in the construction of classrooms and libraries. In terms of all building types, Western Australia had the second-lowest costs of any State Government.

The taskforce also found that the Western Australian Government had the lowest agency, management and design fees of any public or private education sector in Australia, at seven per cent of expenditure, which means 93 per cent of expenditure was applied to actual building works and services and unique project costs. I congratulate the BER team in Building Management and Works for their outstanding achievement.

Working with the not-for-profit sector

The dominant feature of the 2011-12 State Budget was a \$1 billion Social Services Package which included a range of initiatives aimed at improving the quality of life and well-being of those most in need in Western Australia. The package included \$604 million for sustainable funding and contracting with the not-for-profit sector.

The administration of these funds will be undertaken by a special unit established within the Department of Finance's Government Procurement business

Major capital works projects

The Strategic Projects business in 2010-11 worked closely with a number of State Government agencies to achieve key milestones on major capital works projects, including:

- completion of the State Theatre Centre;
- completion of the Albany Entertainment Centre;
- awarding of the Stage Two contract to build the \$2 billion Fiona Stanley Hospital; and
- awarding of the contract for construction of the Albany Health Campus.

Looking ahead

The Department of Treasury and Finance ceased operation on 30 June 2011.

I will head the newly-formed Department of Treasury in the role of Under Treasurer, while Anne Nolan will head the Department of Finance as Director General.

It has been an honour and a privilege to lead an agency consisting of committed, dedicated and expert people. It has been an immense pleasure to work with them and for them. I am sure that, regardless of which agency they are attached to, they will continue to provide a lead role in assisting the Government in maintaining responsible financial and economic management, ensuring best value for money and the best possible service delivery outcomes for the people of Western Australia.



Timothy Marney
Under Treasurer

OPERATIONAL STRUCTURE

Enabling legislation

The Department of Treasury and Finance's enabling legislation is the *Public Sector Management Act 1994*.

Other legislation governing DTF's operations:

- *Constitution Act 1889* and *Constitution Acts Amendment Act 1899* provide the framework under which DTF operates;
- *Financial Management Act 2006*, along with associated Treasurer's Instructions, provides the powers for staff to operate in Government finance, control and accountability matters;
- *Government Financial Responsibility Act 2000* provides reporting obligations on DTF in respect of the State's finances;
- *Judges' Salaries and Provision Act 1950*;
- *Parliamentary Superannuation Act 1970*;
- *Public Works Act 1902* provides Building Management and Works and Strategic Projects with the power to do all things necessary to construct public works and buildings;
- *State Superannuation Act 2000*, provides for the approval powers, responsibilities of the Treasurer and the Treasurer's guidelines and powers; and
- *State Supply Commission Act 1991*, through a delegation to the Under Treasurer, provides the power to establish and manage contracts.

Responsible Minister

Hon Colin James Barnett MLA MEd

Premier; Treasurer; Minister for State Development (to 14 December 2010)

Hon William (Bill) Richard Marmion MLA BE, MBA

Minister for Commerce; Science and Innovation; Housing; Minister Assisting the Treasurer (to 14 December 2010)

Hon Charles Christian (Christian) Porter MLA BEc, BA (Hons), LLB, MSc

Treasurer; Attorney General (from 14 December 2010)

Hon Simon O'Brien MLC

Minister for Finance; Commerce; Small Business (from 14 December 2010)

The Department of Treasury and Finance encompasses the following structural areas:

- Treasury
- State Revenue
- Government Procurement
- Building Management and Works
- Strategic Projects
- Shared Services
- Corporate Services
- Internal Audit

Organisational Chart



Corporate executive team

Timothy Marney Bachelor of Economics (Honours) **Under Treasurer**

Tim Marney has been Under Treasurer for the State of Western Australia since June 2005. Prior to this appointment, he held a number of senior positions across DTF.

Tim is the Chair of the Western Australian Treasury Corporation Board and Chairman of the State Supply Commission Board. He is also a Director of beyondblue: the national depression initiative.

Michael Barnes Bachelor of Business (Honours) **Deputy Under Treasurer**

Michael has been Deputy Under Treasurer since July 2008.

In this role he is responsible for leading and managing DTF's Treasury business.

Michael joined the (then) Western Australian Treasury in 1997 after starting his career as a graduate in the Commonwealth Treasury in 1992.

Bill Sullivan Bachelor of Economics (Honours), Master of Economics, Graduate Diploma in Taxation Studies, Diploma in Financial Markets **Commissioner of State Revenue**

Bill has been the Western Australian Commissioner of State Revenue since February 2002.

On joining the Western Australian Treasury as a graduate trainee in 1985, Bill worked in various policy areas of the Department before moving to the (then) State Taxation Department in 1992.

Rod Alderton Master of Business Administration, Master of Strategic Procurement **Executive Director Government Procurement**

In December 2008, Rod was appointed Executive Director, Government Procurement. For the previous 18 months he was the CEO of the State Supply Commission.

He is the Chair of the Australian Procurement and Construction Council's Leadership Group (procurement stream), and is also a member of the State Supply Commission Board.

John Tondut Bachelor of Engineering (Honours), Master of Business Administration **Executive Director Building Management and Works**

John joined DTF in 2003, and was appointed Executive Director Government Procurement in September 2007.

He took on the role of Executive Director, Building Management and Works, when that business was created on 1 February 2009 and is now leading the Works Reform program.

John held senior roles in several State public sector agencies including the Water Authority, the Building Management Authority and the Department of Contract and Management Services.

Richard Mann Bachelor of Engineering **Executive Director Strategic Projects**

In February 2008, Richard was appointed Executive Director of the (then) Office of Strategic Projects within the former Department of Housing and Works. He continued in this role when the Office moved to DTF in February 2009 to create the Strategic Projects business.

Richard is a civil engineer with more than 20 years experience managing building and infrastructure projects throughout Western Australia. Richard was a member of the former State Supply Commission Board and is currently a board member of the Sustainable Built Environment National Research Centre.

Brian Roche Bachelor of Business, Master of Management **Executive Director Shared Services**

Brian was appointed Executive Director, Shared Services, in November 2008, after acting in the position since April 2007.

Prior to that appointment, Brian headed Corporate Services and had earlier been with the Department of Consumer and Employment Protection and the Commissioner for Workplace Agreements.

Sue Jones RN, Master of Management (Health) **Executive Director Corporate Services**

Sue has been Executive Director, Corporate Services, since joining DTF in April 2008.

She came to Treasury and Finance from the public health system, where she spent ten years managing the delivery of health services in regional areas and held senior executive positions in the Health Department, including Acting Chief Executive Officer and Director of Operations of Country Health.

Administered legislation

In 2010-11, DTF assisted the Treasurer and the Minister for Finance in administering the following legislation:

- *Advance Bank (Merger with St. George Bank) Act 1998*
- *Advance Bank (Merger with St. George Bank) (Taxing) Act 1998*
- *Anzac Day Act 1960*
- *Appropriation (Consolidated Fund) Acts (various)*
- *Auditor General Act 2006*
- *Australia and New Zealand Banking Group Act 1970*
- *Australia and New Zealand Banking Group Limited (NMRB) Act 1991*
- *Australia and New Zealand Banking Group Limited (Town & Country) Act 1995*
- *Bank Mergers Act 1997*
- *Bank Mergers (Taxing) Act 1997*
- *Bank of South Australia (Merger with Advance Bank) Act 1996*
- *Bank of Western Australia Act 1995*
- *Commonwealth Places (Mirror Taxes Administration) Act 1999*
- *Duties Act 2008*
- *Electricity Industry Act 2004 (Part 9A only)*
- *Financial Agreement Act 1928*
- *Financial Agreement Act 1995*
- *Financial Management (Transitional Provisions) Act 2006*
- *Financial Management Act 2006*
- *Financial Relations Agreement (Consequential Provisions) Act 1999*
- *Fiona Stanley Hospital Construction Account Act 2007*
- *First Home Owner Grant Act 2000*
- *First Home Owner Grant Amendment Act 2003*
- *Government Financial Responsibility Act 2000*
- *Judges' Salaries and Pensions Act 1950*
- *Land Tax Act 2002*
- *Land Tax Assessment Act 2002*
- *Loan Acts (various)*
- *Parliamentary Superannuation Act 1970*
- *Pay-roll Tax Act 2002*
- *Pay-roll Tax Assessment Act 2002*
- *Pay-roll Tax Rebate Act 2010*
- *Perth Building Society (Merger) Act 1986*
- *Public Works Act 1902*
- *Railways (Access) Act 1998*
- *Rates and Charges (Rebates and Deferrals) Act 1992*
- *Royalties for Regions Act 2009 (Part 2 only, except sections 9 and 10)*
- *Stamp Act 1921*
- *Stamp Amendment (Assessment) Act 2005*
- *Stamp Amendment (Budget) Act 2002*
- *State Bank of South Australia (Transfer of Undertaking) Act 1994*
- *State Enterprises (Commonwealth Tax Equivalents) Act 1996*
- *State Entities (Payments) Act 1999*
- *State Superannuation Act 2000*
- *State Trading Concerns Act 1916*
- *Statistics Act 1907*
- *Supply Acts (various)*
- *Taxation Administration Act 2003*
- *Taxation Administration (Consequential Provisions) Act 2002*
- *The Bank of Adelaide (Merger) Act 1980*
- *The Commercial Bank of Australia Limited (Merger) Act 1982*
- *The Commercial Banking Company of Sydney Limited (Merger) Act 1982*
- *Treasurer's Advance Authorization Acts (various)*
- *Unclaimed Money Act 1990*
- *Unclaimed Money (Superannuation and RSA Providers) Act 2003*
- *WADC and WA Exim Corporation Repeal Act 1998*
- *Westpac Banking Corporation (Challenge Bank) Act 1996*

Other key legislation affecting the Department's activities

In the performance of its functions, DTF complies with the following relevant written laws:

- *Aboriginal Heritage Act 1972*
- *Auditor General Act 2006*
- *Contaminated Sites Act 2003*
- *Disability Services Act 1993*
- *Equal Opportunity Act 1984*
- *Financial Management Act 2006*
- *Freedom of Information Act 1992*
- *Industrial Relations Act 1979*
- *Minimum Conditions of Employment Act 1993*
- *Occupational Safety and Health Act 1984*
- *Public Sector Management Act 1994*
- *Salaries and Allowances Act 1975*
- *State Records Act 2000*
- *State Supply Commission Act 1991*
- *Agriculture and Related Resources Protection Act 1976*
- *Cattle Industry Compensation Act 1965*
- *Emergency Services Levy Act 2002*
- *Indian Ocean Territories (Administration of Laws) Act 1992*
- *Metropolitan Region Improvement Tax Act 1959*
- *Perth Parking Management Act 1999*
- *Perth Parking Management (Taxing) Act 1999*
- *Racing and Wagering Western Australia Act 2003*
- *Racing and Wagering Western Australia Tax Act 2003*
- *Commonwealth Places (Mirror Taxes) Act 1998*
- *Commonwealth Places (Mirror Taxes) (Modification of Applied Laws (WA)) Notice 2007*

DTF collected taxes, duties and fees, and paid subsidies, grants and rebates during 2010-11, in accordance with the legislation listed below:

PERFORMANCE MANAGEMENT FRAMEWORK

Outcome Based Management

Government goal: Financial and Economic Responsibility

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

Desired outcomes	Effectiveness indicators	Services provided	Efficiency indicators
Sustainable and transparent public sector finances	<ul style="list-style-type: none"> Status of the State's credit rating¹ Unqualified audit opinion on the Annual Report on State Finances 	<ul style="list-style-type: none"> Financial management and reporting 	<ul style="list-style-type: none"> Cost of financial management reporting per million dollars general Government sector expenses Percentage of financial reports released as per agreed timeframes²
	<ul style="list-style-type: none"> Profitability of the State's light vehicle fleet 	<ul style="list-style-type: none"> State Fleet Service 	<ul style="list-style-type: none"> Average cost per vehicle of financing and managing the State Fleet Service
A strong and competitive State economy	<ul style="list-style-type: none"> Accuracy of key general Government revenue forecasts: <ul style="list-style-type: none"> Tax and mining revenue GST revenue Accuracy of key economic forecasts: <ul style="list-style-type: none"> Employment level Real State Final Demand (SFD) growth 	<ul style="list-style-type: none"> Economic and revenue forecasts and policy development 	<ul style="list-style-type: none"> Percentage of ministerials, briefings or reports provided on economic issues within agreed timelines Percentage of regulatory impact statements assessed within agreed timeframes
Due and payable revenue is collected and eligible grants, subsidies and rebates paid	<ul style="list-style-type: none"> Extent to which due revenue is collected Overdue debt as a percentage of revenue raised 	<ul style="list-style-type: none"> Revenue assessment and collection 	<ul style="list-style-type: none"> Average cost per land tax item assessed Average cost per insurance duty client Average cost per pay-roll tax client Average cost per duties instrument assessed manually Average cost per duties instrument assessed electronically
	<ul style="list-style-type: none"> Extent to which correct grants, subsidies and rebates are paid 	<ul style="list-style-type: none"> Grants and subsidies administration 	<ul style="list-style-type: none"> Average cost per application/claim processed

Government goal: Results-Based Service Delivery

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

Desired outcomes	Effectiveness indicators	Services provided	Efficiency indicators
Value-for-money outcomes in service delivery and infrastructure provision	<ul style="list-style-type: none"> Percentage of the Department's material resource allocation recommendations complying with the service provision analysis framework Percentage of highest value agencies complying with the Strategic Asset Management framework or equivalent accredited mechanism 	<ul style="list-style-type: none"> Evaluation and planning of Government service delivery and infrastructure provision 	<ul style="list-style-type: none"> Cost of expenditure budget management per million dollars general Government sector expenses Percentage of ministerials, briefings or reports provided on service delivery and infrastructure within agreed timeframes Cost of infrastructure management per million dollars of forward estimates capital program
Value-for-money from public sector procurement	<ul style="list-style-type: none"> Extent to which client agencies agree that their contract arrangements achieved value for money Extent to which client agencies agree that common use contract arrangements achieved value for money 	<ul style="list-style-type: none"> Facilitate the development and management of agency-specific contracts Development and management of whole-of-government common use contract arrangements 	<ul style="list-style-type: none"> Cost of facilitating the development and management of agency-specific contracts as a percentage of the contract award value Cost of developing and managing whole-of-government common use contract arrangements as a percentage of the total annual value of purchases through the arrangements
Provision of effective shared corporate services	<ul style="list-style-type: none"> Progress with the reform of the Western Australian public sector for shared services by achievement of the following milestones: <ul style="list-style-type: none"> number of agencies rolling in by financial quarter percentage of agencies rolled in compared to the total number to be rolled in Percentage of services provided within established timeframes Accuracy of services provided Average resolution rate of enquiries (within six working days) 	<ul style="list-style-type: none"> Project management, coordination and implementation of the whole-of-government shared corporate services reform Provision of financial and human resources services 	<ul style="list-style-type: none"> Progress with the reform of the Western Australian public sector for shared corporate services within budget: <ul style="list-style-type: none"> Delivery of project within budgeted target Cost of processing financial services per transaction Cost of providing human resource/payroll services per agency headcount

Government goal: State Building – Major Projects

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

Desired outcomes	Effectiveness indicators	Services provided	Efficiency indicators
Value-for-money from the management of the Government's non-residential buildings and public works	<ul style="list-style-type: none"> Extent to which client agencies agree that the planning and delivery of their new buildings has achieved value-for-money 	<ul style="list-style-type: none"> Leads the planning and delivery of new Government buildings 	<ul style="list-style-type: none"> Cost as a percentage of the total annual value of the planning and delivery of capital works projects
	<ul style="list-style-type: none"> Extent to which client agencies agree that the planning and delivery of their building maintenance has achieved value-for-money 	<ul style="list-style-type: none"> Leads the planning and delivery of Government building maintenance 	<ul style="list-style-type: none"> Cost as a percentage of the annual value of maintenance services delivered
	<ul style="list-style-type: none"> Extent to which client agencies agree that their office accommodation has achieved value-for-money 	<ul style="list-style-type: none"> Leads the planning and delivery of Government office accommodation 	<ul style="list-style-type: none"> Cost as a percentage of the value of gross rentals of buildings and office accommodation managed

1. Standard and Poor's and Moody's currently assess the credit rating for Western Australia.

2. Agreed time frames for release of whole-of-government financial reports:

- Annual Report on State Finances – 90 days after the end of the financial year (legislative deadline);
- Quarterly Financial Results Report – 60 days after the end of the quarter (legislative deadline);
- Government Mid year Financial Projections Statement (mid-year review) – 31 December (legislative deadline); and
- Pre-election Financial Projections Statement – 10 days after the Legislative Assembly is dissolved or expires (legislative deadline)

Changes to Outcome Based Management Framework

The Department's Outcome Based Management Framework did not change during 2010-11.

Shared responsibility with other agencies

The implementation of shared corporate services across the public sector is a complex whole-of-government initiative aimed at delivering significant cost efficiencies.

A whole-of-government master-planning approach to office accommodation, which includes collocation of agencies, negotiation of new leases and modern workspace design and fit-out is expected to significantly reduce the State Government's office accommodation costs over the long term.

AGENCY PERFORMANCE - REPORT ON OPERATIONS

Financial targets: actual performance compared to budget

	2010-11 Target \$'000	2010-11 Actual \$'000	Variation \$'000
Total cost of services (expense limit)	1,925,134	1,984,891	(59,757)
Net cost of services	214,242	229,499	(15,257)
Total equity	918,969	854,482	(64,487)
Net increase / (decrease) in cash held	16,313	(145,350)	(161,663)
Approved full time equivalent (FTE) staff level – average over the full year	1,782	1,691	91

Total cost of services

The Department of Treasury and Finance (DTF) commenced 2010-11 with an initial expense limit of \$1,925.1 million. This limit was increased during the year mainly due to fit-out costs, rent and vacant space leasing commitments for the Government Accommodation Program, and additional costs incurred by the Office of Shared Services due to roll-in delays.

The final approved expense limit in 2010-11 was \$2,123.0 million. The actual result of \$1,984.9 million was \$138.1 million below the approved target and mainly reflects lower than budgeted construction and maintenance work by the Building Management and Works business on behalf of client agencies, including the Building the Education Revolution (BER) program. This lower than budgeted expense outcome was matched with lower than budgeted client agency revenue.

Compared to 2009-10, the total cost of services decreased by \$145 million. This was primarily due to the inclusion of a net revaluation decrement of \$94.8 million during 2009-10. Supplies and Services also decreased during 2010-11 due to a reduction in expenditure on the infrastructure delivery programs and the BER Program.

Net cost of services

The actual net cost of services for 2010-11 was \$229.5 million, approximately \$15.3 million higher than the 2009-10 original budget estimate. The variance mainly reflects accommodation expenses not included in the original budget, as these were approved during 2011-12 as supplementary funding.

Financial position

The Department's net asset position in 2010-11 was \$854.4 million. This was an increase of \$129.0 million in comparison to the 2009-10 position of \$725.4 million in net assets. This outcome primarily reflects:

- a decrease in other current liabilities (down \$169 million) largely due to a reduction in prepayments for construction work in progress;
- an increase in property, plant and equipment (up \$36 million) mainly reflecting fit-outs for Government office accommodation;
- an increase in amounts receivable for services (up \$24 million) representing an increase in the balance of the non-cash component of service appropriations;
- an increase in intangibles (up \$23 million) associated with the continued development of the integrated finance, procurement and human resources payroll system necessary to implement the Shared Services reform agenda; and
- a decrease in cash and cash equivalents (down \$144 million) reflecting payments to contractors and suppliers for works services including the BER program.

FTEs

The variance in FTEs mainly reflects lags in filling vacant positions and the use of contract staff.

Summary of key performance indicators

The summary of key performance indicators reflects the targets as published in the 2010-11 Budget Statements. For detailed explanations of outcomes and variations between target and actual results please refer to note 41 of the 2010-11 Financial Statements.

Effectiveness

Treasury business

Outcome 1: Sustainable and transparent public sector finances

Key indicators of effectiveness	2007-08 Actual	2008-09 Actual	2009-10 Actual	2010-11 Target	2010-11 Actual
Status of the State's credit rating ⁽¹⁾	triple-A	triple-A	triple-A	triple-A	triple-A
Unqualified audit opinion on the Annual Report on State Finances	Yes	Yes	Yes	Yes	Yes
Profitability of the State's light vehicle fleet (profit in \$'000)	\$11,703	\$12,433	\$22,225	\$9,743	\$23,466

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

The State's triple-A credit rating was again confirmed by both Moody's and Standard & Poor's during 2010-11.

State Fleet's profit for 2010-11 was better than forecast, primarily due to an increase in sales revenue, additional income from over-run leases and interest on equity.

Outcome 2: A strong and competitive State economy

Key indicators of effectiveness	2007-08 Actual	2008-09 Actual	2009-10 Actual	2010-11 Target	2010-11 Actual
Accuracy of key general government revenue forecasts ⁽¹⁾⁽²⁾					
- Tax and mining revenue	9.4%	-10.5%	2.8%	+/-5.0%	8.2%
- GST revenue	0.8%	-10.8%	7.7%	+/-3.0%	-6.2%
Accuracy of key economic forecasts ⁽³⁾					
- Employment growth (percentage point difference)	2.1	1.4	2.3	+/-0.5	1.5
- Real State Final Demand (SFD) growth (percentage point difference)	6.5	-0.9	6.6	+/-2.0	-0.5

(1) The results for the two indicators for 2009-10 were updated since publication of the Department's 2009-10 Annual Report. The latest available estimates were used at the time of the Annual Report.

(2) Final tax, mining and GST revenue data for 2010-11 will not be available until September 2011. The latest available estimates have been used.

(3) The results for the indicators prior to 2010-11 are different to those reported in the Department's Annual Reports, due to the use of a new methodology. The new method is based on a direct comparison between actual and forecast growth in the budget year. The forecasting error is expressed as the percentage point difference between actual growth and forecast growth (in absolute terms). Previously the KPIs were calculated as the five-year average forecasting error for growth.

Tax and mining revenue was higher than forecast in 2010-11 due to higher-than-expected royalty income, while GST revenue was lower than projected, mainly due to weaker national household spending and a smaller national GST pool than forecast by the Commonwealth Treasury.

State Revenue business

Outcome 3: Due and payable revenue is collected and eligible grants, subsidies and rebates paid.

Key indicators of effectiveness	2007-08 Actual	2008-09 Actual	2009-10 Actual	2010-11 Target	2010-11 Actual
Extent to which due revenue is collected	88%	88%	90%	88%	90%
Overdue debt as a percentage of revenue raised	0.92%	1.42%	1.47%	2.00%	1.18%
Extent to which correct grants, subsidies and rebates are paid	99%	99%	99%	99%	99%

The result were on or better than target

Treasury business

Outcome 4: Value-for-money outcomes in service delivery and infrastructure provision

Key indicators of effectiveness	2007-08 Actual	2008-09 Actual	2009-10 Actual	2010-11 Target	2010-11 Actual
Percentage of the Department's material resource allocation recommendations complying with the Service Provision Analysis Framework ⁽¹⁾	N/A	N/A	88%	90%	99%
Percentage of highest value agencies complying with the Strategic Asset Management Framework or equivalent accredited mechanism	N/A	N/A	75%	75%	69%

(1) The result for the indicator in 2009-10 is different from that reported in last year's annual report due to the methodology changing to only include EERC papers rather than all correspondence.

Government Procurement business

Outcome 5: Value-for-money from public sector procurement

Key indicators of effectiveness	2007-08 Actual	2008-09 Actual	2009-10 Actual	2010-11 Target	2010-11 Actual
Extent to which client agencies agree that common use contract arrangements achieved value-for-money	83%	92%	83%	85%	85%
Extent to which client agencies agree that their contract arrangements achieved value-for-money	86%	82%	92%	85%	90%

The results were on or better than target.

Shared Services business

Outcome 6: Provision of effective shared corporate services

Key indicators of effectiveness	2007-08 Actual	2008-09 Actual	2009-10 Actual	2010-11 Target	2010-11 Actual
Progress with the reform of the Western Australian public sector for shared services by achievement of the following milestones:					
- Number of agencies rolling in by financial quarter ⁽¹⁾	Qtr 1 – 1	Qtr 1 – 2	Qtr 1 – 3	Qtr 1 – 7	Qtr 1 – 7
	Qtr 2 – 6	Qtr 2 – 3	Qtr 2 – 6	Qtr 2 – 7	Qtr 2 – 8
	Qtr 3 – 2	Qtr 3 – 3	Qtr 3 – 2	Qtr 3 – 5	Qtr 3 – 0
	Qtr 4 – 0	Qtr 4 – 2	Qtr 4 – 1	Qtr 4 – 1	Qtr 4 – 4
- Percentage of agencies rolled in compared to the total number to be rolled in	26%	33%	45%	67%	65%
Percentage of services provided within established timeframes	83%	99%	86%	90%	95%
Accuracy of services provided	100%	100%	100%	100%	100%
Average resolution rate of enquiries (within 6 working days)	79%	89%	85%	80%	86%

(1) Includes agencies that have re-joined for payroll services after initially only rolling in for finance services.

The pause in the rolling-in of agencies as a result of the Government's review affected the timing and number of agencies rolled in.

Building Management and Works businesses

Outcome 7: Value-for-money from the management of the Government's non-residential buildings and public works

Key indicators of effectiveness	2007-08 Actual	2008-09 Actual	2009-10 Actual	2010-11 Target	2010-11 Actual
Extent to which client agencies agree that the planning and delivery of their new buildings has achieved value-for-money	N/A	N/A	39%	85%	44%
Extent to which client agencies agree that the planning and delivery of their building maintenance has achieved value-for-money	N/A	N/A	32%	85%	33%
Extent to which client agencies agree that their office accommodation has achieved value-for-money	N/A	N/A	49%	85%	62%

Support continued for the principles of the Works Reform program as did concerns regarding managing timeframes and skills shortages. Stakeholders also identified the need for Building Management and Works to communicate the progress of the reform and continue to build relationships.

Efficiency

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

Treasury business

Service 1: Financial management and reporting

Key indicators of efficiency	2007-08 Actual	2008-09 Actual	2009-10 Actual	2010-11 Target	2010-11 Actual
Cost of financial management reporting per million dollars general government sector expenses ⁽¹⁾	\$427	\$421	\$311	\$313	\$292
Percentage of financial reports released as per agreed timeframes ⁽²⁾	100%	100%	100%	100%	100%

(1) The general government sector expenses value is not finalised until mid-September 2011. The work in progress figures as at 1 September 2011 have been used for the calculation.

(2) The Government ceased monthly reporting of general government sector financial outcomes from 1 July 2010. Accordingly, the number of financial reports published as part of Service 1 is now limited to publications produced under the statutory reporting requirements of the Government Financial Responsibility Act 2000. This includes the budget projections, Quarterly Financial Results Reports, the Government Mid-year Financial Projections Statement and the Annual Report on State Finances. Treasury has met all statutory reporting deadlines under the Act for these publications in the past and expects to continue to do so throughout 2011-12. Previous actuals have been backcast to be consistent with this methodology.

The results were on or better than target.

Government Procurement business

Service 2: State Fleet Service

Key indicator of efficiency	2007-08 Actual	2008-09 Actual	2009-10 Actual	2010-11 Target	2010-11 Actual
Average cost per vehicle of financing and managing the State Fleet Service	\$145	\$139	\$85	\$131	\$84

The result was better than target.

Treasury business

Service 3: Economic and revenue forecasts and policy development

Key indicators of efficiency	2007-08 Actual	2008-09 Actual	2009-10 Actual	2010-11 Target	2010-11 Actual
Percentage of ministerials, briefings or reports provided on economic issues within agreed timelines	91%	85%	93%	90%	87%
Percentage of regulatory impact statements assessed within agreed timeframes	N/A	N/A	100%	90%	90%

The results were on or close to target.

State Revenue business

Service 4: Revenue assessment and collection

Key indicators of efficiency	2007-08 Actual	2008-09 Actual	2009-10 Actual	2010-11 Target	2010-11 Actual
Average cost per land tax item assessed	\$11.10	\$10.79	\$9.83	\$12.25	\$10.14
Average cost per insurance duty client	\$1,846.89	\$1,196.84	\$642.02	\$907.31	\$629.51
Average cost per pay-roll tax client	\$634.22	\$579.84	\$600.98	\$560.30	\$508.65
Average cost per duties instrument assessed manually	\$46.25	\$101.88	\$67.27	\$63.86	\$89.39
Average cost per duties instrument assessed electronically	\$3.74	\$26.17	\$44.73	\$46.38	\$34.26

The results were better than target except for average cost per duties instrument assessed manually which was higher than budgeted due to the number of instruments assessed manually being 25.9 per cent lower than anticipated.

State Revenue business

Service 5: Grants and subsidies administration

Key indicator of efficiency	2007-08 Actual	2008-09 Actual	2009-10 Actual	2010-11 Target	2010-11 Actual
Average cost per application/claim processed	\$6.85	\$10.86	\$8.31	\$9.14	\$8.76

The result was better than target

Treasury business

Service 6: Evaluation and planning of government service delivery and infrastructure provision

Key indicators of efficiency	2007-08 Actual	2008-09 Actual	2009-10 Actual	2010-11 Target	2010-11 Actual
Cost of expenditure budget management per million dollars general government sector expenses	\$591	\$577	\$532	\$453	\$481
Percentage of ministerials, briefings or reports provided on service delivery and infrastructure within agreed timeframes	97%	98%	95%	90%	94%
Cost of infrastructure management per million dollars of forward estimates capital program	N/A	\$178	\$236	\$302	\$252

(1) The general government sector expenses value is not finalised until mid-September 2011. The work-in-progress figures as at 1 September 2011 have been used for the calculation.

The results were better than or close to target.

Government Procurement business

Service 7: Facilitate the development and management of agency-specific contracts

Key indicator of efficiency	2007-08 Actual	2008-09 Actual	2009-10 Actual	2010-11 Target	2010-11 Actual
Cost of facilitating the development and management of agency specific contracts as a percentage of the contract award value	1.9%	1.6%	2.0%	1.3%	1.9%

The increase from the 2010-11 target to actual was due to a small number of large value contracts not being awarded within the reporting period.

Government Procurement business

Service 8: Development and management of whole-of-government common use contract arrangements

Key indicator of efficiency	2007-08 Actual	2008-09 Actual	2009-10 Actual	2010-11 Target	2010-11 Actual
Cost of developing and managing whole-of-government common use contract arrangements as a percentage of the total annual value of purchases through the arrangements	1.3%	1.4%	1.2%	1.0%	1.1%

The 2010-11 actual was slightly above target, due to a lower value in common use arrangement throughput than expected.

Shared Services business

Service 9: Project management, coordination and implementation of the whole-of-government shared corporate services reform

Key indicator of efficiency	2007-08 Actual	2008-09 Actual	2009-10 Actual	2010-11 Target	2010-11 Actual
Progress with the reform of the Western Australian public sector for shared corporate services within budget:					
- Delivery of project within budgeted target (\$ million)	\$18.676	\$43.127	\$42.189	\$35.227	\$36.555

Expenditure on the project was affected by the review announced by the Premier in December 2010 and the earlier than anticipated expenditure in relation to the building of the Building Management and Works-specific modules.

Shared Services business

Service 10: Provision of financial and human resources services

Key indicators of efficiency	2007-08 Actual	2008-09 Actual	2009-10 Actual	2010-11 Target	2010-11 Actual
Cost of processing financial services per transaction	N/A	N/A	\$57.17	\$48.14	\$35.32
Cost of providing human resource/payroll services per agency headcount	N/A	N/A	\$5,901	\$2,530	\$3,750

The cost of providing HR services was affected by the announcement of an independent review and changes to the roll-in schedule and the number of staff paid through the Oracle payroll system reduced from the anticipated 14,000 to 10,080.

Building Management and Works business

Service 11: Leads the planning and delivery of new Government buildings

Key indicator of efficiency	2007-08 Actual	2008-09 Actual	2009-10 Actual	2010-11 Target	2010-11 Actual
Cost as a percentage of the total annual value of the planning and delivery of capital works projects	N/A	N/A	4.4%	3.9%	3.9%

The result was on target.

Building Management and Works business

Service 12: Leads the planning and delivery of Government building maintenance

The Department of Treasury and Finance's Building Management and Works business also provides strategic leadership and facilitation in the planning, project management and procurement of maintenance for non-residential buildings.

Key indicator of efficiency	2007-08 Actual	2008-09 Actual	2009-10 Actual	2010-11 Target	2010-11 Actual
Cost as a percentage of the annual value of maintenance services delivered	N/A	N/A	8.8%	10.1%	11.1%

There was a significant variance between the 2010-11 target and actual, due to a 13 per cent reduction in the overall program.

Building Management and Works business

Service 13: Leads the planning and delivery of Government office accommodation

Key indicator of efficiency	2007-08 Actual	2008-09 Actual	2009-10 Actual	2010-11 Target	2010-11 Actual
Cost as a percentage of the value of gross rentals of buildings and office accommodation managed	N/A	N/A	6.7%	8.2%	11.1%

The significant difference between 2010-11 target and actual was due to an increase in operational costs associated with the State Government Office Accommodation Master Plan.

Treasury

Serving the public interest through the provision of high-quality economic and financial management and advice by:

- providing advice and analysis in relation to the development, implementation and ongoing monitoring of the State's Budget (including revenue policy, evaluation of agencies' service delivery performance, and whole-of government financial reporting);
- delivering economic and revenue forecasting;
- providing analysis and advice on financial arrangements with the Commonwealth;
- providing advice on infrastructure policy and planning; and
- managing the Public Ledger.

Economic outlook

Western Australia's economy is expanding at a stable pace. Conditions in the resources sector are particularly strong, with robust demand from emerging economies and high commodity prices creating a substantial pipeline of investment activity. However, conditions in other sectors of the State's economy are more subdued, with the retail and housing sectors particularly soft. In 2010-11, these conditions resulted in a sharp rise in royalty income, but subdued transfer duty revenue.

The overall outlook is positive, with forecast growth in the State's own-source revenue reflecting expected improvement in the housing market, continued low unemployment and strong but moderating commodity prices. However, risks to the outlook remain, including a slower than expected recovery in the housing market, the impact of the planned Carbon Tax and Minerals Resource Rent Tax, sovereign debt concerns in advanced economies and accelerating inflation in emerging economies.

2011-12 Budget

The 2011-12 State Budget presented on 19 May 2011 was developed against a backdrop of a rapid projected decline in the State's share of national GST revenue, and increasing demand for service delivery and infrastructure investment.

Treasury assisted the Government in meeting its primary financial target of maintaining the State's triple-A credit rating.

A key feature of the 2011-12 Budget was a \$3.5 billion package of measures to contain the growth in net debt across the forward estimates to sustainable and affordable levels. Treasury also played a key role in the design and ongoing implementation of the Budget initiative to address a funding shortfall in, and to reform the contracting relationship with, the not-for-profit community sector.



Twelve graduates joined the Treasury training program in January 2010

Efficiency of service provision

Throughout 2010-11, and into 2011-12, Treasury has and will continue to advise Government and implement policies to improve the efficiency of public sector service provision, with particular focus on the following major issues.

Cost and demand modelling

Treasury is expanding its cost and demand modelling capacity with respect to key service delivery agencies. This is expected to bring improved budget forecasting and increased transparency of service demand and delivery cost, in turn providing greater scope to improve the efficiency and effectiveness of Government service delivery.

Government Trading Enterprises

From 2011-12, Government Trading Enterprises (GTEs) will be required to implement an efficiency dividend equivalent to five per cent of their discretionary operating expenditure. This reduction in operating expenditure will increase the efficiency of GTEs. The estimated impact of the efficiency dividend is a reduction in public sector net debt of \$515 million over the forward estimates period. Treasury will monitor the implementation of the efficiency dividend by GTEs and advise Government as required.

Value-for-Money Reviews

A second round of Value-for-Money Reviews, led by Treasury, commenced in 2010-11 with a review of the Western Australia Police.

Terms of reference for a Value-for-Money Review of the Department of Housing were being finalised, with the review to commence in early 2011-12. Treasury is also monitoring implementation of recommendations of previous reviews of the departments of Health, Environment and Conservation, Education, and Commerce.

Wages policy

Treasury provided advice on renegotiation of a number of key Enterprise Bargaining Agreements (EBAs), including those for doctors, nurses, police, firefighters, general public servants, teachers and administrators, health salaried officers and public transit staff. Consistent with the Government's wages policy, all of these EBAs were, or are expected to be, settled at or below projected growth in the Wage Price Index.

Voluntary separation offers

During 2010-11, Treasury and the Public Sector Commission jointly managed the finalisation of the 2010 Offer as well as setting up the 2011 Offer. The 2011 Voluntary Separation Offer has a target of 400 separations from the public sector prior to 30 September 2011. At the conclusion of the 2011 Offer, total voluntary separations since 2009 will number over 1,200, resulting in full-year savings of \$57 million per annum.

FTE ceiling

This was the third year that the across Government FTE Ceiling has been in place. This is an important tool to control and monitor the growth in recurrent expenditure. Treasury and the Public Sector Commission continued to refine and improve the methodology and collection of FTE data.

Performance management and evaluation

Treasury made increased use of performance information in advice to inform Government deliberations on new funding proposals. In 2011-12, Treasury will establish a dedicated team to undertake program evaluations and promote use of performance information in decision-making.

General Government savings target

The 2011-12 State Budget includes a \$300 million savings target for recurrent general Government expenditure, to be implemented through a targeted review of programs and services that no longer align with current Government priorities or provide value-for-money. The outcome of this review, to be led by Treasury, will be presented to Government for consideration as part of the 2012-13 State Budget.

Commonwealth-State relations

A highlight of 2010-11 was the announcement by the Prime Minister on 30 March 2011 of the Review of the Distribution of the GST, to be conducted by an independent review panel. Treasury will play a key role supporting the Western Australian Government's case for a fairer distribution, including preparation of written submissions to the review and participation in review workshops.

Treasury also prepared numerous briefings and analyses of the Commonwealth's proposed Minerals Resource Rent Tax regime, and gave evidence to a Senate Inquiry into the regime, highlighting Western Australia's concerns. Further analyses and Ministerial briefings will be required in 2011-12 as the Commonwealth progresses its exposure draft legislation for implementing the regime.

Treasury examined the broader range of recommendations in the Henry Review of the national tax and transfer system, and will support the Western Australian Government's input to the Commonwealth's proposed tax forum in October 2011, including through further analysis, advice and submissions as appropriate on potential reforms to State taxes.

In addition, Treasury contributed to a review of the implementation of the major reforms to Commonwealth-State funding arrangements encompassed in the *2009 Intergovernmental Agreement on Federal Financial Relations*. Efforts to help ensure the success of the agreement will continue into 2011-12, including in the context of the proposed national health reforms.

Sustainable funding and contracting with the not-for-profit sector

Treasury and the Department of the Premier and Cabinet worked collaboratively with representatives of the not-for-profit sector over the past 12 months to identify the extent of the funding gap that exists for the sector and advise Government on the appropriate manner in which to narrow this gap and address associated issues.

The State Government committed, as part of the 2011-12 State Budget, to improving services and support for disadvantaged and vulnerable people in the Western Australian community. This funding, associated policy and procurement reform is aimed at building a sustainable not-for-profit sector that is willing and able to further expand the services that it delivers on behalf of the State Government. Treasury will continue to work in partnership with the departments of Finance and the Premier and Cabinet in the implementation of both the funding roll-out and associated reforms to improve the contractual relationships between Government agencies and the not-for-profit sector.

Treasury will also coordinate the development and implementation of an evaluation framework to ensure that the Government's broader reform objectives are being monitored and ultimately achieved.

Value-for-money in asset investment

Treasury continued to progress the review and upgrade of the Strategic Asset Management Framework (SAMF).

The purpose of the SAMF is to provide a sound basis for decisions on the investment in, and the management and disposal of, assets required by agencies to deliver Government services. The objective of the review is to bring SAMF up-to-date and increase its rigour to help ensure projects meet Government needs and demonstrate value-for-money.

There was close cooperation to ensure that the SAMF upgrade and the Works Reform initiative, managed by Building Management and Works, are fully compatible.

There was also broad consultation with key agencies involved in asset investment, and key elements of the revised SAMF were available from December 2010 as exposure drafts. Consultation will continue as the new SAMF is implemented across the public sector in 2011-12 to maximise the achievement of its objectives.

People development

People development in 2010-11 focussed on the design and delivery of tailored training programs for Treasury's core technical roles. The flagship Policy Skills Training program was the result of 18 months of training research, development and delivery in the areas of policy analysis, advice and development.

Over 80 analysts participated in the training, with 30 learning outcomes addressed in six tailored training modules, and the program was embedded into the 2011 graduate and new starter training program.

The Treasury Business User Guide, a corporate knowledge portal, was further developed to provide collaborative workspaces and online training tools. In 2011, it provided the platform for skill development in the preferred content and format of all related budget products, contributing to the delivery of a high-quality budget.

Initiatives introduced in 2009-10, including the Treasury induction program and training in correspondence and workflow management, was embedded into the business. Further to the success of the graduate program, a cadetship scheme will commence in 2011-12, and the development needs of administrative staff will also be reviewed and addressed.

Other programs planned for 2011-12 will address the development of change management, leadership and strategic thinking skills in Treasury leaders, and strengthening the Department's ability to shape and lead a collaborative, knowledgeable and resilient workforce.

Department of Treasury

The Department of Treasury and Finance had its final day of operations on 30 June 2011.

From 1 July 2011 the Treasury business will form part of the newly-established Department of Treasury. The Department of Treasury will comprise the former DTF businesses of Treasury and Strategic Projects and, consistent with the Premier's Statement of 15 February 2011, will provide Government with ongoing high level economic and financial policy advice.

State Revenue

Administering revenue laws as well as grant and subsidy schemes in a fair and efficient manner for the community by:

- assessing revenues including land tax, pay-roll tax and duties;
- assessing and collecting a range of statutory based revenues on behalf of other government agencies and the Commonwealth;
- assessing and paying a range of grants and subsidies under both statutory and administrative schemes. The major payments relate to the first home owner grant (FHOG) scheme, and concessions on water and local authority rates and the emergency services levy for pensioners and seniors; and
- conducting audits and investigation programs to detect non-compliance with the legislation by taxpayers and grant recipients.

Revenue assessment and payment administration

During 2010-11, State Revenue raised over \$5.3 billion in revenue and paid out over \$279 million in grants and subsidies. In doing so, 90 per cent of Customer Charter monthly performance targets were either met or exceeded.

This high standard of service was recognised by customers, with 84 per cent of those responding to a November 2010 customer perceptions survey indicating that they were either 'satisfied' or 'very satisfied' with the level of service provided. This was an improvement on the 80 per cent level recorded a year earlier.

In addition, 79 per cent of customers indicated that they were either 'satisfied' or 'very satisfied' that State Revenue officers made their decisions in a transparent and accountable manner, an improvement from the 72 per cent level recorded in 2009-10.

Progress was also made during the year in continuing the migration of a number of customer segments across to the electronic service channels provided through the Revenue Online (ROL) system. This system offers an efficient and secure means for taxpayers to interact with State Revenue in meeting their obligations where self-assessment is available. Currently, 98 per cent of all registered pay-roll tax clients and 97 per cent of insurance duty clients are registered to use ROL, and significant progress was made during the year to facilitate a greater take-up of online duties as part of new duties lodgment and payment arrangements.



Founding employees celebrated 40 years with State Revenue in 2011

Duties lodgment and payment reforms

On 1 March 2011, new duty lodgment and payment arrangements were introduced. These new arrangements significantly simplified the rules that determine when a duties transaction has to be lodged with the Commissioner, with the goal of increasing certainty for taxpayers and their agents, and reducing compliance costs.

To coincide with the legislative arrangements, State Revenue enhanced its ROL system to allow taxpayers to pay duty at settlement, providing their agent is registered to use ROL.

This assists taxpayers as they no longer have to find funds to pay the duty to the Commissioner in advance of going to settlement where their transaction is processed via ROL.

To assist with understanding of the new arrangements, over 40 metropolitan and regional education sessions were conducted. The sessions covered the legislative amendments and provided hands-on system training for industry professionals.

Pay-roll tax rebate

In the 2009-10 State Budget, the State Government announced a one-off pay-roll tax rebate scheme to apply to employers with Australia-wide wages in 2009-10 of less than \$3.2 million.

To deliver this policy, significant work was required to design the supporting legislation and build the systems and processes required to have the new rebate operating in early 2010-11.

The pay-roll tax rebate took effect on 1 July 2010 and the first rebate payment was made in August 2010. By June 2011, around 6,400 registered pay-roll clients had received the rebate via a cheque or a debt offset, with rebates paid or credited totalling approximately \$100 million.

Pay-roll tax harmonisation

In 2008, the State Government committed to participate in a range of initiatives to improve the consistency of pay-roll tax legislation and administration across Australia. During 2009-10, legislation to support the harmonised policy settings was enacted.

Work continued in 2010-11 with other State and Territory revenue authorities in establishing greater consistency in administrative practices for employers that operate across jurisdictional boundaries. This included adopting a number of harmonised revenue rulings, greater cooperation on audit activity and customer education in harmonised areas of the legislation, and closer cooperation on consideration of objections and the exercise of certain discretions to try to ensure that, where possible, the same outcome for the taxpayer would be delivered where the same legislation and circumstances exist.

In July 2010, all State and Territory Commissioners signed an updated protocol seeking to ensure that such consistency was further built on, at an administrative level in a range of other areas.

Improved data exchange arrangements

Efficient access to, and exchange of, data and information between government agencies not only assist in improving the integrity of the administration of revenue laws and grants and subsidies, but also assist in reducing compliance costs for customers. At the same time, maintaining confidentiality of such data is of paramount importance.

Work continued over 2010-11 to improve the systems and processes associated with the flow of data to and from State Revenue.

In July 2010, an online web facility was introduced to facilitate the secure exchange of information between local governments and State Revenue. This information is used to provide around \$70 million annually in concessions to pensioners and seniors in local government and water rates and charges.

The system was built to national access and authentication standards enabling concession claims and supporting documentation to be transmitted securely and processed efficiently. Efforts to ensure the quality and security of data will continue in 2011-12.

In addition, work was continued to put in place updated formalised arrangements with a range of agencies with which data is exchanged.

Over the last three years, heads of agreement were signed with the departments of Commerce, Communities and Regional Development and Lands as well as with the Western Australian Electoral Commission, WorkCover, Synergy, Horizon and the Water Corporation. Formalised arrangements also exist with a number of Commonwealth agencies.

Revenue Systems modernisation

A major upgrade of State Revenue's information technology systems continued in 2010-11 with a focus on replacing outdated technology to ensure the stability and robustness of systems and online services for the foreseeable future.

In addition to continued hardware and software upgrades to ensure vendor support, two new applications were introduced during the year using more contemporary, web-based technology. The first application enables local government to submit concession claims for pensioners and seniors on their local government rates and annual water service charges, while the second application is used internally to provide a bridge between existing and new technologies and to assist with checking and approving certain transactions.

Work also commenced on key areas identified for replacement including the document management system used by State Revenue systems, a number of regularly-used land tax functions and online services for pay-roll tax and transfer duties.

People development initiatives

The significant investment in staff development continued during 2010-11. This included revenue technical training, customer service training, vocational training and professional development opportunities.

The Succession Management Program focussing on critical roles within the business was continued during the year, and the development of a more comprehensive workforce plan for the business was progressed.

In addition, with an ageing leadership cohort in the business, a Future Leaders Program was launched to ensure a developed pool of ready replacements is available as experienced officers progressively depart over the next five years. An initial intake of 20 officers commenced the program in 2010-11, with two further intakes of a similar size planned for the coming two years.

A Key Leadership Behaviours Program was also launched during the year seeking to ensure that a positive, innovative and customer-focussed work culture continues to grow within the organisation.

2011 State and Territory Commissioners' Conference

In March 2011, Western Australia hosted the 2011 State and Territory Commissioners' Conference. This annual conference is held to discuss issues of importance for revenue administration and was attended by all State and Territory revenue authorities, the Australian Taxation Office and the Commissioner of the Inland Revenue Authority of Singapore.

This year's conference had a focus on detecting and curbing tax avoidance and exploring how social media can be used to improve tax administration in the future.

Compliance effectiveness

In line with revenue authorities elsewhere in Australia and the world, work is being done to improve the effectiveness of State Revenue's compliance efforts. More traditional compliance action has focussed on the detection of non-compliance and the enforcement of the law, often backed up with the imposition of penalties. While this does deal with the symptoms of the problem, it does not necessarily deal with the underlying causes, and as a result, non-compliance is likely to recur.

Work is under way to develop a compliance effectiveness framework within which more effective strategies can be designed to address the root causes of non-compliance with the tax and grant laws which State Revenue administers.

A pilot project involving pay-roll tax was undertaken in 2010-11, the results of which are currently being processed with a goal of a better understanding of these causes. This will ultimately assist in achieving a greater level of up-front voluntary compliance and a decreased need for enforcement.

Building Management and Works

Leading the planning, delivery and management of buildings for Government by:

- managing the procurement of the State Government's non-residential building program;
- assisting agencies in asset planning and business case development;
- establishing project management, asset management and procurement practice;
- ensuring probity, value-for-money and effective risk management in project delivery;
- managing maintenance contractors for Government buildings;
- managing the Government's office accommodation portfolio; and
- administering a range of heritage and built environment matters.

BMW also facilitates collaboration between works agencies through the Centre for Excellence and Innovation in Infrastructure Delivery (CEIID).

Works Reform Program - second year

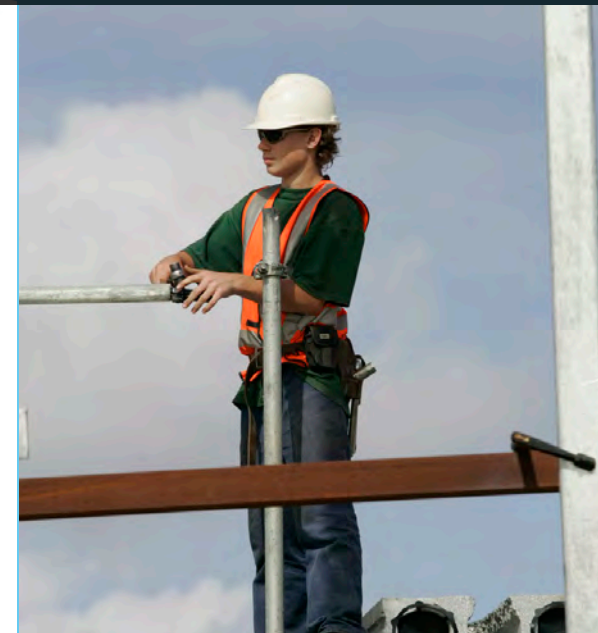
The Works Reform Business Solution Plan was launched in June 2009 and signalled the start of the implementation phase of the Works Reform Program. The program extends over four years from 2009-10 to 2012-13.

The focus in the first year of implementation was on building the foundations for the program, the establishment of a governance framework, creation of program and project Boards, allocation of project leaders to the 26 reform projects and resourcing the key reforms.

As the program progressed into the second year, the number of reform projects grew to 35 to cater for the complexity and scheduling demands of the program. Many of the projects are making significant progress, which is demonstrated in this report. The new approach to asset management planning and business case development is starting to demonstrate the value of good planning and a partnership approach with agencies that use the buildings.

BMW continued to recruit experienced project managers and maintained a strong graduate development program. The recruitment of new General Managers saw the organisation move to the final structure envisaged by the reform program. This included the separation of functions into a Planning and Practice Division and an Infrastructure Delivery Division with two dedicated delivery directorates.

The Works Reform Progress Report 2010 provided an outline of the activities in the second year of the reform program, up to December 2010.



In 2011 there were 138 apprentices participating in the BMW Apprentice Training program

New Government buildings

Building Management and Works leads the planning and delivery of the Government's non-residential building program across Western Australia, with exception of high-risk projects that are assigned to the Department of Treasury and Finance's Strategic Projects business. BMW's role includes supporting Government agencies with their strategic asset planning and business case development for new capital investments.

The total program of new building works managed by Building Management and Works in 2010-11 was \$1.129 billion. This included 67 significant projects each valued at over \$10 million.

When the 15 projects managed by Strategic Projects are included, the total non-residential building program managed by the Department of Treasury and Finance (DTF) in 2010-11 was \$1.869 billion.

Significant projects completed for the Department of Health in 2010-11 included:

- Hedland Regional Resource Centre (\$136.7 million); and
- Rockingham General Hospital redevelopment (\$114 million).

Significant projects in progress for the Department of Health in 2010-11 included:

- Pathwest Laboratory at QEII Medical Centre (\$58.3 million);
- Kalgoorlie Health Campus redevelopment (\$55.8 million);
- Sir Charles Gairdner Hospital Cancer Centre Stage 2 (\$51.4 million);

- Sir Charles Gairdner Hospital Mental Health Unit (\$28.9 million); and
- Bunbury Hospital Critical Care Services Redevelopment (\$15.2 million).

Projects undertaken in 2010-11 for the Department of Education had a value of \$277 million. Significant Department of Education projects completed included:

- Ellenbrook College Stage 2 (\$25.1 million);
- Comet Bay College Stage 2 (\$22.2 million);
- Karratha Primary School (\$20.5 million);
- Aubin Grove Primary School (\$14 million);
- Springhill Primary School (\$12.7 million); and
- Greenwood Primary School (\$12 million).

Significant projects in progress for the Department of Education in 2010-11 included:

- Governor Stirling High School replacement (\$63 million);
- Applecross Senior High School major additions (\$56 million);
- Butler Senior High School (\$53 million);
- Karratha Senior High School Stage 2 (\$45 million);
- Baldivis Senior High School (\$44 million);
- Ashdale College Stage 2 (\$33 million);
- Atwell College Stage 2 (\$31 million); and
- Dongara District High School major additions (\$30 million).

Significant projects completed for other agencies in 2010-11 included:

- Fast Track Prisoner Accommodation Project (\$69.5 million); and
- Central College of TAFE (\$59.5 million).

Other significant projects in progress in 2010-11 included:

- West Kimberley Regional Prison (\$130 million);
- Perth Police Complex (\$93 million);
- Carnarvon Police and Justice Complex (\$52 million);
- FESA Headquarters Cockburn (\$46.6 million);
- Kununurra Courthouse Replacement (\$43 million);
- State Netball Centre (\$26.1 million);
- Cabinet Offices (Hale House) Refurbishment (\$25.5 million);
- AK Reserve Rugby Administration and Training Facility (\$20.4 million); and
- State Reception Centre for Commonwealth Heads of Government Meeting (\$9 million).

As part of the Works Reform Program BMW progressed the involvement of the Regional Programs division in the planning and implementation of the new buildings program.

The ability to proactively identify pending contract issues and avoid contract disputes was strengthened by the inclusion of dedicated superintendent groups staffed by experienced specialist project managers in each of the delivery directorates.

Significant projects are now routinely put through a process that considers a range of procurement types and selects the option most suitable to the project. This continues to see appropriate projects proceed along non-traditional procurement paths.

Maintenance of Government buildings

Building Management and Works leads the planning and delivery of building maintenance and improvement services for the Government's State-wide portfolio of non-residential buildings, which consists of over 2,000 sites. These include schools, hospitals, police stations, courts and prisons.

During 2010-11, the value of maintenance and improvements managed by BMW State-wide totalled \$252 million and involved around 1,900 suppliers. This involved over 145,000 breakdown repairs valued at \$89 million and around 15,000 planned projects valued at \$69 million. \$178 million of this program was directly managed by BMW staff, while \$74 million was managed by facilities management firms engaged by BMW.

BMW continued to support the Department of Education in the roll-out of building restoration programs. This included \$48 million on re-roofing, air conditioning, heater replacements, 'concrete cancer' repairs, replacement of colterra ceiling, and sustainable buildings initiatives. The roll-out of environmentally sustainable projects for schools saw a total of \$7.5 million expended at 221 schools on the installation of solar panels and water tanks.

In line with the Works Reform Program, BMW partnered with major asset owners through the Maintenance Agency Reference Group to progress the portfolio approach to maintenance to improve the scheduling, procurement and overall project management of maintenance works.

In consultation with the departments of Education, Corrective Services and Fisheries, BMW advanced much needed ten-year portfolio maintenance planning.

The purpose of the ten-year portfolio plan is to prioritise maintenance strategies that increase the effective spend on routine maintenance, target a reduction in the level of deferred maintenance and address whole-of-life considerations for buildings.

Work has also commenced on new maintenance frameworks that will replace the current facilities management and zone contract panels used over the last decade.

Fremantle Prison

Building Management and Works manages the conservation and operation of the Fremantle Prison. The Prison welcomed 163,154 visitors in 2010-11.

In July 2010 Fremantle Prison was inscribed on the World Heritage List as part of a serial listing of 11 Australian Convict Sites under the theme of "Convictism - Forced Migration". It is the first building in Western Australia to achieve this recognition.

After winning the Major Tourist Attraction category of the State Tourism Awards in 2006, 2008 and 2009, Fremantle Prison was inducted into the Western Australian Tourism Hall of Fame in November 2010.

At the State Tourism Awards in 2010, Fremantle Prison won the Heritage and Cultural Tourism Award.

In 2010-11, Fremantle Prison was successful at the 2011 WA Heritage Awards, winning the 'Outstanding Contribution to Heritage by a Public Organisation' category and the 'Outstanding Heritage Tourism Product' category.

Fremantle Prison continued to undertake major conservation works to protect the heritage significance of the site. Works included completion of restoration of the interior of the main cell block, conservation of part of the perimeter wall, drainage and stonework conservation to the women's prison, resurfacing of the ramp leading from Knutsford Street, and the conservation and adaptation of No 14 The Terrace to form a visitors centre.

Regional solutions

The value of maintenance work managed by BMW in country regions during 2010-11 exceeded \$78 million, and involved around 1,200 suppliers.

A Regional Programs division was established within BMW as a key initiative of the Works Reform Program. This initiative combined works and goods and services procurement into one team. The division organised regional staff into four regions spread across 13 regional centres.

The second year of operations of the new division saw a greater focus on regional service delivery and an emphasis on further enhancing the skills of staff.

BMW also increased its project management resourcing in the regions. This initiative was aimed at achieving better local building solutions by forging closer working relationships with owner-agencies so local building requirements are better understood and the extent of local content in the delivery of works in the regions continues to grow.

Regional staff are now more involved in the planning of regional major works. During 2010-11, over \$33 million of capital works projects were managed from country regional offices, involving around 150 suppliers. Examples of major infrastructure projects being influenced by local staff were the new Kalgoorlie Courthouse and the proposed Warmun community rebuild.

Until this year, the Department of Treasury and Finance had no procurement presence in the north of the State. The introduction of procurement professionals to work alongside Building Management and Works staff in the Northern Region means there is now a State-wide presence of procurement professionals and a capability to deliver combined procurement and works services to those agencies having a local presence. This strengthened procurement presence complements the additional works resourcing in the north of the State and reflects the Government's commitment to support the great expansion being experienced in this region.

The collaboration between Government Procurement and Building Management and Works staff within the regions started to deliver greater innovation and efficiency to the procurement and works functions. For example, the Albany and Bunbury offices piloted an electronic lodgment process for goods and services tenders. If proven successful, the facility will be implemented State-wide, allowing local suppliers in a range of areas to lodge local tenders without having to travel long distances. The facility may also be offered to contractors responding to Building Management and Works tenders.

Although only in its second year, the focus on regional solutions is making great progress and ultimately will ensure that the State Government will deliver superior building infrastructure and thereby better services to regional Western Australia.

Government office accommodation

BMW continued its role in:

- procurement and administration of leased office space;
- delivery of office fit-out services to Government agencies; and
- management of the Government-owned office accommodation portfolio.

During 2010-11, BMW administered 486 leases for State Government tenancies in 372 privately-owned buildings comprising 447,782 square metres.

BMW also managed about 90,000 square metres of State Government-owned office space in 20 multi-tenanted buildings controlled by the Minister for Works.

A new master planning approach to the planning and procurement of Government office accommodation was a key part of the Works Reform Business Solution Plan in its second year of implementation.

Key principles of the master planning approach include a drive to further consolidate Perth Central Business District Government office accommodation into fewer buildings, and decentralise some Government office accommodation from the CBD and CBD fringe areas to metropolitan activity centres, and regional co-location.

BMW made some important steps in implementing this initiative during 2010-11, with the relocation of the Department of Treasury and Finance's Government Procurement and BMW businesses, and the Department of Training and Workforce Development, to the Optima Centre in Herdsman Business Park. This brought together 890 people, who had previously been spread across seven buildings, into one consolidated metropolitan location.

As part of the push to consolidate CBD office accommodation, BMW progressed the fit-out of 38,676 square metres of office space in the new five-star Green-star rated office building at 140 William Street, above the Perth central underground railway station. This complex, including the three adjacent heritage buildings, will house around 2,500 public sector employees when fully operational.

Government agencies already accommodated at 140 William Street include the Small Business Development Corporation, Department of Transport, Department of Local Government, Department of Planning and the Office of the Under Treasurer. A further five agencies will take up occupancy of the building between July and December 2011.

The State Government also committed to retaining and refitting two major Government-owned buildings, Albert Facey House and Dumas House, as part of the Master Plan.

Building the Education Revolution

As part of the Federal Government's economic stimulus package announced in February 2009, the Department of Education is coordinating the planning of the Building the Education Revolution (BER) program in Western Australia, while BMW is managing the procurement. This program has brought a \$1.26 billion investment in new buildings, refurbishments and maintenance to Government schools in the State.

At 30 June 2011, BMW had procured for the BER program 1008 building projects at 671 primary schools, with 91 per cent of those projects complete. The BER program in 2010-11 saw the delivery of 1203 maintenance projects at 774 primary and secondary schools, and the completion of 25 science and language centre refurbishments at 25 secondary schools.

During 2010-11, the value of the BER program managed by BMW totalled \$298 million, bringing the total value of works delivered since the program was initiated to \$1.09 billion.

In late 2010, the Federal Government's BER Implementation Taskforce's Report singled out Western Australia for praise in its implementation of the BER, saying it adopted a very flexible approach, substantially moving around allocated funds to ensure every school received a useful project and had very low fees by keeping the risk in-house. It added that the BER program was implemented with commercial nous and a sharp focus on value-for-money.

The final taskforce report was released in July 2011. The report highlighted that WA 'is perhaps the most interesting and impressive, implementing a well designed program with sharp attention to detail, separation of responsibilities and direct oversight of tendering and post tendering negotiation of price. WA quality is the highest of the large states and cost the lowest. WA exercised informed and effective centralised control but involved school communities appropriately'.

The BER program will be finalised in 2011-12, with the few remaining new buildings being completed and a program to air-cool all BER buildings anticipated to be completed during the financial year.

Apprentice Training Program

Building Management and Works has managed an Apprentice Training Program since 2009.

The program focuses on the application of the Department of Training and Workforce Development's Priority Start Building Policy for low-value building projects.

The program is responsible for the placement of building and construction industry apprentices who have been recruited for BMW group training schemes. At the end of June 2011, there were 138 apprentices participating in the BMW program.

During 2010-11, the program expanded to the East Kimberley as part of the East Kimberley Development Package and to Derby as part of the West Kimberley Regional Prison project. Both of these projects, as with the existing Pilbara and Kimberley projects, have a focus on engaging local Indigenous people. Over one third of the program's total apprentices are Indigenous.

The program has celebrated many successes, including 103 apprentices graduating to date and one of its Indigenous apprentices from Halls Creek winning the Master Builders' Association Apprentice of the Year Award for 2010.

Centre for Excellence and Innovation in Infrastructure Delivery

The Centre for Excellence and Innovation in Infrastructure Delivery (CEIID) is a collaborative alliance of key infrastructure delivery agencies including Main Roads WA, Public Transport Authority, Department of Housing, Water Corporation, Fremantle Port Authority, Department of Planning, State Solicitor's Office and DTF's Treasury, Strategic Projects and BMW businesses. CEIID was established in 2008 to enhance collaboration across infrastructure agencies and improve infrastructure planning, delivery and management. The alliance is bound together through a mutual interest in learning from the experience of others and collectively pursuing solutions to shared problems.

It is supported by a small Program Management Office (PMO) which is hosted by BMW. The PMO provides structural continuity to the alliance and is a dedicated resource that promotes and facilitates CEIID's agenda.

The work of CEIID is guided by the CEIID Strategic Plan which outlines a range of long-term aspirational outcomes, supported by a comprehensive program of inter-related initiatives and projects.

Key CEIID projects that were completed in 2010-11 included:

- State Asset Investment Program (SAIP) Industry Briefing 2010-2014: the 2010 event attracted close to 400 attendees from industry and government and achieved an overall satisfaction rating of 99%.
- Infrastructure Procurement Options Guide (IPOG): the IPOG was formally published in late 2010 and is a great example of CEIID's commitment to collaboration and knowledge sharing. The IPOG is now being reviewed by the Australian Procurement and Construction Council as the basis of a national guide.
- Cost Estimating and Management Guide: the development of the guide was completed in late 2010. The guide is based on lessons learned from cost overruns on major Capital Works projects.
- CEIID Knowledge Xchange forums: the 2010-11 Knowledge Xchange program for key stakeholders covered a range of subjects including Public Private Partnerships, advancing safety, contemporary procurement models and pursuing design quality for public infrastructure.

- Common and Consistent Forms of Contract: CEIID established a cross-agency Reference Group to work with the State Solicitor's Office on developing a suite of consistent general conditions of contract to be used on all WA infrastructure procurement projects.

Future directions

Works Reform Program

The Works Reform Program is focused on achieving significant improvements in the approach to asset planning and management, and project delivery across the whole of the non-residential building program. Key factors in this program will be improved project management capability and capacity within BMW, improved systems and processes and greater innovation in works procurement. The program is expected to achieve significant savings for the State Government and a wide range of benefits to other key stakeholders.

Asset planning

BMW will be working closely with its agency-partners to assist in the development of the components of their Strategic Asset Plans that relate to non-residential buildings and the associated land.

BMW will provide greater support to agencies to develop business cases for capital works proposals in accordance with Government's Strategic Asset Management Framework. This will include the launch of business case guidelines for non-residential building proposals that BMW has developed as part of the Works Reform Program.

New Government buildings

The Works Reform Program will continue to further strengthen internal project management skills in a range of innovative procurement strategies for new building projects, including early contractor involvement, design and construct, managing contractor and construction management.

The provision of project management career pathways will support an enhanced ability to manage the full range of procurement types as well as strengthening the capacity for traditional 'construct only' procurement.

The program will provide the guidelines and tools necessary to embed procurement options analysis into all procurement decisions, ensuring that projects will be delivered by contracting methods that best suit identified key drivers and appropriate risk sharing.

BMW will continue to provide its apprenticeship training program and work with industry bodies to encourage positive and collaborative relationships with the building industry.

Maintenance of Government buildings

A project is under way to prepare options for embedding whole-of-life considerations into the portfolio planning process, with the aim of adopting an asset management approach to recognise the funding and maintenance needs for the Government's portfolio of non-residential buildings.

In order to deliver more effective outcomes, planning continues for the new frameworks required to support the planning, delivery, and procurement of maintenance services State-wide.

Government office accommodation

Implementation of the Government Office Accommodation Master Plan will continue to be a major initiative during 2011-12, and in following years. It will result in a more coordinated approach to Government office accommodation planning, modern fit-outs, more shared facilities and future long term savings in leasing and operating costs.

Strategic Projects

Managing the State Government's high-risk infrastructure projects by:

- overseeing high-risk major Government non-residential building projects; and
- driving excellent cost, time and quality outcomes.

Projects are assigned to Strategic Projects on the basis of complexity, risk profile and scale (typically greater than \$100 million in value).

Strategic Projects also reviews and develops business cases and project definition plans for assigned high-risk Government projects, contributes to the improvement of project management practices within Government and administers the reporting process for the State Government's major capital works projects (covering buildings, roads, rail, water, ports, etc).

Strategic Projects works closely with BMW in the achievement of Works Reform Program outcomes. It also works closely with DTF's Public Private Partnership (PPP) Support Unit in the delivery of PPPs.

From 1 July 2011, the Strategic Projects business unit will be incorporated into the new Department of Treasury. Strategic Projects' role will remain unchanged: it will continue to oversee planning and delivery of the State's highest-risk, non-residential building projects. Significantly, Strategic Projects will continue to work closely with BMW in implementing Works Reform, and BMW will continue to provide project and contract management support to the Strategic Projects team.

Strategic Projects' portfolio continued to expand and, at 30 June 2011, comprised 15 active projects with a combined value of almost \$6 billion. Eleven of these projects progressed to tender stage or beyond.

During 2010-11, in response to a growing portfolio, progression of projects from planning to delivery phase and subsequent workforce demands, Strategic Projects completed an organisational review and established a new structure. BMW and Strategic Projects also jointly implemented a successful recruitment strategy for high-level project managers. As a consequence, the business is well-placed to manage its challenging workload in 2011-12 and beyond.



When it opens in 2014 the 783-bed Fiona Stanley Hospital, which includes 140 beds in the new State Rehabilitation Service, will be the south metropolitan area's major tertiary hospital

Strategic projects under construction in 2010-11 were:

- Fiona Stanley Hospital (\$1.76 billion) and State Rehabilitation Service (\$256 million);
- Perth Arena (\$483 million);
- Joondalup Health Campus (\$228 million);
- Albany Health Campus (\$170 million); and
- Queen Elizabeth II Medical Centre (QEIMC) Central Energy Plant (\$225 million).

Projects at planning or tender stage were:

- New Children's Hospital (\$1.18 billion);
- Old Treasury Buildings Redevelopment (estimated \$400 million);
- Midland Health Campus (\$360 million);
- Eastern Goldfields Regional Prison (\$232 million);
- Karratha Health Campus (\$150 million);
- QEIMC car parking (estimated \$150 million);
- Acacia Prison expansion (\$126 million);
- Busselton Health Campus (\$118 million); and
- New Royal Perth Hospital (\$10 million – planning funds only).

Two projects achieved completion in 2010-11 and were successfully transitioned to operation:

- State Theatre Centre (\$104 million); and
- Albany Entertainment Centre (\$70 million).

Key achievements in 2010-11 included:

- progressing major health projects;
 - awarding of the Fiona Stanley Hospital (including the State Rehabilitation Service) Stage 2 Managing Contractor design and construct contract within budget, with construction continuing to advance rapidly;
 - detailed proposals received for the New Children's Hospital Managing Contractor design and construct contract;
 - award of the QEIMC Central Energy Plant Managing Contractor design and construction contract, with construction commencing on schedule in early 2011;
 - appointment of the preferred respondent for the QEIMC car parking project under a 'build own operate transfer' PPP;
 - appointment of shortlisted respondents and release of the request for proposals for the Midland Health Campus 'design build operate maintain' PPP
 - award of the Albany Health Campus Stage 2 Early Contractor Involvement design and construct contract, with construction commencing on schedule in early 2011; and
 - continuing construction of Joondalup Health Campus, with a new Emergency Department and 55-bed ward opened in February 2011.

- progressing the custodial infrastructure program;
 - expressions of interest under evaluation for the Eastern Goldfields Regional Prison 'design build finance maintain' PPP; and
 - expressions of interest invited for the Acacia Prison Expansion design and construct contract.
- practical completion of the Albany Entertainment Centre (August 2010) and State Theatre Centre (January 2011) projects, with subsequent commercial closure for both projects;
- completion of business cases for the Department of Agriculture and Food's metropolitan administration facility, New Children's Hospital and Perth Rectangular Stadium;
- completion of project definition plans for the New Children's Hospital, QEIMC Central Energy Plant, Busselton Health Campus and Acacia Prison Expansion; and
- refinement and expansion of the Major Government Projects Report, with performance reports for 50 building and infrastructure projects provided bi-monthly to the Economic and Expenditure Reform Committee.

Strategic Projects continued to lead the way in adoption of new procurement models for delivery of non-residential building projects. During 2010-11, three PPPs progressed to tender stage, each incorporating different service delivery and financing arrangements. In addition, a range of publicly financed design and construct forms of contract were used, including collaborative Managing Contractor and Early Contractor Involvement models.

Government Procurement

Leading a whole-of-government approach to procurement that efficiently meets the business needs of agencies, manages risk and delivers value-for-money by:

- facilitating, developing and managing agency-specific contracts;
- developing and managing whole-of-Government common use contract arrangements;
- developing and managing whole-of-government procurement systems and standards; and
- ensuring community confidence in goods and services procurement through policy and practice improvement as a result of the merger between State Supply Commission and DTF.

The Department's Government Procurement business in 2010-11 refocused its work to more closely engage its stakeholders. Following discussions with key buyers and suppliers, Government Procurement implemented a strategy to improve customer service, and raise awareness of Common Use Arrangements and agency-specific services.

A number of initiatives, including the development of a Guide to Procurement, were implemented during the year, to assist Government buyers in procuring the right goods and services using processes in line with State Supply Commission policy. These guides were distributed across the Government sector.

Government Procurement's core business of providing advice on goods and services procurement was also extended to include human services procurement for the community and not-for-profit sectors with the establishment of the Funding and Contracting Services unit in May 2011.

Agency-specific contracting

During 2010-11, Government Procurement supported the awarding of 1,320 agency-specific contracts valued at \$1.34 billion, through its teams located in 25 major buying agencies and two central procurement teams.

A key focus for 2011-12 will be supporting the increased demand from agencies for procurement advice, particularly in negotiating complex and high-profile contracts. There are also expected to be increased requests for advice after the awarding of a contract to ensure good contract management practices are put in place and terms and conditions are met.



Government Procurement staff attended a Procurement Policy and Practice Masterclass presented by Treasury Corporation

To meet this increase in demand, Government Procurement will create a specialist core of contract managers to provide advice and assistance to agencies on complex contracts.

Highlights of the agency-specific contract program include assisting:

- the Western Australian Police in preparation for the Commonwealth Heads of Government Meeting (CHOGM) to be held in Perth in October 2011. Government Procurement provided strategic procurement support through a specialist team that was embedded within the Police CHOGM team and supported by the broader Government Procurement team. This tailored approach enabled Government Procurement to ensure the strategic outcomes needed were delivered in short timeframes and that the Western Australian Police is appropriately equipped to respond to any potential situation;
- the Department of Health, to award a \$200 million contract for a specialist medical company to provide state-of-the-art radiology services to Royal Perth Hospital, Fiona Stanley Hospital (after 2014) and Bunbury Hospital, and a \$186 million contract for pharmaceutical products;
- the Department of Education to award a \$90 million contract for the supply of school curriculum materials, equipment and supplies;
- the Department of Planning to establish project management and other consultancy contracts for major infrastructure projects, including the Perth Waterfront development;

- Lotterywest to award a \$28 million contract for the manufacture and supply of instant tickets; and
- the Department for Environment and Conservation to award a \$15.7 million contract for the supply of aircraft to undertake aerial fire suppression.

Common Use Arrangements

To ensure that whole-of-Government contracts remain relevant to agency needs, two new and ten redesigned Common Use Arrangements (CUAs) were awarded in 2010-11. These CUAs, and their annual turnover, included:

- metropolitan courier services (\$2.6 million);
- groceries and fresh produce (\$2.3 million);
- agriculture, chemicals and fencing products (\$4.5 million);
- motor vehicle fleet services (\$122 million);
- human resources services (\$7.5 million);
- human resources investigation services (\$1 million);
- data centre facilities (\$50 million);
- office stationery, copy paper and envelopes (\$13 million);
- gases - domestic LPG, medical, industry, and specialist (\$7.1 million);
- waste management services (\$3.8 million);
- ICT servers and data storage (\$7.5 million); and
- Microsoft software (\$27 million).

In addition, the development and redesign commenced for a further seven CUAs. These, and their current annual turnover, included:

- document transfer services (\$2.5 million);
- supply of uniforms category 2 and 3 (\$2.5 million);
- audio visual devices (\$3.2 million);
- printed stationery and photocopying services (\$2.2 million);
- freight and transportation services (\$5.3 million);
- ICT equipment disposal (\$1.6 million); and
- over-the-counter payment services (\$8.4 million).

As part of its enhanced client focus program, Government Procurement implemented a strategy to raise awareness of the benefits provided by Common Use Arrangements. The strategy included the promotion of CUAs at agency-targeted events and a suite of branded brochures that use plain English to promote better buying practices and provide an easy-to-use guide to each CUA.

Government Procurement worked closely with the Department of Education to tailor a number of CUAs to their requirements. These included personal computers and notebooks, office stationery, classroom furniture and purchasing cards. The new purchasing cards for schools program commenced on 1 July 2011, and this will provide schools with an easy and safer way to purchase as well as better financial reporting.

To highlight this focus on education-related CUAs, Government Procurement hosted an Education Expo to raise the awareness of services provided to school staff. A key aspect of this service was the launch of a *Mini Guide to Procurement in Education*, which promotes best practice in schools procurement by detailing the appropriate procurement approaches that should be used.

The new data centres Common Use Arrangement represents a significant change to the way Government manages its data storage needs. The CUA provides opportunities for agencies to access data centre services in 'new generation' offsite facilities that provide improved security and risk management, while freeing up valuable office space. Launched in October 2010, the CUA is receiving strong use from a number of agencies including the Department of Health, Department of Agriculture and Food, and Legal Aid, as well as the Department of Treasury and Finance.

In a first for the Western Australian Government, Government Procurement negotiated a Microsoft Enterprise Agreement that brings together the buying power of key agencies. This new Microsoft Software Services CUA has one Microsoft reseller for all participating agencies, providing greater efficiency in the management of Microsoft licences. This agreement standardises the Government's licences and offers substantial benefits over previous arrangements, including long-term savings and the ability to 'pool' licenses. This arrangement now involves more than 20 agencies representing about 60,000 licence 'seats'.

State Fleet

The State Fleet unit joined Government Procurement on 1 July 2010. The unit is the largest fleet operator in Western Australia and provides the public service with approximately 11,500 passenger and light commercial vehicles via fleet lease arrangements. State Fleet is responsible not only for the fleet's management, but also for the development of whole-of-Government fleet contracts, financing and policy.

State Fleet hosted the National Public Sector Fleet Managers' Conference in October 2010 – a first for Western Australia – with the theme of *Towards a Safer Future*. The conference was an opportunity for fleet delegates from around Australia to consider current public sector fleet management issues and hear the latest developments and trends within the industry.

The State Fleet team continued to assist agencies to reduce their fleet costs to achieve the Government's 10 per cent fleet reduction target.

The Fleet Steering Committee approved two policy changes this year:

- a reduction in vehicle CO² threshold emissions, in line with national guidelines; and
- a requirement for vehicles purchased after 1 October 2011 to have a 5-star Australian New Car Assessment Program (ANCAP) rating.

Gateway

The Gateway project review program completed 24 reviews in 2010-11, covering infrastructure ICT and services projects totalling \$5.8 billion.

In October 2010, Government Procurement hosted for the first time the annual Gateway Inter-Jurisdictional Regional Forum. Delegates from around Australia and New Zealand learned the latest innovations in the Gateway review process, with the goal of communicating the effectiveness of Gateway reviews with senior executives across all governments.

Vocational Education Program

During 2010, a training needs analysis highlighted the demand for the development of two education and training programs:

- the new Procurement Vocational Program, developed in 2010-11 and to be launched in September 2011 is a certified vocational training program in public sector procurement. This program aims to standardise and improve procurement practices across Government and will be available for all public sector procurement staff; and
- a proposed new e-learning tool will assist procurement officers in the regions to be aware of purchasing policies, guidelines and processes and their application.

State Supply Commission

Government Procurement continued to provide support to the State Supply Commission Board to ensure it met its responsibilities under the *State Supply Commission Act 1991*.

Systems

Tenders WA was updated with additional reporting functionality to assist with the merger of the Government Procurement and Building Management and Works tenders offices.

Two additional elements of the Procurement Data Warehouse (PDW) became operational during 2010-11.

The supplier sales database, which gathers Government buying information from CUA suppliers, was redeveloped to become fully automated. The data is currently being transitioned across from the previous database.

The customer survey and stakeholder communications database, which provides a one-stop shop for all of Government Procurement's stakeholder information, became the source location for all Government Procurement contacts.

Shared Services

At the end of 2010-11, 58 agencies were receiving services from the Shared Services Centre. Of those, 37 agencies were receiving all services from the Oracle e-Business system, while the other 21 agencies received finance and procurement services. Shared Services also provided a payroll service to seven of those agencies, using their existing payroll systems.

Significant volumes of transactions were again processed by the Shared Services Centre during 2010-11. Approximately 219,284 accounts payable and accounts receivable transactions were processed in the course of the year, with an estimated value of \$3.6 billion.

Over 10,000 State Government staff were paid on the last pay-run of 2010-11 with an estimated value of \$23.1 million. This equates to an annual total payroll of approximately \$530.1 million.

Shared Services Centre

The following initiatives were undertaken by the Shared Services Centre during 2010-11:

Customer Service Centre closure process

The Customer Service Centre, in response to customer feedback, introduced a new 'soft closure' process in November 2010 to give customers greater control of the enquiry process.

The process allowed customers the 'right of reply' if they believed the resolution offered did not meet expectations in fully resolving their enquiry, or if further clarification was required.

Client visitation program

The Client Relationship Management (CRM) team is the agency contact for consultation and facilitation of business process re-engineering requirements and implementations that are necessary to partner with Shared Services.

The CRM team introduced a formal visitation schedule to meet with clients. During the year the CRM team held 88 client meetings.

These meetings allowed agencies to provide feedback relating to current issues or seeking clarification of processes. The CRM team coordinates issues raised with service areas until a resolution is provided.

Defect resolution and production support

Comprehensive processes are in place to support system applications. These can range from advice and support to business areas on the use and operation of the system, incident and problem resolution, and system changes and enhancements. During the year, over 500 issues were closed, including 28 critical and high-priority issues.



The Client Relationship Management team held 88 client interaction meetings in 2011

Progress with these issues was reported regularly to governance forums such as the Priorities Reference Group, the Information Systems Committee and the Heads of Corporate Services forums.

Benchmarking

The business continued to utilise the resources of the Shared Services Roundtable in identifying process improvement opportunities. It completed Shared Services Roundtable's benchmarking surveys for accounts payable, payroll, general ledger and purchasing cards. The business also participated in the 'Scope of Record to Report in Shared Services' survey which will assist in identifying services that shared service centres world-wide provide.

Internal audit program

A significant number of internal audit activities were performed in 2010-11. These included an audit of core business areas (payroll, procure to pay, order to cash), systems-related areas and eight other business areas. DTF management also received audit assurance for upcoming functionality including Image and Process Management Enterprise Asset Manager/Property Manager, and eBusiness and web applications security.

The decrease in number and severity of issues identified by internal audit over previous years continued this financial year. There were no extreme-rated risks raised in the audit reports. The auditors highlighted six moderate-rated risks in the three core business areas and identified four improvement opportunities for management consideration.

Current status of the program

In December 2010, the Premier announced an independent review of the Shared Services project. It was also announced that the rolling-in of agencies was to be placed on hold, with the exception of the Department of Agriculture and Food (finance services) and the Department of Treasury and Finance's Building Management and Works business (full suite of services).

The Treasurer announced in January 2011 that the review would be undertaken by the Economic Regulation Authority (ERA). This review was originally scheduled to be finalised by the end of March 2011 but was subsequently extended to June 2011.

The Premier and Minister for Finance announced in July 2011 that the Government had accepted, in principle, the ERA's recommendation to decommission the Shared Service Centre. A task force was established to implement this recommendation, chaired by the Department of Finance's Director General, Anne Nolan.

Corporate Services

Supporting and enabling the Department of Treasury and Finance to operate in a coordinated, efficient and compliant manner by:

- directing financial management and reporting services provided to DTF;
- delivering governance and risk management services;
- providing human resource and organisational development services;
- managing information and communications technology and information management services to improve efficiency and security in the agency's operations; and
- providing corporate communications services.

New Knowledge and Information Directorate

A new Knowledge and Information directorate was formed to take a holistic approach to organising the vast amounts of information DTF handles, in ways that improve the efficiency of the agency's businesses.

Knowledge and Information's initial brief was to help DTF's people to capture, store and share information, documents and data.

As part of the strengthening of DTF's information management activities, a specialist trainer and a Freedom of Information Coordinator were appointed to provide expert advice and facilitate training programs.

Information and communications technology improvements

A series of major projects improved and strengthened DTF's information and communications technology in 2010-11. These included:

- replacement of the core network that extends across multiple business units;
- a significant reduction in the number of physical servers in the Agency through implementation of the DTF Virtualisation Project; and
- relocation of DTF's Data Centre from Dumas House to the Malaga Commercial Data Centre.

Extensive work was also undertaken to enable the relocation of the Office of the Under Treasurer to new premises in the 140 William Street building, and the movement of the Building Management and Works and Government Procurement businesses to the Optima B building in Herdsman.



In December 2010 the Corporate Services business relocated the DTF data centre to a new 'green' world-class environmentally sustainable data centre in Malaga.

Introduction of DTF TRIM

A new electronic document and records management system, DTF TRIM, was introduced across the agency in 2011. DTF TRIM provides a user-friendly, reliable and consistent electronic document and records management system that also meets the requirements of the State Records Act.

DTF TRIM was implemented on a business-by-business basis, and an extensive awareness and training program was also rolled out to prepare all employees for the new system.

The implementation and education sessions were completed successfully, and DTF TRIM became an integral part of DTF's information management program.

Risk Awareness Week

Risk Awareness Week 2011 was an initiative aimed at growing DTF staff knowledge of good risk management practices.

Risk Awareness Week focused on four main areas:

- risk management;
- business continuity;
- occupational safety and health; and
- governance, including code of conduct and accountability.

The activities undertaken during Risk Awareness Week included workshops, roadshows, online training and information sessions that sought to 'embed' risk management into daily work and to ensure that everyone can assume responsibility for the management of risk.

Preparation for new agencies

The Risk, Governance and Performance team assumed a lead role in the project to de-merge the Department of Treasury and Finance into a Department of Treasury and a Department of Finance.

This task involved managing a wide variety of workstreams including technical, financial, procurement, record keeping, legislative, communication and human resources, while ensuring the expectations of all stakeholders were managed and delivered.

The project was completed on time, at minimal cost and to the satisfaction of all stakeholders.

SIGNIFICANT ISSUES AFFECTING THE AGENCY

Economic outlook

While the Western Australian economy has performed well relative to other Australian jurisdictions over the last 18 months, performance has been mixed, with particularly robust performance in mining and related sectors but relatively weak performance in the retail and housing sectors. The economic outlook over the next few years is generally favourable, but is expected to pose a number of challenges around the supply of labour and affordable housing, and the provision of infrastructure and services to meet the needs of a growing economy.

On a global scale, significant risks have the potential to adversely affect the Western Australian economy. These include Western Australia's reliance on China to sustain demand for its natural resources, European sovereign debt, the concern around the US economic recovery and stock market volatility.

Commonwealth-State relations

Major Commonwealth-State issues for Treasury in 2011-12, working in partnership with the Department of the Premier and Cabinet (DPC) and other agencies, included the Commonwealth's proposed mining and carbon taxes, the tax forum scheduled for October 2011, health and disability services reform plans, GST sharing arrangements, and implementation of previously agreed reforms to the framework of Commonwealth payments for specific purposes.

In 2011-12, Western Australia will receive 72 per cent of its population share of national GST revenue, with the outlook for a continuing smaller share under current arrangements over the next few years. Together with DPC, Treasury will be advocating the State's case for a more equitable share of national GST collections for the longer term. This will include submissions to the Commonwealth's review of the arrangements for sharing GST revenue amongst the States and Territories.

Minerals Resource Rent Tax (MRRT)

On 2 July 2010, the Commonwealth Government announced that it would replace its previously proposed Resource Super Profits Tax (RSPT) with a Minerals Resource Rent Tax (MRRT) applied only to iron ore and coal, and an extension of the existing Petroleum Resource Rent Tax (PRRT) to the North West Shelf and onshore petroleum (including gas) projects (commencing 1 July 2012).

The Department of Treasury and Finance has estimated that about 60-65 per cent of the additional revenue raised by these taxes will come from Western Australian projects. Treasury officials appeared before the Senate Select Committee on Fuel and Energy on 13 July 2010 to answer questions about this estimate. A broader analysis of the tax regime was also submitted.

A number of specific concerns remain outstanding and, if anything, have been heightened since the release of an Issues Paper by the Commonwealth's Policy Transition Group (PTG) in October 2010. These concerns include:

- the lack of robust analysis of the likely economic impacts (particularly by region);
- the lack of transparency surrounding the revised revenue estimates and the key assumptions underlying those estimates;
- the operation of the proposed Regional Infrastructure Fund, including the Commonwealth Grants Commission treatment of payments under the fund; and
- the status of 2007 Federal election commitments (which include a Western Australian Infrastructure Fund financed from Gorgon and/or Pluto project PRRT revenues, and a flow-through shares scheme to encourage mining exploration).

The Department's analysis of the MRRT was revised for presentation to the Senate Select Committee on the Scrutiny of New Taxes on 8 November 2010.

The Commonwealth's proposals are projected to add about \$3 billion in 2012-13 to the net contribution that Western Australia makes to the Commonwealth Budget.

The proposed tax regime is considered to be an intrusion by the Commonwealth into the State's constitutional rights over an important revenue base, potentially undermining the State's autonomy and budget flexibility.

The proposed tax regime will also substantially exacerbate the large redistribution of wealth from Western Australia to other States that already occurs through the Commonwealth Budget and Commonwealth Grants Commission process, eroding the incentives for the State Government to support Western Australia's growth in the national interest.

Royalty rate on iron ore 'fines'

The 2011-12 State Budget included the announcement of a phased increase in the royalty rate applying to iron ore 'fines'.

Under the new rates, the remaining concession on the royalty rate for iron ore fines will be removed. This will involve an increase in the fines royalty rate on 1 July 2012 from its current 5.625% to 6.5%, and then to 7.5% on 1 July 2013.

These changes will ultimately result in the royalty rate for iron ore fines being the same as the royalty rate for 'lump' iron ore.

This reflects the fact that iron ore fines account for the majority of the State's iron ore production, and are no longer considered an inferior product in the global market. The additional revenue from this measure during the forward estimates period is estimated at \$1.9 billion.

The Federal Treasurer has indicated that he does not intend to intervene in the Commonwealth Grants Commission process for determining how iron ore fines royalties are treated for the purposes of the GST distribution.

The Federal Treasurer has also stated that the Western Australian Government Budget measure will make it harder for the Federal Government to finance additional infrastructure projects in Western Australia funded by the MRRT.

Review of Shared Services

In January of 2011, the Premier announced that an independent review would be undertaken of the Office of Shared Services (OSS), and that the rolling-in of additional agencies to the OSS would be temporarily put on hold until after the review.

The review was undertaken by the Economic Regulation Authority (ERA) and focused on:

- the effectiveness and efficiency of the OSS at its current level of operations;
- how the effectiveness and efficiency of the OSS is likely to vary with the number of agencies it services;
- the impact that 'rolling-in' to the OSS has had on the operations of a selection of representative agencies;
- whether the provision of shared corporate services within the public sector, as implemented so far, has provided a net benefit to the State;
- whether rolling-in the remaining agencies into OSS would provide a net benefit to the State; and
- whether alternative options for the provision of shared services within the public sector would provide a greater net benefit to the State.

The ERA's final report recommended the decommissioning of the OSS and for agencies to provide their own corporate services.

The ERA report found the original 2003 business case was fundamentally flawed and the proposed benefits were overly optimistic, the true cost of the project was underestimated and the proposed roll-in schedule was not realistic.

The ERA analysis indicated that decommissioning the OSS represented the least cost and most certain option for delivering corporate services, and the Government accepted in principle the ERA recommendations.

The decommissioning of the Office of Shared Services will be a major project in 2011-12 and subsequent years.

Work to progressively decommission the OSS will include determining how to best leverage existing systems and continuing procurement services. The impact on the State Budget will also need to be fully considered.

New agencies for 2011-12

The Premier announced in February 2011 that the functions and operations of the Department of Treasury and Finance would be spread across two agencies.

From 1 July 2011, the Department of Treasury will provide the Western Australian State Government with high level economic policy advice and forecasting in relation to the Western Australian economy, investments in major projects, Commonwealth-State relations and preparation of State budgets. The Department will integrate the Treasury and Strategic Projects businesses of the Department of Treasury and Finance.

The new Department of Finance, also commencing operation on 1 July 2011, will take up revenue, management of government building projects and works, and shared corporate services functions by integrating the State Revenue, Building Management and Works, Government Procurement and Shared Services businesses of the Department of Treasury and Finance.

The Department of Treasury and Finance ceased operations on 30 June 2011. All of DTF's staff were transferred to either one of the two new agencies.

DISCLOSURES AND LEGAL COMPLIANCE

Financial statements

Certification of financial statements**For the year ending 30 June 2011**

The accompanying financial statements of the Department of Treasury and Finance 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 2011 and the financial position as at 30 June 2011.

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

**Roy Picardo**A/Chief Finance Officer
13 September 2011**Michael Barnes**Acting Accountable Authority
13 September 2011

OPINION OF THE AUDITOR GENERAL



Auditor General

INDEPENDENT AUDITOR'S REPORT

To the Parliament of Western Australia

DEPARTMENT OF TREASURY AND FINANCE

Report on the Financial Statements

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

The financial statements comprise the Statement of Financial Position as at 30 June 2011, the Statement of Comprehensive Income, Statement of Changes in Equity, Statement of Cash Flows, Schedule of Income and Expenses by Service, Schedule of Assets and Liabilities by Service, and Summary of Consolidated Account Appropriations and Income Estimates for the year then ended, and Notes comprising a summary of significant accounting policies and other explanatory information, including Administered transactions and balances.

Under Treasurer's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

Opinion

In my opinion, the financial statements are based on proper accounts and present fairly, in all material respects, the financial position of the Department of Treasury and Finance at 30 June 2011 and its financial performance and cash flows for the year then ended. They are in accordance with Australian Accounting Standards and the Treasurer's Instructions.

Department of Treasury and Finance

Report on Controls

I have audited the controls exercised by the Department of Treasury and Finance. The Under Treasurer is responsible for ensuring that adequate control is maintained over the receipt, expenditure and investment of money, the acquisition and disposal of public and other property, and the incurring of liabilities in accordance with the Financial Management Act 2006 and the Treasurer's Instructions, and other relevant written law.

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

Opinion

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

Report on the Key Performance Indicators

I have audited the key performance indicators of the Department of Treasury and Finance. The Under Treasurer is responsible for the preparation and fair presentation of the key performance indicators in accordance with the Financial Management Act 2006 and the Treasurer's Instructions.

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

Opinion

In my opinion, the key performance indicators of the Department of Treasury and Finance are relevant and appropriate to assist users to assess the Department's performance and fairly represent indicated performance for the year ended 30 June 2011.

Independence

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

COLIN MURPHY
AUDITOR GENERAL
13 September 2011

Statement of comprehensive income For the year ended 30 June 2011

	Note	2011	2010
		\$000	\$000
COST OF SERVICES			
Expenses			
Employee benefits expense	7	147,831	135,338
Supplies and services	8	1,693,840	1,770,403
Depreciation and amortisation expense	9	104,079	95,327
Net revaluation decrement	24	5,758	94,837
Finance costs	10	11,361	13,325
Accommodation expenses	11	18,051	16,393
Grants and subsidies	12	109	149
Other expenses	13	3,862	4,026
Total cost of services		1,984,891	2,129,798
Income			
<i>Revenue</i>	14		
User charges and fees		1,738,626	1,841,057
Commonwealth grants and contributions		582	2,746
Interest revenue		1,627	830
Other revenue		4,575	3,177
Total revenue		1,745,410	1,847,811
<i>Gains</i>			
Gain on disposal of non-current assets	15	9,982	9,381
Total gains		9,982	9,381
Total income other than income from State Government		1,755,392	1,857,192
NET COST OF SERVICES		229,499	272,606
Income from State Government	16		
Service appropriation		238,562	194,224
Resources received free of charge		13,025	12,085
Royalties for Regions Fund		-	500
Total income from State Government		251,587	206,809
SURPLUS/(DEFICIT) FOR THE PERIOD		22,088	(65,798)
OTHER COMPREHENSIVE INCOME			
Changes in asset revaluation surplus	31	-	(2,310)
Total other comprehensive income		-	(2,310)
TOTAL COMPREHENSIVE INCOME FOR THE PERIOD		22,088	(68,108)

Refer also to the 'Schedule of income and expenses by service'.
The Statement of comprehensive income should be read in conjunction with the accompanying notes.

Statement of financial position As at 30 June 2011

	Note	2011	2010
		\$000	\$000
ASSETS			
Current assets			
Cash and cash equivalents	17	117,055	261,112
Restricted cash and cash equivalents	18	9,020	10,953
Receivables	19	173,351	164,019
Finance lease receivables	20	2,276	1,232
Inventories	21	69	91
Amounts receivable for services	22	5,580	7,258
Other current assets	23	20,603	17,798
Total current assets		327,954	462,463
Non-current assets			
Restricted cash and cash equivalents	18	2,709	2,068
Finance lease receivables	20	15,319	13,000
Amounts receivable for services	22	114,790	89,251
Property, plant, equipment and vehicles	24	725,929	689,742
Intangible assets	25	172,161	149,532
Total non-current assets		1,030,908	943,593
TOTAL ASSETS		1,358,862	1,406,056
LIABILITIES			
Current liabilities			
Payables	27	134,559	129,204
Borrowings	28	84,540	85,278
Provisions	29	38,771	30,597
Other current liabilities	30	97,568	265,552
Total current liabilities		355,438	510,631
Non-current liabilities			
Borrowings	28	105,262	129,331
Provisions	29	9,492	10,674
Lease incentive	50	34,188	30,022
Total non-current liabilities		148,942	170,027
TOTAL LIABILITIES		504,380	680,658
NET ASSETS		854,482	725,398
EQUITY	31		
Contributed equity		906,231	799,235
Reserves		-	-
Accumulated surplus/(deficit)		(51,749)	(73,837)
TOTAL EQUITY		854,482	725,398

Refer also to the 'Schedule of assets and liabilities by service'. The Statement of financial position should be read in conjunction with the accompanying notes.

Statement of changes in equity For the year ended 30 June 2011

	Note	Contributed equity	Reserves	Accumulated surplus/ (deficit)	Total equity
		\$000	\$000		\$000
Balance at 1 July 2009	31	987,846	2,310	(5,729)	984,427
Total comprehensive income for the year		-	(2,310)	(68,108)	(70,418)
Transactions with owners in their capacity as owners:					
Capital appropriations		55,370	-	-	55,370
Distributions to owners		(243,981)	-	-	(243,981)
Total		(188,611)	(2,310)	(68,108)	(259,029)
Balance at 30 June 2010		799,235	-	(73,837)	725,398
Balance at 1 July 2010		799,235	-	(73,837)	725,398
Total comprehensive income for the year		-	-	22,088	22,088
Transactions with owners in their capacity as owners:					
Capital appropriations		108,126	-	-	108,126
Distributions to owners		(1,130)	-	-	(1,130)
Total		106,996	-	22,088	129,084
Balance at 30 June 2011		906,231	-	(51,749)	854,482

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

Statement of cash flows For the year ended 30 June 2011

	Note	2011 \$000	2010 \$000
CASH FLOWS FROM STATE GOVERNMENT			
Service appropriation		207,190	166,287
Capital appropriations		108,126	55,370
Holding account drawdowns		7,511	5,992
Receipts from Treasurer's Advance		40,000	51,000
Payments to Treasurer's Advance		(40,000)	(51,000)
Transfer to Department of Indigenous Affairs		(1,130)	-
Royalties for Regions Fund		-	500
Net cash provided by State Government		321,697	228,149
Utilised as follows:			
CASH FLOWS FROM OPERATING ACTIVITIES			
Payments			
Employee benefits		(145,458)	(147,464)
Supplies and services		(1,695,161)	(1,666,944)
Finance costs		(11,418)	(13,468)
Accommodation		(14,842)	(13,213)
Grants and subsidies		455	(149)
GST payments on purchases		(169,345)	(216,600)
GST payments to taxation authority		(3,736)	(3,843)
Other payments		(4,026)	(94,491)
Receipts			
User charges and fees		1,575,038	1,998,131
Commonwealth grants and contributions		18	2,530
Interest received		1,333	872
GST receipts on sales		170,382	208,185
GST receipts from taxation authority		7,473	9,072
Other receipts		4,859	4,225
Net cash provided by/(used in) operating activities	32	(284,429)	66,843
CASH FLOWS FROM INVESTING ACTIVITIES			
Payments			
Purchase of non-current physical assets		(236,407)	(187,790)
Receipts			
Proceeds from sale of non-current physical assets		78,599	76,342
Net cash provided by/(used in) investing activities		(157,808)	(111,448)
CASH FLOWS FROM FINANCING ACTIVITIES			
Payments			
Repayment of borrowings		(27,600)	(26,407)
Receipts			
Proceeds from borrowings		2,790	380
Net cash provided by/(used in) financing activities		(24,810)	(26,027)
Net increase/(decrease) in cash and cash equivalents		(145,350)	157,518
Cash and cash equivalents at the beginning of period		274,133	116,615
CASH AND CASH EQUIVALENTS AT THE END OF PERIOD	32	128,784	274,133

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

Schedule of income and expenses by service For the year ended 30 June 2011

	Financial management and reporting		State Fleet Service		Economic and revenue forecasts and policy development		Revenue assessment and collection	
	Service 1		Service 2		Service 3		Service 4	
	2011	2010	2011	2010	2011	2010	2011	2010
	\$000	\$000	\$000	\$000	\$000	\$000	\$000	\$000
COST OF SERVICES								
Expenses								
Employee benefits expense	5,052	5,066	784	732	7,988	7,999	18,923	18,887
Supplies and services	898	1,392	104	601	1,419	1,804	14,653	12,628
Depreciation and amortisation expense	52	48	70,450	68,207	82	75	1,291	1,227
Net revaluation decrement	-	-	-	-	-	-	-	-
Finance costs	-	-	11,361	13,325	-	-	-	-
Accommodation expenses	530	285	56	150	837	449	2,945	3,148
Grants and subsidies	20	8	-	-	32	12	1	-
Other expenses	5	40	40	21	8	63	27	440
Total cost of services	6,556	6,840	82,796	83,036	10,366	10,402	37,841	36,330
Income								
User charges and fees	-	2	93,865	93,841	-	3	2,399	2,430
Commonwealth grants and contributions	6	-	1	-	9	-	409	862
Interest revenue	-	-	1,627	830	-	-	-	-
Other revenue	272	954	71	(12)	430	21	256	262
Gain on disposal of non-current assets	-	-	9,982	9,385	-	-	-	-
Total income other than income from State Government	278	956	105,546	104,044	439	23	3,065	3,554
NET COST OF SERVICES	6,278	5,883	(22,750)	(21,008)	9,927	10,378	34,776	32,776
Income from State Government								
Service appropriation	5,923	5,584	717	325	9,364	8,815	32,804	30,781
Royalties for Regions Fund	-	-	-	-	-	-	-	-
Resources received free of charge	123	340	2	-	194	145	10,213	9,470
Total income from State Government	6,046	5,924	719	325	9,558	8,960	43,017	40,251
SURPLUS/(DEFICIT) FOR THE PERIOD	(233)	41	23,469	21,333	(369)	(1,419)	8,241	7,475

Schedule of income and expenses by service (continued) For the year ended 30 June 2011

	Grants and subsidies administration		Evaluation and planning of government service delivery and infrastructure provision		Facilitate the development and management of agency specific contracts		Development and management of whole of government common use contract arrangements	
	Service 5		Service 6		Service 7		Service 8	
	2011	2010	2011	2010	2011	2010	2011	2010
	\$000	\$000	\$000	\$000	\$000	\$000	\$000	\$000
COST OF SERVICES								
Expenses								
Employee benefits expense	1,803	1,845	13,747	13,509	20,759	19,272	7,338	7,242
Supplies and services	1,396	1,234	2,442	3,047	3,997	3,860	1,099	1,491
Depreciation and amortisation expense	123	120	141	127	461	420	140	165
Net revaluation decrement	-	-	-	-	-	-	-	-
Finance costs	-	-	-	-	-	-	-	-
Accommodation expenses	281	308	1,441	760	2,141	946	647	372
Grants and subsidies	-	-	55	20	-	-	-	-
Other expenses	3	43	14	106	199	164	7	52
Total cost of services	3,606	3,549	17,840	17,569	27,557	24,662	9,232	9,321
Income								
User charges and fees	221	237	-	4	661	473	202	179
Commonwealth grants and contributions	39	84	15	-	24	-	8	-
Interest revenue	-	-	-	-	-	-	-	-
Other revenue	32	26	740	24	126	41	38	10
Gain on disposal of non-current assets	-	-	-	-	-	-	-	-
Total income other than income from State Government	292	347	755	28	812	514	247	189
NET COST OF SERVICES	3,314	3,202	17,085	17,540	26,746	24,148	8,985	9,132
Income from State Government								
Service appropriation	3,126	3,007	16,116	14,885	25,590	21,407	8,503	7,640
Royalties for Regions Fund	-	-	-	-	-	-	-	-
Resources received free of charge	973	925	334	245	99	-	24	-
Total income from State Government	4,099	3,932	16,450	15,130	25,689	21,407	8,527	7,640
SURPLUS/(DEFICIT) FOR THE PERIOD	785	730	(635)	(2,410)	(1,057)	(2,742)	(457)	(1,492)

Schedule of income and expenses by service (continued) For the year ended 30 June 2011

	Project management, coordination and implementation of the whole of government shared corporate services reform		Provision of financial and human resources services		Leads the planning and delivery of new government buildings		Leads the planning and delivery of government building maintenance	
	Service 9		Service 10		Service 11		Service 12	
	2011	2010	2011	2010	2011	2010	2011	2010
	\$000	\$000	\$000	\$000	\$000	\$000	\$000	\$000
COST OF SERVICES								
Expenses								
Employee benefits expense	3,724	3,647	29,284	24,771	15,816	13,176	17,987	15,418
Supplies and services	3,701	3,418	27,216	23,217	1,220,186	1,340,218	196,124	165,354
Depreciation and amortisation expense	2,705	2,174	21,254	14,769	58	18	978	354
Net revaluation decrement	-	-	-	-	-	3,000	2,990	2,120
Finance costs	-	-	-	-	-	-	-	-
Accommodation expenses	449	852	4,564	5,788	1,783	1,245	1,932	1,687
Grants and subsidies	-	-	1	-	-	-	-	109
Other expenses	6	119	844	809	798	438	1,798	1,591
Total cost of services	10,584	10,211	83,163	69,355	1,238,641	1,358,094	221,809	186,633
Income								
User charges and fees	2,145	1,435	16,772	9,744	1,227,277	1,331,793	195,902	179,301
Commonwealth grants and contributions	6	-	47	-	-	-	18	1,800
Interest revenue	-	-	-	-	-	-	-	-
Other revenue	274	221	2,231	1,501	52	38	130	82
Gain on disposal of non-current assets	-	(1)	1	(3)	(1)	-	-	-
Total income other than income from State Government	2,425	1,656	19,051	11,242	1,227,328	1,331,831	196,050	181,183
NET COST OF SERVICES	8,160	8,556	64,112	58,113	11,313	26,263	25,759	5,450
Income from State Government								
Service appropriation	7,697	8,652	60,477	58,764	25,840	10,511	20,460	11,841
Royalties for Regions Fund	-	-	-	-	-	500	-	-
Resources received free of charge	19	-	153	-	244	327	320	518
Total income from State Government	7,716	8,652	60,630	58,764	26,084	11,338	20,780	12,359
SURPLUS/(DEFICIT) FOR THE PERIOD	(443)	95	(3,482)	652	14,771	(14,925)	(4,979)	6,909

Schedule of income and expenses by service (continued) For the year ended 30 June 2011

	Leads the planning and delivery of government office accommodation		Total	
	Service 13			
	2011	2010	2011	2010
	\$000	\$000	\$000	\$000
COST OF SERVICES				
Expenses				
Employee benefits expense	4,625	3,773	147,831	135,338
Supplies and services	220,604	212,139	1,693,840	1,770,403
Depreciation and amortisation expense	6,344	7,624	104,079	95,327
Net revaluation decrement	2,768	89,717	5,758	94,837
Finance costs	-	-	11,361	13,325
Accommodation expenses	445	403	18,051	16,393
Grants and subsidies	-	-	109	149
Other expenses	112	140	3,862	4,026
Total cost of services	234,898	313,796	1,984,891	2,129,798
Income				
User charges and fees	199,182	221,616	1,738,626	1,841,057
Commonwealth grants and contributions	-	-	582	2,746
Interest revenue	-	-	1,627	830
Other revenue	(77)	9	4,575	3,177
Gain on disposal of non-current assets	-	-	9,982	9,381
Total income other than income from State Government	199,105	221,625	1,755,392	1,857,192
NET COST OF SERVICES	35,793	92,171	229,499	272,606
Income from State Government				
Service appropriation	21,945	12,012	238,562	194,224
Royalties for Regions Fund	-	-	-	500
Resources received free of charge	326	115	13,025	12,085
Total income from State Government	22,271	12,127	251,587	206,809
SURPLUS/(DEFICIT) FOR THE PERIOD	(13,522)	(80,044)	22,088	(65,798)

Schedule of assets and liabilities by service As at 30 June 2011

	Financial management and reporting		State Fleet Service		Economic and revenue forecasts and policy development		Revenue assessment and collection	
	Service 1		Service 2		Service 3		Service 4	
	2011	2010	2011	2010	2011	2010	2011	2010
	\$000	\$000	\$000	\$000	\$000	\$000	\$000	\$000
ASSETS								
Current assets								
Cash and cash equivalents	415	297	9,050	9,391	657	468	1,458	1,053
Restricted cash and cash equivalents	-	-	-	-	-	-	-	-
Receivables	283	396	3,274	2,250	448	625	1,148	1,986
Finance lease receivable	-	-	2,276	1,232	-	-	-	-
Inventories	-	-	-	-	-	-	-	-
Amounts receivable for services	65	148	7	19	102	234	227	527
Other current assets	-	-	3,272	2,467	-	-	-	-
Total current assets	763	841	17,879	15,359	1,207	1,327	2,833	3,566
Non-current assets								
Restricted cash and cash equivalents	93	62	10	8	147	99	339	292
Finance lease receivable	-	-	15,319	13,000	-	-	-	-
Amounts receivable for services	3,762	2,676	385	351	5,948	4,224	13,202	9,501
Property, plant, equipment and vehicles	130	135	273,387	280,073	205	214	709	815
Intangible assets	1,182	553	5	4	1,869	871	8,079	5,110
Total Non-current assets	5,167	3,427	289,106	293,436	8,169	5,408	22,329	15,718
Total assets	5,930	4,268	306,985	308,796	9,376	6,735	25,162	19,284
LIABILITIES								
Current liabilities								
Payables	308	548	12,779	13,376	487	865	1,726	1,970
Borrowings	-	-	84,540	85,278	-	-	-	-
Provisions	1,258	1,002	283	139	1,989	1,580	3,349	1,964
Other payables	-	-	-	-	-	-	-	-
Total current liabilities	1,566	1,550	97,602	98,793	2,476	2,445	5,075	3,934
Non-current liabilities								
Borrowings	-	-	105,262	129,331	-	-	-	-
Provisions	279	289	76	37	441	457	1,032	1,436
Lease incentive	-	-	-	-	-	-	-	-
Total non-current liabilities	279	289	105,338	129,368	441	457	1,032	1,436
Total liabilities	1,845	1,839	202,940	228,161	2,917	2,901	6,107	5,370
NET ASSETS	4,085	2,428	104,045	80,634	6,459	3,834	19,055	13,915

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

Schedule of assets and liabilities by service (continued) As at 30 June 2011

	Grants and subsidies administration		Evaluation and planning of government service delivery and infrastructure provision		Facilitate the development and management of agency specific contracts		Development and management of whole of government common use contract arrangements	
	Service 5		Service 6		Service 7		Service 8	
	2011	2010	2011	2010	2011	2010	2011	2010
	\$000	\$000	\$000	\$000	\$000	\$000	\$000	\$000
ASSETS								
Current assets								
Cash and cash equivalents	139	103	1,131	791	1,672	1,321	490	423
Restricted cash and cash equivalents	-	-	-	-	-	-	-	-
Receivables	109	194	771	1,055	1,396	1,491	428	564
Finance lease receivable	-	-	-	-	-	-	-	-
Inventories	-	-	-	-	-	-	-	-
Amounts receivable for services	22	51	175	396	248	559	76	211
Other current assets	-	-	-	-	-	-	-	-
Total current assets	270	349	2,077	2,242	3,316	3,371	994	1,197
Non-current assets								
Restricted cash and cash equivalents	32	29	253	167	384	265	109	95
Finance lease receivable	-	-	-	-	-	-	-	-
Amounts receivable for services	1,258	928	10,237	7,136	14,451	10,085	4,431	3,811
Property, plant, equipment and vehicles	68	80	353	361	569	699	165	256
Intangible assets	770	499	3,216	1,470	2,476	2,336	759	883
Total non-current assets	2,128	1,536	14,059	9,134	17,880	13,384	5,464	5,045
Total assets	2,398	1,885	16,136	11,376	21,196	16,755	6,458	6,242
LIABILITIES								
Current liabilities								
Payables	164	192	839	1,462	4,292	5,030	1,305	1,895
Borrowings	-	-	-	-	-	-	-	-
Provisions	319	192	3,423	2,664	4,853	3,412	1,402	1,260
Other payables	-	-	-	-	-	-	-	-
Total current liabilities	483	384	4,262	4,125	9,145	8,443	2,707	3,155
Non-current liabilities								
Borrowings	-	-	-	-	-	-	-	-
Provisions	98	140	759	772	1,236	1,185	347	435
Lease incentive	-	-	-	-	-	-	-	-
Total non-current liabilities	98	140	759	772	1,236	1,185	347	435
Total liabilities	581	525	5,021	4,897	10,381	9,627	3,054	3,589
NET ASSETS	1,817	1,360	11,115	6,479	10,815	7,128	3,404	2,653

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

Schedule of assets and liabilities by service (continued) As at 30 June 2011

	Project management, coordination and implementation of the whole of government shared corporate services reform		Provision of financial and human resources services		Leads the planning and delivery of new government buildings		Leads the planning and delivery of government building maintenance	
	Service 9		Service 10		Service 11		Service 12	
	2011	2010	2011	2010	2011	2010	2011	2010
	\$000	\$000	\$000	\$000	\$000	\$000	\$000	\$000
ASSETS								
Current assets								
Cash and cash equivalents	248	204	1,951	1,388	72,740	176,593	12,589	26,906
Restricted cash and cash equivalents	-	-	-	-	-	314	-	1,417
Receivables	967	397	7,599	2,693	98,829	87,437	34,771	39,504
Finance lease receivable	-	-	-	-	-	-	-	-
Inventories	-	-	-	-	-	-	69	91
Amounts receivable for services	526	656	4,132	4,456	-	-	-	-
Other current assets	-	-	-	-	-	13	-	20
Total current assets	1,741	1,257	13,682	8,537	171,569	264,357	47,429	67,938
Non-current assets								
Restricted cash and cash equivalents	76	75	596	507	229	186	354	229
Finance lease receivable	-	-	-	-	-	-	-	-
Amounts receivable for services	2,348	1,956	18,453	13,294	2,480	2,007	2,782	2,848
Property, plant, equipment and vehicles	205	222	1,551	1,512	27,595	23,060	30,965	32,716
Intangible assets	17,176	17,619	135,020	119,712	1,609	474	-	-
Total non-current assets	19,805	19,872	155,620	135,025	31,913	25,727	34,101	35,793
Total assets	21,546	21,130	169,302	143,562	203,482	290,084	81,530	103,731
LIABILITIES								
Current liabilities								
Payables	367	411	2,889	2,790	100,091	93,053	4,344	4,178
Borrowings	-	-	-	-	-	-	-	-
Provisions	1,573	1,532	12,358	10,409	3,808	2,770	3,246	2,964
Other payables	-	-	-	-	95,154	264,294	2,101	676
Total current liabilities	1,940	1,943	15,247	13,200	199,053	360,117	9,691	7,818
Non-current liabilities								
Borrowings	-	-	-	-	-	-	-	-
Provisions	332	430	2,607	2,922	736	856	1,307	1,462
Lease incentive	-	-	-	-	-	-	-	-
Total non-current liabilities	332	430	2,607	2,922	736	856	1,307	1,462
Total liabilities	2,272	2,373	17,854	16,122	199,789	360,973	10,998	9,280
NET ASSETS	19,274	18,756	151,448	127,440	3,693	(70,889)	70,532	94,451

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

Schedule of assets and liabilities by service (continued) As at 30 June 2011

	Leads the planning and delivery of government office accommodation		Total	
	Service 13			
	2011	2010	2011	2010
	\$000	\$000	\$000	\$000
ASSETS				
Current assets				
Cash and cash equivalents	14,515	42,173	117,055	261,112
Restricted cash and cash equivalents	9,020	9,222	9,020	10,953
Receivables	23,328	25,428	173,351	164,019
Finance lease receivable	-	-	2,276	1,232
Inventories	-	-	69	91
Amounts receivable for services	-	-	5,580	7,258
Other current assets	17,331	15,298	20,603	17,798
Total current assets	64,194	92,121	327,954	462,463
Non-current assets				
Restricted cash and cash equivalents	87	56	2,709	2,068
Finance lease receivable	-	-	15,319	13,000
Amounts receivable for services	35,053	30,433	114,790	89,251
Property, plant, equipment and vehicles	390,027	349,599	725,929	689,742
Intangible assets	-	-	172,161	149,532
Total non-current assets	425,167	380,088	1,030,908	943,593
Total assets	489,361	472,209	1,358,862	1,406,056
LIABILITIES				
Current liabilities				
Payables	4,968	3,433	134,559	129,204
Borrowings	-	-	84,540	85,278
Provisions	910	709	38,771	30,597
Other payables	313	582	97,568	265,552
Total current liabilities	6,191	4,724	355,438	510,631
Non-current liabilities				
Borrowings	-	-	105,262	129,331
Provisions	242	253	9,492	10,674
Lease incentive	34,188	30,022	34,188	30,022
Total non-current liabilities	34,430	30,275	148,942	170,027
Total liabilities	40,621	34,999	504,380	680,658
NET ASSETS	448,740	437,210	854,482	725,398

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

Summary of consolidated account appropriations and income estimates For the year ended 30 June 2011

	2011	2011		2011	2010	
	Estimate	Actual	Variance	Actual	Actual	Variance
	\$000	\$000	\$000	\$000	\$000	\$000
CONTROLLED TRANSACTIONS						
Delivery services						
Item 11 Net amount appropriated to deliver services (Note 41)	208,101	236,821	28,720	236,821	192,003	44,818
Section 25 transfer to Department of Education for a procurement officer	-	(251)	(251)	(251)	-	(251)
Section 25 transfer to Landgate	-	(22)	(22)	(22)	-	(22)
Reduction in appropriation due to severance payments	-	(329)	(329)	(329)	-	(329)
Increased District allowance for Government Procurement	-	40	40	40	-	40
Amount Authorised by Other Statutes						
- <i>Salaries and Allowances Act 1975</i>	2,300	2,303	3	2,303	2,221	82
Total appropriations provided to deliver services	210,401	238,562	28,161	238,562	194,224	44,338
Capital						
Item 118 Capital appropriations	96,627	108,126	11,499	108,126	55,370	52,756
Total capital appropriations provided to deliver services	96,627	108,126	11,499	108,126	55,370	52,756
ADMINISTERED TRANSACTIONS						
RECURRENT ADMINISTERED						
Community Service Obligation Payments						
Item 12 Electricity Retail Corporation (Synergy)	202,978	324,527	121,549	324,527	216,977	107,550
Item 13 Forest Products Commission	3,370	3,370	-	3,370	3,370	-
Item 14 Regional Power Corporation (Horizon Power)	36,275	27,542	(8,733)	27,542	27,022	520
Item 15 Water Corporation of Western Australia	492,311	483,153	(9,158)	483,153	500,413	(17,260)
Item 16 Western Australian Land Authority	40,994	40,494	(500)	40,494	38,154	2,340
Total Community Service Obligation Payments	775,928	879,086	103,158	879,086	785,936	93,150
Administered grants, subsidies and other transfer payments						
Item 17 Armadale Redevelopment Authority	1,810	1,810	-	1,810	1,790	20
Item 18 Broome Port Authority	372	360	(12)	360	372	(12)
Item 19 Department of Corrective Services	5,600	620	(4,980)	620	-	620
Item 20 First Home Owners' Assistance	134,960	101,970	(32,990)	101,970	325,268	(223,298)
Item 21 Goods and Services Tax (GST) Administration Costs	70,300	69,308	(992)	69,308	57,894	11,414
Item 22 Office of Health Review	1,983	1,983	-	1,983	1,933	50
Item 23 Payroll Tax Rebate	100,000	100,421	421	100,421	-	100,421
Item 24 Pensioner Concessions - Emergency Services Levy	11,854	10,606	(1,248)	10,606	8,915	1,691
Item 25 Pensioner Concessions - Local Government and Water Rates	65,175	64,937	(238)	64,937	61,584	3,353
Item 26 Provision for District Allowances ^(a)	11,591	-	(11,591)	-	-	-
Item 27 Provision for Unfunded Liabilities in the Government Insurance Fund	4,229	1,919	(2,310)	1,919	4,390	(2,471)
Item 28 Refunds of Past Years Revenue Collections - Public Corporations	10,000	9,419	(581)	9,419	4,275	5,144
Item 29 Refunds of Past Years Revenue Collections - All Other	43,607	43,473	(134)	43,473	38,964	4,509
Item 30 Rottnest Island Authority	2,200	2,200	-	2,200	2,200	-
Item 31 Royalties for Regions	454,526	454,526	-	454,526	338,164	116,362
Item 32 State Property - Emergency Services Levy	14,000	14,742	742	14,742	12,000	2,742
Item 33 WA Health	6,994	6,994	-	6,994	-	6,994

	2011	2011		2011	2010	
	Estimate	Actual	Variance	Actual	Actual	Variance
	\$000	\$000	\$000	\$000	\$000	\$000
Item 34 All Other Grants, Subsidies and Transfer Payments:						
• Acts of Grace	1	-	(1)	-	8	(8)
• ANZAC Day Trust	300	300	-	300	300	-
• HIH Insurance Rescue Package	1	-	(1)	-	-	-
• Incidentals	1	-	(1)	-	31	(31)
• Interest on Public Monies held in Participating Trust Fund Accounts	4,407	5,445	1,038	5,445	3,250	2,195
• Life Support Equipment Electricity Subsidy Scheme	838	835	(3)	835	637	198
• Public Swimming Pools - Operating Costs Subsidy	300	303	3	303	291	12
• Shark Hazard Response	420	420	-	420	385	35
• Thermoregulatory Dysfunction Energy Subsidy Scheme	748	623	(125)	623	359	264
• Toodyay Bushfire	-	5,000	5,000	5,000	-	5,000
• Water Corporation of Western Australia - Part Reimbursement of Land Sales	200	28	(172)	28	-	28
• Western Australian Treasury Corporation Management Fees	525	589	64	589	407	182
• Consumer Utilities Program – (WACOSS)	-	-	-	-	170	(170)
• On-Road Diesel Subsidies	-	-	-	-	5,673	(5,673)
Department for Child Protection	-	-	-	-	14,200	(14,200)
Water Corporation of Western Australia - State Water Strategy Rebate Scheme	-	-	-	-	2,946	(2,946)
Total Administered grants, subsidies and other transfer payments	946,942	898,831	(48,111)	898,831	886,406	12,425
Authorised by Other Statutes						
Gold Corporation Act 1987	30	2	(28)	2	2	-
Judges' Salaries and Pensions Act 1950	8,001	10,829	2,828	10,829	8,767	2,062
Parliamentary Superannuation Act 1970	6,309	7,387	1,078	7,387	7,430	(43)
State Superannuation Act 2000	547,270	577,651	30,381	577,651	536,864	40,787
Tobacco Products Control Act 2006	20,087	20,087	-	20,087	19,596	491
Unclaimed Money Act 1990	750	681	(69)	681	812	(131)
Unclaimed Money (Superannuation and RSA Providers) Act 2003	20	17	(3)	17	24	(7)
Western Australian Treasury Corporation Act 1986 - Interest	224,600	192,468	(32,132)	192,468	42,033	150,435
Total Amounts Authorised by Other Statutes	807,067	809,122	2,055	809,122	615,528	193,594
Total Recurrent Administered	2,529,937	2,587,039	57,102	2,587,039	2,287,870	299,169
ADMINISTERED CAPITAL						
Government Equity Contributions						
Item 119 Armadale Redevelopment Authority	6,600	3,250	(3,350)	3,250	2,660	590
Item 120 Department of Corrective Services	69,050	1,846	(67,204)	1,846	15,945	(14,099)
Item 121 Electricity Generation Corporation (Verve Energy)	165,508	160,508	(5,000)	160,508	81,571	78,937
Item 122 Electricity Networks Corporation (Western Power)	809	536	(273)	536	45	491
Item 123 Forest Products Commission	70	2,925	2,855	2,925	1,270	1,655
Item 124 Fremantle Port Authority	3,104	103	(3,001)	103	209	(106)
Item 125 Port Hedland Port Authority	750	750	-	750	21,000	(20,250)
Item 126 Royalties for Regions	363,299	363,299	-	363,299	305,836	57,463
Item 127 WA Health	186,407	150,566	(35,841)	150,566	97,782	52,784
Item 128 Water Corporation of Western Australia	8,280	-	(8,280)	-	-	-
Regional Power Corporation (Horizon Power)	-	-	-	-	816	(816)
Western Australian Land Authority	-	-	-	-	19,700	(19,700)
Total Government Equity Contributions	803,877	683,783	(120,094)	683,783	546,834	136,949

	2011	2011		2011	2010	
	Estimate	Actual	Variance	Actual	Actual	Variance
	\$000	\$000	\$000	\$000	\$000	\$000
Other						
Item 129 Perry Lakes Trust Account	1,166	1,166	-	1,166	17,340	(16,174)
Total Other Contributions	1,166	1,166	-	1,166	17,340	(16,174)
Authorised by Other Statutes						
Loans (Co-operative Companies) Act 2004	618	1,000	382	1,000	400	600
Total Authorised by Other Statutes	618	1,000	382	1,000	400	600
Total Administered Capital Contributions	805,661	685,949	(119,712)	685,949	564,574	121,375
TOTAL ADMINISTERED APPROPRIATIONS	3,335,598	3,272,988	(62,610)	3,272,988	2,852,444	420,544
GRAND TOTAL	3,642,626	3,450,827	(191,799)	3,450,827	3,102,038	240,663
Details of Expenses by Service						
Financial management and reporting	6,898	6,556	(342)	6,556	6,840	(284)
State Fleet Service	86,725	82,796	(3,929)	82,796	83,036	(240)
Economic and revenue forecasts and policy development	11,370	10,366	(1,004)	10,366	10,402	(35)
Revenue assessment and collection	39,724	37,841	(1,883)	37,841	36,330	1,511
Grants and subsidies administration	3,929	3,606	(323)	3,606	3,549	57
Evaluation and planning of government service delivery and infrastructure provision	17,262	17,840	578	17,840	17,569	272
Facilitate the development and management of agency specific contracts	28,044	27,558	(486)	27,558	24,662	2,896
Development and management of whole of government common use contract arrangements	8,747	9,233	486	9,233	9,321	(88)
Project management, coordination and implementation of the whole of government shared corporate services reform	13,193	10,584	(2,609)	10,584	10,211	373
Provision of financial and human resources services	69,690	83,162	13,472	83,162	69,355	13,807
Leads the planning and delivery of new government buildings	1,214,223	1,238,642	24,419	1,238,642	1,346,320	(107,678)
Leads the planning and delivery of government building maintenance	201,961	221,809	19,848	221,809	198,407	23,402
Leads the planning and delivery of government office accommodation	223,368	234,898	11,530	234,898	313,797	(78,899)
Total Details of Expenses by Service	1,925,134	1,984,891	59,757	1,984,891	2,129,798	(144,906)
Less Total Income	(1,710,892)	(1,755,392)	(44,500)	(1,755,392)	(1,857,192)	101,800
Net Cost of Services	214,242	229,499	15,257	229,499	272,606	(43,107)
Adjustments	(3,841)	9,063	12,904	9,063	(78,383)	87,446
Total appropriations provided to deliver services	210,401	238,562	28,161	238,562	194,224	44,338
Details of Capital Expenditure						
Purchase of non-current physical assets	280,120	236,407	(43,713)	236,407	187,790	48,617
Repayment of borrowings	-	27,599	27,599	27,599	26,407	1,192
Adjustments for other funding sources	(183,493)	(155,880)	27,613	(155,880)	(158,827)	2,947
Capital appropriations	96,627	108,126	11,499	108,126	55,370	52,756
DETAILS OF ADMINISTERED INCOME ESTIMATES						
Sale of Goods and Services						
Sale of Goods and Services	11,088	9,507	(1,581)	9,507	11,487	(1,980)
Total sale of Goods and Services	11,088	9,507	(1,581)	9,507	11,487	(1,980)
Taxation						
Betting Tax	36,238	33,622	(2,616)	33,622	31,573	2,049
Land Tax	525,385	520,237	(5,148)	520,237	527,067	(6,830)
Metropolitan Region Improvement Tax	79,400	77,839	(1,561)	77,839	78,311	(472)
Payroll Tax	2,453,361	2,624,830	171,469	2,624,830	2,299,942	324,888

	2011	2011		2011	2010	
	Estimate	Actual	Variance	Actual	Actual	Variance
	\$000	\$000	\$000	\$000	\$000	\$000
Transfer Duty	1,601,678	1,226,668	(375,010)	1,226,668	1,551,816	(325,148)
Landholder Duty	58,100	47,336	(10,764)	47,336	87,442	(40,106)
Insurance Duty	433,200	441,980	8,780	441,980	404,043	37,937
Vehicle License Duty	361,400	337,791	(23,609)	337,791	331,571	6,220
Stamp Duty – Others	125	-	(125)	-	15	(15)
Commonwealth Mirror Taxes	30,454	32,047	1,593	32,047	28,711	3,336
Stamp Duty - Mortgages	-	53	53	53	169	(116)
Other Tax	-	350,000	350,000	350,000	-	350,000
Total Taxation	5,579,341	5,692,403	113,062	5,692,403	5,340,660	351,743
Commonwealth Grants						
Compensation for Crude Oil Excise Condensate	57,100	61,099	3,999	61,099	50,073	11,026
GST Grants	3,374,000	3,158,371	(215,629)	3,158,371	3,589,635	(431,264)
Local Government (Financial Assistance Grants)	143,400	147,565	4,165	147,565	135,668	11,897
Local Government (Road Funding)	95,300	97,870	2,570	97,870	90,030	7,840
Non-Government Schools	887,423	1,006,504	119,081	1,006,504	1,078,609	-72,105
North-West Shelf Grants	928,100	933,235	5,135	933,235	891,652	41,583
Other	3,696,832	3,603,501	(93,331)	3,603,501	3,870,622	(267,121)
First Home Owners' Boost	-	28,914	28,914	28,914	168,388	(139,474)
Total Commonwealth Grants	9,182,155	9,037,059	(145,096)	9,037,059	9,874,677	(837,618)
Dividends and Taxes						
Government Enterprises - Dividends	660,693	687,031	26,338	687,031	570,271	116,760
Income Tax – Tax Equivalent Regime	370,198	366,810	(3,388)	366,810	355,444	11,366
Local Government Rates – Tax Equivalent Regime	12,546	11,409	(1,137)	11,409	13,001	(1,592)
Total Dividends and Taxes	1,043,437	1,065,250	21,813	1,065,250	938,716	126,534
Other Revenue						
Consolidated Account Revenue Received from Agencies	4,386,508	5,077,232	690,724	5,077,232	3,112,232	1,965,000
Interest ^(b)	188,191	248,932	60,741	248,932	160,276	88,656
Pension Recoups	10,138	15,452	5,314	15,452	15,416	36
Loan Guarantee Fees	30,820	25,669	(5,151)	25,669	30,418	(4,749)
Gold State Superannuation Reimbursement	132,984	167,220	34,236	167,220	143,694	23,526
Other Revenue	82,888	140,617	57,729	140,617	114,220	26,397
Total Other Revenue	4,831,529	5,675,122	843,593	5,675,122	3,576,256	2,098,866
TOTAL INCOME	20,647,550	21,479,341	831,791	21,479,341	19,741,796	1,737,545

(a) The 2011 budget of \$11.591 million was transferred from Administered to various agencies, under Section 25 of the Financial Management Act. The funds were then appropriated to these agencies from the Consolidated Account the actuals for this are represented in those agencies.

(b) The 2010 Interest Actual was reported as \$211.08 million in the 2010 Annual Report. The 2010 actual interest should have been reported as \$160.276 million, as \$50.8 million interest was included twice therein.

Notes to the Financial Statements

For the year ended 30 June 2011

Note 1: Australian Accounting Standards

General

The Department's financial statements for the year ended 30 June 2011 have been prepared in accordance with Australian Accounting Standards. The term 'Australian Accounting Standards' refers to Standards and Interpretations issued by the Australian Accounting Standard Board (AASB).

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

Early adoption of standards

The Department cannot early adopt an Australian Accounting Standard unless specifically permitted by TI 1101 *Application of Australian Accounting Standards and Other Pronouncements*. No Australian Accounting Standards that have been issued or amended but not operative have been early adopted by the Department for the annual reporting period ended 30 June 2011.

Note 2: Summary of significant accounting policies

(a) General statement

The financial statements constitute general purpose financial statements that have been prepared in accordance with 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 wording.

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

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

(b) Basis of preparation

The financial statements have been prepared on the accrual basis of accounting using the historical cost convention, modified by the revaluation of land and buildings 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). As a consequence, columns and rows may not add due to rounding.

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

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

(c) Reporting entity

The reporting entity is the Department of Treasury and Finance.

Mission

The Department's mission is to provide quality economic and financial advice, financial management, fair and efficient revenue laws administration, effective government procurement, efficient shared corporate services and value for money management and maintenance of government building, properties and office accommodation.

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

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

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

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

Services

The Department provides the following services:

Service 1: Financial management and reporting

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

Service 2: State Fleet Service

This service involves the financing and leasing of some 11,400 passenger and light commercial vehicles to State Government agencies and the management of government vehicle fleet policy.

Service 3: Economic and revenue forecasts and policy development

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

Service 4: Revenue assessment and collection

This service involves the assessment and collection of a range of statutory based revenues including:

Those for which the Commissioner of State Revenue has direct responsibility (duties, land tax and pay-roll tax); and

Those that are collected on behalf of other agencies (such as Perth Parking Licence fees) or other jurisdictions (e.g. collection of a range of taxes for the Commonwealth in the Indian Ocean Territories).

Service 5: Grants and subsidies administration

This service involves the assessment and payment of a range of grants and subsidies under both statutory and administrative schemes. The major payments relate to the First Home Owner Grant (FHOG) scheme, and concessions on water and local government rates and the emergency services levy, for pensioners and seniors.

Service 6: Evaluation and planning of government service delivery and infrastructure provision

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

Service 7: Facilitate the development and management of agency specific contracts

This service entails Government agencies effectively managing procurement risks, and establishing contracts that deliver value for money and efficiently meet their operational needs.

Service 8: Development and management of whole of government common use contract arrangements

The DTF provides a whole-of-government approach to procurement that efficiently meets the business needs of Government agencies, manages risk and delivers value for money.

Service 9: Project management, coordination and implementation of the whole of government shared corporate services reform

The DTF Shared Services (Project Division) is responsible for building the business system which will support the provision of shared corporate services to general Government agencies. The build of the integrated Finance and HR/Payroll System has been substantially completed to enable further agencies to roll-in to Shared Services.

Service 10: Provision of financial and human resources services

The DTF Shared Services (Shared Services Centre) is responsible for providing shared services to general government agencies across the sector in finance, procurement, human resource, payroll services and on-line services.

Service 11: Leads the planning and delivery of new government buildings

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

Service 12: Leads the planning and delivery of government building maintenance

The BMW business of DTF also provides strategic leadership and facilitation in the planning, project management and procurement of maintenance for non-residential buildings.

Service 13: Leads the planning and delivery of government office accommodation

Strategic leadership and facilitation in the planning, project management and procurement of government office accommodation is provided by the BMW business of DTF.

The Department administers assets, liabilities, income and expenses on behalf of Government which are not controlled by, nor integral to the function of the Department. These administered balances and transactions are not recognised in the principal financial statements of the Department but schedules are prepared using the same basis as the financial statements and are presented at note 46 'Administered income and expenses' and note 48 'Administered assets and liabilities'.

(d) Contributed equity

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

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

(e) Income

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

Sale of goods

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

Provision of services

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

Vehicle Fleet Lease Rentals

Rental revenue is recognised in accordance with lease agreements entered into with State Government agencies, statutory authorities and other State Government entities.

Vehicle Bailment Revenues

Revenue is recognised on receipt of sale proceeds of vehicles held under Bailment Rights.

Interest

Revenue is recognised as the interest accrues.

Revenue Recognition - Administered

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

Service Appropriations

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

Net Appropriation Determination

The Treasurer may make a determination providing for prescribed receipts to be retained for services under the control of the Department. In accordance with the determination specified in the 2010-2011 Budget Statements, the Department retained \$1,755.392 million in 2011 (\$1,857.192 million in 2010) from the following:

- proceeds from fees, charges and sale of goods;
- Commonwealth specific purpose grants and contributions;
- one-off gains with a value of less than \$10,000 derived from the sale of property other than real property;
- rental revenue recognised in accordance with lease agreements entered into with State Government agencies, statutory authorities and other State Government entities and vehicle bailment revenue held under bailment rights;
- provision of contract services and rental income sufficient to cover outgoings paid for government owned buildings; and
- interest and other departmental revenue.

Grants, donations, gifts and other non-reciprocal contributions

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

Other non-reciprocal contributions that are not contributions by owners are recognised at their fair value.

Contributions of services are only recognised when a fair value can be reliably determined and the services would be purchased if not donated.

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

Gains

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) Borrowing costs

Borrowing costs are expensed when incurred.

(g) Property, plant and equipment

Capitalisation/expensing of assets

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

Initial recognition and measurement

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

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

Subsequent measurement

Subsequent to initial recognition as an asset, the revaluation model is used for the measurement of land, buildings and infrastructure and historical cost for all other property, plant and equipment. Land, buildings and infrastructure are carried at fair value less accumulated depreciation (buildings and infrastructure only) and accumulated impairment losses. All other items of property, plant and equipment are stated 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 re-valued 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 re-valued amount.

In the absence of 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 determined on the depreciated replacement cost basis, the gross carrying amount and the accumulated depreciation are restated proportionately.

Land and buildings are independently valued 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 end of the reporting period.

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 judgement by the valuer is required where the evidence does not provide a clear distinction between market type assets and existing use assets.

Derecognition

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

Asset revaluation surplus

The asset revaluation surplus is used to record increments and decrements on the revaluation of non-current assets as described under 'Property, plant and equipment'.

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.

State Fleet motor vehicles are depreciated on a straight-line basis taking account of residual values and terms of the vehicle leases. Lease terms generally range from six months to five years.

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 to 15 years
Office equipment	5 years
Software ^(a)	3 to 5 years
Office fitouts	3 to 15 years or remaining lease term, whichever is lower
Motor vehicles	6 months to 5 years

^(a) Software that is integral to the operation of related hardware

(h) Intangible assetsCapitalisation/expensing of assets

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

All acquired and internally developed intangible assets are initially recognised at cost. For assets acquired at no cost or for nominal cost, the cost is their fair value at the date of acquisition.

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

Amortisation for intangible assets with finite useful lives is calculated for the period of the expected benefit (estimated useful life) 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:

Licences	up to 10 years
Research and Development Costs	3 to 5 years
Software ^(a)	3 to 13 years
Website costs	3 to 5 years

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

Licences

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

Computer software

Software that is an integral part of the related hardware is treated as 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.

Website costs

OnlineWA is the Internet single doorway to Western Australian information and services. The cost of developing the features and content of OnlineWA has been capitalised as an intangible asset. This asset will be amortised on a straight line basis over its estimated useful life (10 years).

Website costs are charged as expenses when they are incurred unless they relate to the acquisition or development of an asset when they may be capitalised and amortised.

Generally, costs in relation to feasibility studies during the planning phase of a website, and ongoing costs of maintenance during the operating phase are expensed. Costs incurred in building or enhancing a website, to the extent that they represent probable future economic benefits that can be reliably measured, are capitalised. Costs less than \$5,000 are expensed in the year of acquisition.

(i) Impairment of assets

Items of property, plant and equipment, motor vehicles and intangible assets are tested for any indication of impairment at the end of each reporting period. Where there is an indication of impairment, the recoverable amount is estimated. Where the recoverable amount is less than the carrying amount, the asset is considered impaired and is written down to the recoverable amount and an impairment loss is recognised. 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 asset's future economic benefits and to evaluate any impairment risk from falling replacement costs.

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

The recoverable amount of assets identified as surplus assets is the higher of fair value less costs to sell and the present value of future cash flows expected to be derived from the asset. Surplus assets carried at fair value have no risk of material impairment where fair value is determined by reference to market-based evidence.

Where fair value is determined by reference to depreciated replacement cost, surplus assets are at risk of impairment and the recoverable amount is measured. Surplus assets at cost are tested for indications of impairment at the end of each reporting period.

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

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

(k) 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. The assets are disclosed as plant, equipment and vehicles under lease, and are depreciated over the period during which the Department is expected to benefit from their use. 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 Department has entered into an operating lease arrangement for the rent of the office building where the lessor effectively retains the entire risks and benefits incidental to ownership of the items held under the operating lease.

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

(l) Financial instruments

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

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

Financial instruments have been disaggregated into the following classes:

- Financial Assets
 - Cash and cash equivalents;
 - Restricted cash and cash equivalents;
 - Receivables; and
 - Amounts receivable for services.
- Financial Liabilities
 - Payables;
 - WATC borrowings;
 - Finance lease liabilities; and
 - Amounts due to the Treasurer.

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

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

(m) Cash and cash equivalents

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

(n) Accrued salaries

Accrued salaries [refer to note 27 'Payables'] represent the amount due to staff but unpaid at the end of the financial year. Accrued salaries are settled within a fortnight of the financial year end.

The Department considers the carrying amount of accrued salaries to be equivalent to its net fair value.

The accrued salaries suspense account [refer to 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.

(o) Amounts receivable for services (holding account)

The Department receives 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 leave entitlements and asset replacement.

(p) 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 average cost method.

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.

(q) 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 Department will not be able to collect the debts. The carrying amount is equivalent to fair value as it is due for settlement within 14 to 30 days.

(r) Payables

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

(s) Borrowings

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

(t) 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.

(u) Provisions

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

Provisions - employee benefits

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

Annual leave

The liability for annual leave expected to be settled within 12 months after the reporting period is recognised and measured at the undiscounted amounts expected to be paid when the liability is settled.

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

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

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

Long service leave

The liability for long service leave expected to be settled within 12 months after the reporting period is recognised and measured at the undiscounted amounts expected to be paid when the liability is settled.

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

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

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

Sick leave

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

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

Deferred leave

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

Purchased leave

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

Superannuation

The Government Employees Superannuation Board (GESB) administers public sector superannuation arrangements in Western Australia in accordance with legislative requirements.

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

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

The Department has no liabilities under the Pension or the GSS. The liabilities for the unfunded Pension Scheme and the unfunded GSS transfer benefits due to members who transferred from the Pension Scheme, are assumed by the Treasurer. All other GSS obligations are funded by concurrent contributions made by the Department to the GESB. The concurrently funded part of the GSS Scheme is a defined contribution scheme as these contributions extinguish all liabilities in respect of the concurrently funded GSS Scheme obligations.

Employees commencing employment prior to 16 April 2007 who were 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 from the Treasurer for the employer's share.

Provisions – other

Employment on-costs

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

Restoration costs

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

(v) Superannuation expense

The superannuation expense in the Statement of Comprehensive Income comprises of employer contributions paid to the GSS (concurrent contributions), the WSS, and the GESBS.

The employer contribution paid to the GESB in respect of the GSS is paid back into the Consolidated Account by the GESB.

The following elements are included in calculating the superannuation expense:

- 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 are 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 Statement of Comprehensive Income.

As these liabilities are assumed by the Treasurer, a revenue titled 'Liabilities assumed by the Treasurer' equivalent to the expense is recognised under Income from State Government in the Statement of Comprehensive Income.

The Superannuation expense does not include payment of pensions to retirees, as this does not constitute part of the cost of services provided in the current year.

Defined contribution plans – in order to reflect the true cost of services of the Department, 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 Account.

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.

(w) 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. Where the resource received represents a service that the Department would otherwise pay for, a corresponding expense is recognised. Receipts of assets are recognised in the Statement of Financial Position.

Assets or services received from other State Government agencies are separately disclosed under Income from State Government in the Statement of Comprehensive Income.

(x) 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 billing exceeds 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.

(y) 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.

(z) 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 two per cent per annum from completion date over 35 years, being the term of the lease.

Note 3: Comparative figures

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

Note 4: Judgements made by management in applying accounting policies

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

Operating lease commitments

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

Note 5: Key sources of estimation uncertainty

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.

Waste disposal site

An environmental analysis to provide a quantifiable estimate of the amount required to rehabilitate the Mt Walton intractable waste disposal site was obtained for the 2010/2011 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.

Long Service Leave

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

Note 6: Disclosure of changes in accounting policy and estimates**Initial application of an Australian Accounting Standard**

The Department has applied the following Australian Accounting Standards effective for annual reporting periods beginning on or after 1 July 2010 that impacted on the Department.

2009-5

Further Amendments to Australian Accounting Standards arising from the Annual Improvements Project [AASB 5, 8, 101, 107, 117, 118, 136 & 139]

Under amendments to AASB 117, the classification of land elements of all existing leases has been reassessed to determine whether they are in the nature of operating or finance leases. As leases of land & buildings recognised in the financial statements have not been found to significantly expose the department to the risks/rewards attributable to control of land, no changes to accounting estimates have been included in the Financial Statements and Notes to the Financial Statements.

Under amendments to AASB 107, only expenditures that result in a recognised asset are eligible for classification as investing activities in the Statement of Cash Flows. All investing cashflows reported in the Department's Statement of Cash Flows relate to increases in recognised assets.

Int 19	Extinguishing Financial Liabilities with Equity Instruments			Operative for reporting periods beginning on/after
AASB 2009-13	Amendments to Australian Accounting Standards arising from Interpretation 19 [AASB 1]	AASB 2009-11	<i>Amendments to Australian Accounting Standards arising from AASB 9 [AASB 1, 3, 4, 5, 7, 101, 102, 108, 112, 118, 121, 127, 128, 131, 132, 136, 139, 1023 & 1038 and Interpretations 10 & 12].</i>	1 Jan 2013
AASB 2010-1	Amendments to Australian Accounting Standards – Limited Exemption from Comparative AASB 7 Disclosures for First-time Adopters [AASB 1 & AASB 7]		The amendment to AASB 7 requires modification to the disclosure of categories of financial assets. The Department does not expect any financial impact when the Standard is first applied. The disclosure of categories of financial assets in the notes will change.	
AASB 2010-3	Amendments to Australian Accounting Standards arising from the Annual Improvements Project [AASB 3, AASB 7, AASB 121, AASB 128, AASB 131, AASB 132 & AASB 139]	AASB 2009-12	Amendments to Australian Accounting Standards [AASBs 5, 8, 108, 110, 112, 119, 133, 137, 139, 1023 & 1031 and Interpretations 2, 4, 16, 1039 & 1052]	1 Jan 2011
Voluntary changes in accounting policy		AASB 1053	This Standard introduces a number of terminology changes. There is no financial impact resulting from the application of this revised Standard. <i>Application of Tiers of Australian Accounting Standards</i>	1 July 2013
There are no voluntary changes in Accounting Policies during the year.			This Standard establishes a differential financial reporting framework consisting of two tiers of reporting requirements for preparing general purpose financial statements.	
Future impact of Australian Accounting Standards not yet operative			The Standard does not have any financial impact on the Department. However it may affect disclosures in the financial statements of the Department if the reduced disclosure requirements apply. DTF has not yet determined the application or the potential impact of the new Standard for agencies.	
The Department cannot early adopt an Australian Accounting Standard unless specifically permitted by TI 1101 <i>Application of Australian Accounting Standards and Other Pronouncements</i> . Consequently, the Authority has not applied early any following Australian Accounting Standards that have been issued that may impact the Authority. Where applicable, the Department plans to apply these Australian Accounting Standards from their application date.		AASB 2010-2	<i>Amendments to Australian Accounting Standards arising from Reduced Disclosure Requirements</i> This Standard makes amendments to many Australian Accounting Standards, including Interpretations, to introduce reduced disclosure requirements into these pronouncements for application by certain types of entities. The Standard is not expected to have any financial impact on the Department. However this Standard may reduce some note disclosures in financial statements of the Department. DTF has not yet determined the application or the potential impact of the amendments to these Standards for agencies.	1 July 2013

AASB 2011-2	Amendments to Australian Accounting Standards arising from the Trans-Tasman Convergence Project – Reduced Disclosure Requirements [AASB 101 & AASB 1054]	1 July 2013
	This Amending Standard removes disclosure requirements from other Standards and incorporates them in a single Standard to achieve convergence between Australian and New Zealand Accounting Standards for reduced disclosure reporting. DTF has not yet determined the application or the potential impact of the amendments to these Standards for agencies.	
AASB 2010-5	<i>Amendments to Australian Accounting Standards [AASB 1, 3, 4, 5, 101, 107, 112, 118, 119, 121, 132, 133, 134, 137, 139, 140, 1023 & 1038 and Interpretations 112, 115, 127, 132 & 1042] (October 2010)</i>	1 Jan 2011
	This Standard introduces a number of terminology changes as well as minor presentation changes to the Notes to the Financial Statements. There is no financial impact resulting from the application of this revised Standard.	
AASB 2010-6	<i>Amendments to Australian Accounting Standards – Disclosures on Transfers of Financial Assets [AASB 1 & AASB 7]</i>	1 July 2011
	This Standard makes amendments to Australian Accounting Standards, introducing additional presentation and disclosure requirements for Financial Assets.	
	The Standard is not expected to have any financial impact on the Department. DTF has not yet determined the application or the potential impact of the amendments to these Standards for agencies.	
AASB 9	<i>Financial Instruments</i>	1 Jan 2013
	This Standard supersedes AASB 139 <i>Financial Instruments: Recognition and Measurement</i> , introducing a number of changes to accounting treatments.	
	The Standard was reissued on 6 Dec 2010 and the Department is currently determining the impact of the Standard. DTF has not yet determined the application or the potential impact of the Standard for agencies.	

Operative for reporting
periods beginning on/after**Note 7: Employee benefits expense**

AASB 2010-7 Amendments to Australian Accounting Standards arising from AASB 9 (December 2010) [AASB 1, 3, 4, 5, 7, 101, 102, 108, 112, 118, 120, 121, 127, 128, 131, 132, 136, 137, 139, 1023 & 1038 and Interpretations 2, 5, 10, 12, 19 & 127]

1 Jan 2013

This Amending Standard makes consequential adjustments to other Standards as a result of issuing AASB 9 *Financial Instruments* in December 2010. DTF has not yet determined the application or the potential impact of the Standard for agencies.

AASB 1054 Australian Additional Disclosures

1 July 2011

This Standard, in conjunction with *AASB 2011-1 Amendments to Australian Accounting Standards arising from the Trans-Tasman Convergence Project*, removes disclosure requirements from other Standards and incorporates them in a single Standard to achieve convergence between Australian and New Zealand Accounting Standards.

AASB 2011-1 Amendments to Australian Accounting Standards arising from the Trans-Tasman Convergence Project [AASB 1, 5, 101, 107, 108, 121, 128, 132 & 134 and Interpretations 2, 112 & 113]

1 July 2011

This Amending Standard, in conjunction with *AASB 1054 Australian Additional Disclosures*, removes disclosure requirements from other Standards and incorporates them in a single Standard to achieve convergence between Australian and New Zealand Accounting Standards.

	2011 \$000	2010 \$000
Wages and salaries ^(a)	108,011	105,596
Superannuation – defined contribution plans ^(b)	13,100	11,261
Superannuation – defined benefit plans ^(c)	-	-
Long service leave ^(d)	7,424	3,788
Annual leave ^(d)	17,375	12,780
Other related expenses	1,921	1,913
	147,831	135,338

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

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

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

(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 29 'Provisions'.

Changes in accounting estimates

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

Note 8: Supplies and services

	2011 \$000	2010 \$000
Managed contracts	1,628,327	1,710,080
Government leasing expense	1	4
Motor vehicles	821	761
Communications	3,298	2,978
Consultants and contractors ^(a)	52,355	47,515
Consumables	1,686	1,972
Repairs and maintenance	596	633
Travel	224	287
Legal costs	1,072	304
Other	5,460	5,868
	1,693,840	1,770,403

(a) Includes audit fees which generally would be the final audit fee for the previous year's audit plus the interim audit fee (if any). Refer also to note 38 'Remuneration of auditor'.

Supplies and services include amounts supplied free of charge as set out in note 16.

Note 9. Depreciation and amortisation expense

	2011 \$000	2010 \$000
<u>Depreciation</u>		
Buildings	4,199	5,558
Leasehold improvements	3,139	2,410
Motor vehicles	70,437	68,201
Furniture and equipment	113	125
Computer equipment	852	670
Office fit out	756	801
Total depreciation	79,494	77,765
<u>Amortisation</u>		
Computing software	22,471	15,970
Intangible – computer systems development	2,114	1,592
Total amortisation	24,585	17,562
Total depreciation and amortisation	104,079	95,327

Note 10. Finance costs

	2011 \$000	2010 \$000
WATC – Interest on borrowings	11,361	13,325
	11,361	13,325

Note 11. Accommodation expenses

	2011 \$000	2010 \$000
Lease rentals	14,270	12,814
Repairs and maintenance	3,578	3,373
Cleaning and security	203	206
	18,051	16,393

Note 12. Grants and subsidies

	2011 \$000	2010 \$000
Grant - Recurrent	109	149
Grant – Capital	-	-
	109	149

Note 13. Other expenses

	2011 \$000	2010 \$000
Minor purchases	822	715
Employment on-costs ^(a)	2,746	2,064
Cost of goods sold	127	134
Write offs	9	4
Other expenses	158	1,109
	3,862	4,026

(a) Includes workers' compensation insurance and other employment on-costs. The on-costs liability associated with the recognition of annual and long service leave liability is included at note 29 'Provisions'. Superannuation contributions accrued as part of the provision for leave are employee benefits and are not included in employment on-costs. Refer also to note 7 'Employee benefits expense'.

Note 14. Income

	2011 \$000	2010 \$000
User charges and fees		
Fees for managed building works	17,810	101,574
Miscellaneous services	4,941	5,705
Rents for government office accommodation	191,010	190,335
Managed building works ^(a)	1,409,088	1,435,096
Vehicle fleet lease rental	93,360	93,841
Other	22,417	14,506
	1,738,626	1,841,057
Commonwealth grants and contributions		
Commonwealth grants and contributions	582	2,746
	582	2,746
Interest revenue		
Interest revenue	1,627	830
	1,627	830
Other revenue		
Recoups	3,671	2,660
Government vehicle scheme (GVS)	249	247
Others	655	270
	4,575	3,177
	1,745,410	1,847,811

(a) Refer to note 19 'Receivables' and note 30 'Other Liabilities'.

Note 15. Net gain on disposal of non-current assets

	2011 \$000	2010 \$000
<u>Cost of disposal of non-current assets</u>		
Motor vehicles	70,530	69,049
Computers	2	-
Other assets	151	4
	<u>70,683</u>	<u>69,053</u>
<u>Proceeds from Disposal of Non-Current Assets</u>		
Motor vehicles	80,659	78,433
Computers	-	-
Other assets	6	-
	<u>80,665</u>	<u>78,433</u>
Net gain	<u>9,982</u>	<u>9,381</u>

Note 16. Income from State Government

	2011 \$000	2010 \$000
Appropriation received during the year:		
Service appropriation ^(a)	<u>238,562</u>	<u>194,224</u>
Resources received free of charge ^(b)		
Determined on the basis of the following estimates provided by agencies:		
- Department of the Attorney General	1,763	1,382
- Landgate	10,801	10,221
- Department of the Premier and Cabinet	461	482
	<u>13,025</u>	<u>12,085</u>
Royalties for Regions Fund:		
Regional Infrastructure and Headworks Account ^(c)	-	500
	<u>-</u>	<u>500</u>
	<u>251,587</u>	<u>206,809</u>

(a) Service appropriations are accrual amounts reflecting the net 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) Where assets or services have been received free of charge or for nominal cost, the Department recognises revenue equivalent to the fair value of the assets and/or the fair value of those services that can be reliably measured and which would have been purchased if they were not donated, and those fair values shall be recognised as assets or expenses, as applicable. Where the contributions of assets or services are in the nature of contributions by owners, the Department makes an adjustment direct to equity.

(c) This is a sub-fund within the over-arching 'Royalties for Regions Fund'. The recurrent funds are committed to projects and programs in WA regional areas.

Note 17. Cash and cash equivalents

	2011 \$000	2010 \$000
<u>Current</u>		
Cash at bank	117,041	261,098
Cash on hand	14	14
	<u>117,055</u>	<u>261,112</u>

Note 18. Restricted equivalents cash and cash

	2011 \$000	2010 \$000
<u>Current</u>		
Royalties for Regions Fund ^(a)	-	314
Conservation Fund ^(b)	-	1,417
Indian Ocean Territories Trust Fund	167	109
Fit out contribution ^(c)	8,853	9,113
	<u>9,020</u>	<u>10,953</u>
<u>Non-current</u>		
Accrued salaries suspense account ^(d)	2,709	2,068
	<u>11,729</u>	<u>13,021</u>

(a) These unspent funds are committed to projects and programs in WA regional areas.

(b) Unspent Commonwealth grant funding for the conservation of the main cell block at Fremantle Prison.

(c) Building owners' contribution received to fund fit out works for re-location of government agencies.

(d) Amount held in the suspense account is only to be used for the purpose of meeting the 27th pay in a financial year that occurs every 11 years.

Note 19. Receivables

	2011 \$000	2010 \$000
<u>Current</u>		
Receivables	49,144	81,650
Allowance for impairment of receivables	(9)	-
Accrued revenue	26,226	20,891
GST receivable	3,196	2,956
Interest receivable	98	89
Trust account ^(a)	9,382	15,132
	88,037	120,718
Construction work in progress ^(b) :		
- Contract costs incurred and recognised profits less recognised losses	2,830,506	1,520,730
- Correction of prior period error ^(c)	-	(561,441)
- Progress billing	(2,745,192)	(915,988)
	85,314	43,301
Total current	173,351	164,019

(a) This is the amount held in trust by the Department's corporate property manager for management of rental services and also the Department's management company for the Fremantle Prison Café.

(b) Construction work in progress has arisen under construction contracts.

(c) Total construction in progress was overstated by \$561million in 2010, being the 'Building the Education Revolution' projects stated at the gross instead of net level.

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

Refer to note 2(q) 'Receivables' and note 40 'Financial instruments'.

Reconciliation of changes in the allowance for impairment of receivables:

	2011 \$000	2010 \$000
Balance at start of year	-	-
Doubtful debts expense	(9)	-
Amounts written off during the year	-	-
Amount recovered during the year	-	-
Balance at end of year	(9)	-

Note 20. Finance lease receivables

The Department leases vehicles to Western Australian State Government agencies and entities. The majority of leases are operating leases, the balance are finance leases.

At balance date, the term of existing finance lease contracts varies between four and five years. A contract is subject to a fixed market rate of interest set at the time the contract is established. All contracts contain a renewal option and are secured by the underlying vehicle. Residual values are guaranteed by the relevant contracting agency or the entity.

	2011 \$000	2010 \$000
Gross investment in finance lease contracts	22,277	17,024
Less: Unearned finance income	(4,682)	(2,792)
Net investment in finance lease contracts	17,595	14,232
Less: Unguaranteed residual values of the finance leases at the balance date	-	-
Present value of the future minimum lease payment receivables	17,595	14,232
Accumulated allowances for unallocated minimum lease payment receivables	-	-

As at balance date, the gross investment and present value of receivables relating to the future minimum lease payments under non-cancellable finance lease arrangements were distributed as follows:

	2011 \$000	2010 \$000
<u>Current</u>		
Not later than one year	2,276	1,232
<u>Non-current</u>		
Later than one year and not later than 5 years	8,539	4,976
Later than 5 years	6,780	8,024
	15,319	13,000
	17,595	14,232

Note 21. Inventories

	2011 \$000	2010 \$000
<u>Current</u>		
Inventories held for resale	69	91
	69	91

Refer to note 2(p) 'Inventories'.

Note 22. Amounts receivable for services (Holding Account)

	2011 \$000	2010 \$000
Current	5,580	7,258
Non-current	114,790	89,251
	120,370	96,509

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

Refer to note 2(o) 'Amounts receivable for services (holding account)'.

Note 23. Other assets

	2011 \$000	2010 \$000
<u>Current</u>		
Prepayments	20,603	17,798
	20,603	17,798

Note 24. Property, plant and equipment

	2011 \$000	2010 \$000
<u>Land</u>		
At fair value(a)	180,126	179,216
Accumulated impairment losses	-	-
	180,126	179,216
<u>Buildings</u>		
At fair value(a)	201,329	207,830
Accumulated depreciation	(1,743)	(1,238)
Accumulated impairment losses	-	-
	199,586	206,592
<u>Buildings improvements in progress</u>		
At cost	-	-
	-	-
<u>Leasehold improvements</u>		
At cost	63,045	22,913
Accumulated depreciation	(6,603)	(3,464)
	56,442	19,449
<u>Furniture and equipment</u>		
At cost	790	806
Accumulated depreciation	(523)	(494)
	267	312
<u>Computer equipment</u>		
At cost	8,609	7,314
Accumulated depreciation	(6,420)	(5,869)
	2,189	1,445

	2011 \$000	2010 \$000
<u>Office fit out</u>		
At cost	6,592	7,004
Accumulated depreciation	(4,913)	(4,419)
	1,679	2,585
<u>Motor Vehicles</u>		
At cost	375,383	375,869
Accumulated depreciation	(102,069)	(95,812)
	273,314	280,057
<u>Works in progress</u>		
At cost	12,326	87
	12,326	87
Total		
At fair value/cost	848,200	801,039
Accumulated depreciation	(122,271)	(111,296)
	725,929	689,742

(a) Land and buildings (except for Kalgoorlie Public Buildings) were revalued as at 1 July 2010 by the Western Australian Land Information Authority (Valuation Services). The valuations were performed during the year ended 30 June 2011 and recognised at 30 June 2011. In undertaking the revaluation, fair value was determined by reference to market values for land: \$79,021,700 and buildings: \$130,795,000. For the remaining balance, fair value of land was determined on the basis of current use and for buildings on the basis of depreciated replacement cost. Kalgoorlie Public Buildings were revalued as at 1 July 2011 as a market valuation was obtained for its transfer to the Department of the Attorney General on 1 July 2011.

Refer also to note 2(g) 'Property, Plant and Equipment'.

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

	Land	Buildings	Building improvements in progress	Leasehold improvements	Furniture and equipment	Computer equipment	Office fit out	Motor vehicles	Work in progress	Total
2011	\$000	\$000	\$000	\$000	\$000	\$000	\$000	\$000	\$000	\$000
Carrying amount at start of year	179,216	206,592	-	19,449	312	1,445	2,585	280,057	87	689,742
Additions	-	-	3,861	40,132	67	1,599	-	138,013	12,326	195,998
Transfers	-	3,861	(3,861)	-	-	-	-	-	(87)	(87)
Other disposals	-	-	-	-	-	(2)	(150)	(74,319)	-	(74,471)
Revaluations	910	(6,668)	-	-	-	-	-	-	-	(5,758)
Depreciation	-	(4,199)	-	(3,139)	(113)	(852)	(756)	(70,437)	-	(79,494)
Carrying amount at end of year	180,126	199,586	-	56,442	266	2,190	1,679	273,314	12,326	725,929
2010										
Carrying amount at start of year	238,282	248,191	153,717	20,879	293	982	1,678	297,943	1,723	963,688
Additions	-	4,351	-	980	185	1,153	1,719	141,404	83	149,875
Transfers	-	-	(153,717)	-	(41)	-	(6)	-	(1,719)	(155,483)
Other disposals	-	-	-	-	-	(21)	(4)	(91,089)	-	(91,114)
Revaluations	(59,066)	(40,392)	-	-	-	-	-	-	-	(99,458)
Depreciation	-	(5,558)	-	(2,410)	(125)	(670)	(801)	(68,201)	-	(77,765)
Carrying amount at end of year	179,216	206,592	-	19,449	312	1,445	2,585	280,057	87	689,742

Note 25. Intangible assets

	2011	2010
	\$000	\$000
<u>Licence^(a)</u>		
At cost	18,737	15,550
Accumulated amortisation	(8,126)	(6,013)
	<u>10,611</u>	<u>9,537</u>
<u>Computer software</u>		
At cost	199,490	146,302
Accumulated amortisation	(67,764)	(45,294)
	<u>131,726</u>	<u>101,008</u>
<u>Work in progress</u>		
At cost	29,824	38,986
	<u>29,824</u>	<u>38,986</u>
Total		
At cost	248,051	200,838
Accumulated amortisation	(75,890)	(51,307)
	<u>172,161</u>	<u>149,532</u>

(a) Renamed from 'Computer systems development'

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

	Licence^(a)	Computer software	Work in progress	Total
2011	\$000	\$000	\$000	\$000
Carrying amount at start of year	9,537	101,008	38,986	149,531
Additions	3,187	-	44,026	47,213
Transfers	-	-	-	-
Transfers to computer software	-	53,188	(53,188)	-
Revaluation increments	-	-	-	-
Impairment losses recognised in Statement of Comprehensive Income	-	-	-	-
Impairment losses reversed in Statement of Comprehensive Income	-	-	-	-
Amortisation expense	(2,113)	(22,471)	-	(24,584)
Carrying amount at end of year	<u>10,611</u>	<u>131,725</u>	<u>29,824</u>	172,161
2010				
Carrying amount at start of year	11,130	70,226	38,558	119,914
Additions	-	-	47,180	47,180
Transfers	-	-	-	-
Transfers to computer software	-	46,752	(46,752)	-
Revaluation increments	-	-	-	-
Impairment losses recognised in Statement of Comprehensive Income	-	-	-	-
Impairment losses reversed in Statement of Comprehensive Income	-	-	-	-
Amortisation expense	(1,593)	(15,970)	-	(17,563)
Carrying amount at end of year	<u>9,537</u>	<u>101,008</u>	<u>38,986</u>	149,532

(a) Renamed from 'Computer systems development'

Note 26. Impairment of assets

There were no indications of impairment to property, plant and equipment and intangible assets at 30 June 2011. The Department held no goodwill or intangible assets with an indefinite useful life during the reporting period. All surplus assets at 30 June 2011 have either been classified as assets held for sale or written-off.

Note 27. Payables

	2011 \$000	2010 \$000
<u>Current</u>		
Trade payables	1,537	2,146
GST payables	2,047	5,158
Accrued salaries	3,366	2,043
Accrued expenses	127,085	119,324
Interest – Western Australia Treasury Corporation	455	512
Other payables	69	21
Total current	134,559	129,204

Refer to note 3(r) 'Payables' and note 40 'Financial instruments'.

Note 28. Borrowings

	2011 \$000	2010 \$000
<u>Current</u>		
Western Australia Treasury Corporation	84,540	85,278
	84,540	85,278
<u>Non-current</u>		
Western Australia Treasury Corporation	105,262	129,331
	105,262	129,331
Total Borrowings	189,802	214,609

Note 29. Provisions

	2011 \$000	2010 \$000
<u>Current</u>		
Employee benefits provision		
Annual leave ^(a)	17,160	14,683
Long service leave ^(b)	21,594	15,857
Others	(54)	-
	38,700	30,540
Other provisions		
Employment on-costs ^(c)	71	56
	71	56
Total current	38,771	30,597
<u>Non current</u>		
Employee benefits provision		
Long service leave ^(b)	8,895	10,162
	8,895	10,162
Other provisions		
Employment on-costs ^(c)	16	40
Restoration costs ^(d)	474	473
Others	107	-
	597	513
Total Non-current	9,492	10,674
	48,263	41,272

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

	2011 \$000	2010 \$000
Within 12 months of the end of the reporting period	10,253	8,609
More than 12 months after the reporting period	6,906	6,075
	17,159	14,684

(b) Long service leave liabilities have been classified as current where there is no unconditional right to defer settlement for at least 12 months after the reporting period. Assessments indicate that actual settlement of the liabilities will occur as follows:

	2011 \$000	2010 \$000
Within 12 months of the end of the reporting period	8,473	11,710
More than 12 months after the reporting period	22,014	14,307
	30,487	26,017

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

(d) 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 other provisions

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

	2011 \$000	2010 \$000
<u>Restoration costs provisions</u>		
Carrying amount at start of year	473	473
Provisions transferred in	-	-
Additional provisions recognised	1	-
Payments/other sacrifices of economic benefits	-	-
Unwinding of the discount	-	-
Carrying amount at end of year	474	473

	2011 \$000	2010 \$000
<u>Employment on-cost provision</u>		
Carrying amount at start of year	97	1,321
Provisions transferred in	-	-
Additional provisions recognised	15	(1,168)
Payments/other sacrifices of economic benefits	(25)	(56)
Unwinding of the discount	-	-
Carrying amount at end of year	87	97
	<u>561</u>	<u>570</u>

Note 30. Other liabilities

	2011 \$000	2010 \$000
<u>Current</u>		
Invoices raised for services to be completed next financial year	2,305	1,149
	<u>2,305</u>	<u>1,149</u>
Prepayments for construction work in progress		
Progress billing	1,230,414	2,477,935
Correction of prior period error	-	-
Restated balance of progress billing	1,230,414	2,477,935
Contract costs incurred and recognised profits less recognised losses	(1,135,260)	(1,652,200)
Correction of prior period error ^(a)	-	(561,441)
Restated Balance of contract costs incurred and recognised profits less recognised losses	(1,135,260)	(2,213,641)
Total prepayments for construction work in progress	<u>95,154</u>	<u>264,294</u>
Other	109	109
Total current	<u>97,568</u>	<u>265,552</u>

(a) Total construction in progress was overstated by \$561million in 2010, being the 'Building the Education Revolution' projects stated at the gross instead of net level.

Note 31. Equity

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 asset revaluation surplus represents that portion of equity resulting from the revaluation of non-current assets.

Contributed equity

	2011 \$000	2010 \$000
Balance at start of period	799,235	987,846
<u>Contributions by owners</u>		
Capital appropriation	108,126	55,370
<u>Distribution to owners</u>		
Transfer of net assets to other agencies:		
Department of Indigenous Affairs (Fitzroy Futures Fund)	(1,130)	-
Venues West	-	(242,952)
Department of Commerce	-	(1,057)
Regional Buying Centre	-	28
Total distribution to owners	(1,130)	(243,981)
Balance at end of period	<u>906,231</u>	<u>799,235</u>
Reserves		
<u>Asset revaluation surplus</u>		
Balance at start of year	-	2,310
Net revaluation increments/(decrements):	-	-
Buildings	-	(2,310)
Balance at end of year	<u>-</u>	<u>-</u>
Accumulated surplus/ (deficit)		
Balance at start of year	(73,837)	(5,729)
Result for the period	22,088	(68,108)
Balance at end of year	<u>(51,749)</u>	<u>(73,837)</u>

Note 32. Notes to the Statement of Cash Flows**Reconciliation of cash**

Cash at the end of the financial year as shown in the Statement of Cash Flows is reconciled to the related items in the Statement of Financial Position as follows:

	2011	2010
	\$000	\$000
Cash and cash equivalents ^(a)	117,055	261,112
Restricted cash and cash equivalents ^(b)	11,729	13,021
	128,784	274,133

(a) Refer to note 17 and note 18 (current)

(b) Refer to note 18 (non-current)

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

	2011	2010
	\$000	\$000
Net cost of services	(229,499)	(272,606)
Non-cash items		
Depreciation and amortisation expense (note 9)	104,079	95,327
Doubtful debts expense	-	4
Superannuation expense	-	-
Resources received free of charge (note 16)	13,025	12,085
Finance costs – unwinding of discounts	-	-
Net revaluation decrement	5,758	94,837
Net (gain)/loss on sale of property, plant and equipment (note 15)	(9,982)	(9,381)
Loss from earthquake	-	-

(Increase)/decrease in assets

	2011	2010
	\$000	\$000
Current receivables ^(a)	560,777	(23,882)
Current inventories	-	-
Other current assets	(7,300)	(88,764)

Increase/(decrease) in liabilities

	2011	2010
	\$000	\$000
Current payables ^(a)	(729,732)	325,434
Accrued salaries	1,840	417
Unearned revenues	1,156	(359)
Current provisions	(8,379)	-
Other current liabilities	1,315	(49,784)
Employee benefits	8,304	(11,703)
Other non-current liabilities	4,166	(3,863)

Net GST receipts/(payments) ^(b)	41	872
Change in GST in receivables/payables ^(c)	3	(1,790)
Net cash provided by/(used in) operating activities	(284,429)	66,843

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

(b) This is the net GST paid/received, ie. cash transactions.

(c) This reverses out the GST in receivables and payables.

At the end of the reporting period, the Department had fully drawn on all financing facilities, details of which are disclosed in the financial statements.

Note 33. Resources provided free of charge

During the year the following resources were provided to other agencies free of charge for functions outside the normal operations of the Department:

	2011	2010
	\$000	\$000
Department of Education	26,031	2,794
Department of Training and Workforce Development	233	225
Department of Health	3,479	2,890
Western Australia Police Service	4,043	943
Western Australian Tourism Commission	147	136
Department of Fisheries	175	181
Department of Agriculture and Food	283	273
Department of the Attorney General	1,683	309
Office of Custodial Services	6	-
Disability Services Commission	334	310
Department of Culture and the Arts	118	107
Department of Transport	570	520
Department of Planning	57	65
Department of Water	255	181
Landgate	393	375
Department of the Premier and Cabinet	904	771
Department of Commerce	299	273
Department of Mines and Petroleum	290	284
Department of Corrective Services	2,631	782
Department of Environment and Conservation	322	319

Department for Child Protection	1,249	521	WA Treasury Corporation	6	5
State Development	111	114	Water Corporation	6	5
Department of Indigenous Affairs	63	54	Wheatbelt Development Commission	19	16
Mid west Development Commission	13	11	Industrial Relations Commission WA	6	5
Curriculum Council	13	11	Kimberley Development Commission	13	11
Office of Energy	6	5	Legal Aid Commission Western Australia	6	5
Department of Racing, Gaming and Liquor	6	5	Law Reform Commission of Western Australia	6	5
Department of Education Services	13	5	Economic Regulation Authority	6	5
Parliamentary Services Department	6	6	Corruption and Crime Commission	6	5
Legislative Assembly	6	5	Peel Development Commission	6	5
Legislative Council	6	5	Forest Products Commission	13	11
Ombudsman Western Australia	13	11	Western Australia Meat Industry Authority	6	5
Pilbara Development Commission	6	5	Independent Market Operator	6	5
Office of the Public Sector Standards Commission	-	5	Small Business Development Corporation	6	11
Equal Opportunity Commission	6	5	Office of the Director of Public Prosecutions	6	162
Rottneest Island Authority	-	5	Department for Communities	108	16
Swan River Trust	6	65	West Coast Institute of Training	6	5
Office of the Information Commissioner	6	5	Office of the Commissioner for Children	6	5
Department of Sport and Recreation	483	49	Office of Road Safety	6	5
Goldfields Esperance Development Commission	13	11	Venues West	6	5
Great Southern Development Commission	6	5	Chem Centre	6	5
South West Development Commission	13	11	Department of Public Sector Commission	25	11
Western Australian Electoral Commission	19	16	Gascoyne Development Commission	6	-
Heritage Council of WA	6	5		44,728	13,072
Department of Housing	120	81			

Note 34. Commitments**Capital expenditure commitments**

Capital expenditure commitments, being contracted capital expenditure additional to the amounts reported in the financial statements, are payable as follows:

	2011 \$000	2010 \$000
Within 1 year	36,002	8,716
Later than 1 year and not later than 5 years	329	-
Later than 5 years	-	-
	36,331	8,716

Lease commitments

Commitments in relation to leases contracted for at the end of the reporting period but not recognised in the financial statements are payable as follows:

	2011 \$000	2010 \$000
Within 1 year	128,745	121,596
Later than 1 year and not later than 5 years	307,375	335,536
Later than 5 years	202,775	142,502
	638,895	599,634

Representing:		
Cancellable operating leases	195	129
Non-cancellable operating leases	638,700	599,505
Future finance charges on finance leases	-	-
	638,895	599,634

The property leases have terms ranging from 1 year to 15 years, with rent generally payable monthly in advance. Depending on the terms and conditions of the lease concerned, rent review provisions exist which generally result in rental increases throughout the lease term. Options exist in most leases which permit leases to be extended under the prevailing lease terms and conditions, resulting in leases being extended beyond their original lease term.

Non cancellable operating lease commitments
Commitments for minimum lease payments are payable as follows:

	2011 \$000	2010 \$000
Within 1 year	128,549	121,467
Later than 1 year and not later than 5 years	307,375	302,853
Later than 5 years	202,775	175,185
	638,700	599,505

The property lease is a non-cancellable lease with a five year term, with rent payable monthly in advance. Contingent rent provisions within the lease agreement require that the minimum lease payments shall be increased by the lower of CPI or 4% per annum. An option exists to renew the lease at the end of the five year term for an additional term of five years.

Note 35. Contingent liabilities and contingent assets

Contingent liabilities

In addition to the liabilities included in the financial statements, there are the following contingent liabilities:

Contract Claims in Dispute

	2011 \$000	2010 \$000
Contract Claims	9,516	17,213

Claims have been submitted by contractors in relation to services provided under works contracts. The contingent liability is the difference between the amount of the claim and the liability estimated by the Departments - Building Management and Works Business based on legal advice.

Contaminated Sites Act 2003

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 contaminated - remediation required or possibly contaminated - investigation required, 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 2(u) 'Provisions and note 29 'Provisions'.

Contingent assets

Contingent assets are additional to the assets included in the financial statements.

	2011 \$000	2010 \$000
Litigation in progress	975	-

The Department is expected to receive compensation from a service provider who failed to exercise an option resulting in the Department having to pay an increased market rent.

Note 36. Related Bodies and Affiliated bodies

The Department has no related bodies or affiliated bodies.

Note 37. Events occurring after the end of the reporting period

Abolition and redesignation of the Department

Pursuant to section 35(2) of the Public Sector Management Act 1994, as per the Western Australian Government Gazette notification dated 25 March 2011, the West Australian Government established a new Department and designated it as the Department of Finance with effect from 1 July 2011 and altered the designation of the Department of Treasury and Finance and designated it as the Department of Treasury with effect from 1 July 2011.

Under this arrangement, the Department of Finance will concentrate on revenue administration, management of government building projects and works, government procurement and provision of shared corporate services. The Department of Treasury will continue to advise the State Government and implement policies to improve the efficiency of service provision. This event would not affect the financial statements.

Decommissioning of Shared Services Centre

In July 2011, the Western Australian Government endorsed a recommendation of the Economic Regulation Authority to decommission the Shared Services Centre. As the full details of the decommissioning process are not yet available, it is too early to determine whether there is an impairment of intangible assets or other financial consequences of this event.

Note 38. Remuneration of auditor

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

	2011 \$000	2010 \$000
Department of Treasury and Finance	520	560
Annual Report on State Finances	319	336
Royalties for Regions certification	3	-
	842	896

Note 39. Remuneration of senior officers

The number of senior officers whose total fees, salaries, superannuation, non-monetary benefits and other benefits for the financial year fall within the following bands are:

	2011	2010
\$		
20,001 – 30,000	-	-
30,001 – 40,000	-	1
40,001 – 50,000	-	-
50,001 – 60,000	-	-
60,001 – 70,000	-	1
70,001 – 80,000	1	-
80,001 – 90,000	-	1
90,001 – 100,000	-	2
100,001 – 110,000	1	1
110,001 – 120,000	1	3
120,001 – 130,000	-	1
130,001 – 140,000	1	-
140,001 – 150,000	1	-
150,001 – 160,000	1	-
160,001 – 170,000	1	-
170,001 – 180,000	1	-
180,001 – 190,000	-	1
190,001 – 200,000	1	-
200,001 – 210,000	1	-
210,001 – 220,000	1	-
220,001 – 230,000	1	-
230,001 – 240,000	1	-
240,001 – 250,000	1	-
250,001 – 260,000	1	-
260,001 – 270,000	1	-
270,001 – 280,000	1	-
280,001 – 290,000	1	-
290,001 – 300,000	1	-
300,001 – 310,000	1	-
310,001 – 320,000	1	-
320,001 – 330,000	1	-
330,001 – 340,000	1	-
340,001 – 350,000	1	-
350,001 – 360,000	1	-
360,001 – 370,000	1	-
370,001 – 380,000	1	-
380,001 – 390,000	1	-
390,001 – 400,000	1	-
400,001 – 410,000	1	-
410,001 – 420,000	1	-
420,001 – 430,000	1	-
430,001 – 440,000	1	-
440,001 – 450,000	1	-
450,001 – 460,000	1	-
460,001 – 470,000	1	-
Total remuneration of senior officers (\$'000)	2,124	2,540

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

Note 40. 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, borrowings, finance leases, Treasurer's advances, loans and receivables, and payables.

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

Credit risk

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

The maximum exposure to credit risk at the end of the reporting period in relation to each class of recognised financial assets is the gross carrying amount of those assets inclusive of any provisions for impairment as shown in the table at note 40(c) 'Financial instruments disclosures' and note 19 'Receivables'.

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

Liquidity risk

Liquidity risk arises when the Department is unable to meet its financial obligations as they fall due. The Department is exposed to liquidity risk through its trading in the normal course of business. The Department has appropriate procedures to manage cash flows including drawdowns of appropriations by monitoring forecast cash flows to ensure that sufficient funds are available to meet its commitments.

The Department has a facility agreement in place with the Western Australian Treasury Corporation (WATC) to borrow up to \$250 million to meet State Fleet contractual requirements, purchase vehicles and provide working capital. As at 30 June 2011 \$190 million was drawn against the facility.

Market risk

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

The Department's exposure to market risk for changes in interest rates relate primarily to the long-term debt obligations.

The Department's borrowings are all obtained through the Western Australian Treasury Corporation (WATC) and are at fixed rates with varying maturities. 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 at note 40(c), the Department is not exposed to interest rate risk because apart from minor amounts of restricted cash, all other cash and cash equivalents and restricted cash are non-interest bearing and have no borrowings other than the Treasurer's advance (non-interest bearing), WATC borrowings and finance leases (fixed interest rate).

(b) Categories of financial instruments

In addition to cash and bank overdraft, the carrying amounts of each of the following categories of financial assets and financial liabilities at the end of the reporting period are as follows:

	2011 \$000	2010 \$000
Financial Assets		
Cash and cash equivalents	117,055	261,112
Restricted cash and cash equivalents	11,729	13,021
Receivables ^(a)	170,164	161,063
Finance lease receivables	17,595	14,232
Amounts receivable for services	120,370	96,509
	436,913	545,937
Financial Liabilities		
Payables ^(b)	132,512	124,046
WATC borrowings	189,802	214,609
Prepayments – construction project in progress	95,154	264,294
	417,468	602,949

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

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

(c) Financial instrument disclosures**Credit risk and interest rate exposures**

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

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

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.

Interest rate exposures and ageing analysis of financial assets(a)

	Weighted average effective interest rate %	Interest rate exposure				Past due but not impaired					Impaired financial assets
		Carrying amount	Fixed interest rate	Variable interest rate	Non-interest bearing	Up to 3 months	3-12 months	1-2 years	2-5 years	More than 5 years	
		\$000	\$000	\$000	\$000	\$000	\$000	\$000	\$000	\$000	
Financial Assets											
2011											
Cash and cash equivalents	5.13%	117,055	-	9,008	108,047	-	-	-	-	-	-
Restricted cash and cash equivalents	-	11,729	-	-	11,729	-	-	-	-	-	-
Receivables ^(a)	-	170,164	-	-	170,164	46,048	3,535	388	-	-	-
Finance lease receivables	6.32%	17,595	-	17,595	-	553	1,723	2,338	6,200	6,780	-
Amounts receivable for services	-	120,370	-	-	120,370	80,052	-	-	-	-	-
		436,913		26,603	410,310	126,653	5,258	2,726	6,200	6,780	-
2010											
Cash and cash equivalents	4.13%	261,112	-	9,352	251,760	-	-	-	-	-	-
Restricted cash and cash equivalents	-	13,021	-	-	13,021	-	-	-	-	-	-
Receivables ^(a)	-	161,063	-	-	161,063	75,918	4,761	103	-	-	-
Finance lease receivables	6.52%	14,232	-	14,232	-	50	1,182	1,271	3,705	8,024	-
Amounts receivable for services	-	96,509	-	-	96,509	81,219	-	-	-	-	-
		545,937		23,584	522,353	157,187	5,943	1,374	3,705	8,024	-

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

Liquidity risk

The following table details the contractual maturity analysis for financial liabilities. The contractual maturity amounts are representative of the undiscounted amounts at the end of the reporting period. The table includes interest and principal cash flows. An adjustment has been made where material.

Interest rate exposure and maturity analysis of financial liabilities

	Weighted average effective interest rate	Carrying amount	Interest rate exposure				Maturity date					
			Fixed interest rate	Variable interest rate	Non-interest bearing	Adjustment for discounting	Total nominal amount	Up to 3 months	3-12 months	1-2 years	2-5 years	More than 5 years
			%	\$000	\$000	\$000	\$000	\$000	\$000	\$000	\$000	\$000
<u>Financial Liabilities</u>												
2011												
Payables(a)	5.19%	132,512	454	-	132,058	-	132,512	128,681	3,725	86	18	-
WATC borrowings	5.19%	189,802	189,802	-	-	-	189,802	20,330	64,210	67,554	37,708	-
Prepayments – construction projects in progress	-	95,154	-	-	95,154	-	95,154	95,154	-	-	-	-
		417,468	190,256		227,212	-	417,468	244,165	67,935	67,640	37,726	-
2010												
Payables(a)	5.39%	124,046	511	-	123,535	-	124,046	102,851	21,195	-	-	-
WATC borrowings	5.39%	214,609	214,609	-	-	-	214,609	19,370	65,908	88,253	41,078	-
Prepayments – construction projects in progress	-	264,294	-	-	264,294	-	264,294	264,294	-	-	-	-
		602,949	215,120		387,829	-	602,949	386,515	87,103	88,253	41,078	-

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

Interest rate sensitivity analysis

The following table represents a summary of the interest rate sensitivity of the Department's financial assets and liabilities at the end of the reporting period on the surplus for the period and equity for a one per cent change in interest rates. It is assumed that the change in interest rates is held constant throughout the reporting period.

	Carrying amount \$000	-100 basis points		+100 basis points	
		Surplus \$000	Equity \$000	Surplus \$000	Equity \$000
2011					
Financial Assets					
Cash and cash equivalents	9,008	(90)	(90)	90	90
Finance lease receivables	17,595	(176)	(176)	176	176
Total Increase/(Decrease)	26,603	(266)	(266)	266	266
2010					
Financial Assets					
Cash and cash equivalents	9,352	(94)	(94)	94	94
Finance lease receivables	14,232	(142)	(142)	142	142
Total Increase/(Decrease)	23,584	(236)	(236)	236	236

Fair values

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

Note 41. Explanatory statement – controlled items

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 ten per cent of the principal amount. In respect of any item for which there is not a significant variation, no explanation is given.

Total appropriations provided to deliver servicesSignificant variances between estimates and actual 2011

	2011 Estimate \$000	2011 Movements \$000	2011 Actual \$000
Appropriation provided to deliver services ^(a)	210,401	28,720	239,121
Section 25 Transfer to Department of Education for a procurement officer	-	(251)	(251)
Section 25 Transfer to Landgate	-	(22)	(22)
Reduction in appropriation due to severance payments	-	(329)	(329)
Increased Salaries and Allowances Act	-	3	3
Increased District allowance for Government Procurement	-	40	40
	210,401	28,161	238,562

(a) In addition to the Section 25 transfers explained above, the main reason for the variance in appropriation for services is receipt of supplementary funding for the following items:

	\$000
Salaries cost escalation	152
Additional appeal and legal costs	500
Shared Services Reform Project	
- Additional costs due to roll in delays	5,900
Fitout costs for Hale House project	250
Increased depreciation associated with office accommodation	828
Rent and vacant space leasing commitments	18,806
Duty assessments costs	900
Community sector funding in relation to extra FTEs	384
Additional funding for corporate accommodation	1,000
	<u>28,720</u>

Significant variances between actual results for 2010 and 2011

	2011 \$000	2010 \$000	Variance \$000
Total appropriation provided to deliver services for the year	238,562	194,224	44,338 ^(a)
Total income	<u>1,755,392</u>	<u>1,857,192</u>	<u>(101,800)</u>

(a) Total appropriation provided to deliver services for the year - The variance is mainly due to the additional funding received due to the increase in recurrent expenditure for Government building maintenance and Shared Corporate Services.

	2011 Estimate \$000	2011 Actual \$000	Variance \$000
1. Financial management and reporting	6,898	6,556	(342)
2. State Fleet Service	86,725	82,796	(3,929)
3. Economic and revenue forecasts and policy development	11,370	10,366	(1,004)
4. Revenue assessment and collection	39,724	37,841	(1,883)
5. Grants and subsidies administration	3,929	3,606	(323)
6. Evaluation and planning of government service delivery and infrastructure provision	17,262	17,840	578
7. Facilitate the development and management of agency specific contracts	28,044	27,557	(486)
8. Development and management of whole of government common use contract arrangements	8,747	9,232	486
9. Project management, coordination and implementation of the whole of government shared corporate services reform	13,193	10,584	(2,609) ^(a)
10. Provision of financial and human resources services	69,690	83,163	13,472 ^(b)
11. Leads the planning and delivery of new government buildings	1,214,223	1,238,641	24,418
12. Leads the planning and delivery of government building maintenance	201,961	221,809	19,848
13. Leads the planning and delivery of government office accommodation	223,368	234,898	11,530
	<u>1,925,134</u>	<u>1,984,891</u>	<u>59,757</u>

(a) Project management, coordination and implementation of the whole of government shared corporate services reform, service 9. The favourable variance of \$2.6 million is mainly due to the transfer of resources to service 10 (provision of financial and human resources) to roll in additional agencies. Further, the distribution of corporate overheads increased the favourable variance in comparison to the Estimate for 2011.

(b) Provision of financial and human resources services. – As explained under (a) above, resources from service 9 were allocated to roll in of additional agencies, in comparison to the budget. Further, there was a reallocation of corporate overheads between services.

Service expenditureSignificant variances between actual results for 2010 and 2011

	2011 \$000	2010 \$000	Variance \$000
1. Financial management and reporting	6,556	6,840	(284)
2. State Fleet Service	82,796	83,036	(240)
3. Economic and revenue forecasts and policy development	10,366	10,402	(35)
4. Revenue assessment and collection	37,841	36,330	1,511
5. Grants and subsidies administration	3,606	3,549	57
6. Evaluation and planning of government service delivery and infrastructure provision	17,840	17,569	272
7. Facilitate the development and management of agency specific contracts	27,557	24,662	2,895 ^(a)
8. Development and management of whole of government common use contract arrangements	9,232	9,321	(89)
9. Project management, coordination and implementation of the whole of government shared corporate services reform	10,584	10,211	373
10. Provision of financial and human resources services	83,163	69,355	13,808
11. Leads the planning and delivery of new government buildings	1,238,641	1,346,320	(107,679) ^(b)
12. Leads the planning and delivery of government building maintenance	221,809	198,407	23,402
13. Leads the planning and delivery of government office accommodation	234,898	313,797	(78,899) ^(c)
	1,984,891	2,129,798	(144,907)

(a) *Facilitate the development and management of agency specific contracts* – The increase in 2011 expenditure in comparison to 2010 is mainly due to the increase in cost of Regional Buying Centres coupled with a redistribution of corporate overheads. 2011 overheads included the new funding and contract services.

(b) *Leads the planning and delivery of Government building maintenance* – The variance in expenditure in comparison to 2010 is mainly due to the reduction in expenditure on the infrastructure Delivery Programs and Building the Education Revolution program.

(c) *Leads the planning and delivery of Government office accommodation* – The variance is due to inclusion of the decrement of land and buildings in 2010.

Capital contributionSignificant variances between estimate and actual for 2011

	2011 Estimate \$000	2011 Actual \$000	Variance \$000
Capital contribution	96,627	108,126	11,499 ^(a)

(a) The increase in capital contribution mainly reflects the additional funding received for the Master Planning Strategy for Government Office Accommodation project.

Significant variances between actual results for 2010 and 2011

	2011 \$000	2010 \$000	Variance \$000
Capital contribution	108,126	55,370	52,756 ^(a)

(a) Actual capital contribution increased from \$55.370 million in 2010 to \$108.126 million in 2011. The increase is mainly due to funding received for the Master Planning Strategy for Government Office Accommodation project.

Note 42. Explanatory statement – administered items

The summary of Administered Items discloses appropriations and other statutes expenditure, the actual expenditures made and the revenue estimates and revenue earned. The following table compares budget estimates and actual results for 2011 of items having significant variations, and explanations for the variations are given below. A significant variation is one that is in excess of ten per cent of the principal figure and \$10 million.

	2011	2011		2011	2010	
	Estimate	Actual	Variance	Actual	Actual	Variance
	\$000	\$000	\$000	\$000	\$000	\$000
ADMINISTERED TRANSACTIONS						
RECURRENT ADMINISTERED						
<u>Community Service Obligation Payments</u>						
Item 12 Electricity Retail Corporation (Synergy)	202,978	324,527	121,549	324,527	216,977	107,550
Total Community Service Obligations	202,978	324,527	121,549	324,527	216,977	107,550
<u>Administered grants, subsidies and other transfer payments</u>						
Item 20 First Home Owners' Assistance	134,960	101,970	(32,990)	101,970	325,268	(223,298)
Item 21 Goods and Services Tax (GST) Administration Costs	70,300	69,308	(992)	69,308	57,894	11,414
Item 23 Payroll Tax Rebate	100,000	100,421	421	100,421	-	100,421
Item 26 Provision for District Allowances ^(a)	11,591	-	(11,591)	-	-	-
Item 31 Royalties for Regions	454,526	454,526	-	454,526	338,164	116,362
Item 34 All Other Grants, Subsidies and Transfer Payments						
- Department for Child Protection	-	-	-	-	14,200	(14,200)
Total Administered grants, subsidies and other transfer payments	771,377	726,225	(45,152)	726,225	735,526	(9,301)
<u>Authorised by Other Statutes</u>						
Western Australian Treasury Corporation Act 1986 - Interest	224,600	192,468	(32,132)	192,468	42,033	150,435
Total Amounts Authorised by Other Statutes	224,600	192,468	(32,132)	192,468	42,033	150,435
Total Recurrent Administered	1,198,955	1,243,220	44,265	1,243,220	994,536	248,684

	2011	2011		2011	2010	
	Estimate	Actual	Variance	Actual	Actual	Variance
	\$000	\$000	\$000	\$000	\$000	\$000
ADMINISTERED CAPITAL						
<u>Government Equity Contributions</u>						
Item 120 Department of Corrective Services	69,050	1,846	(67,204)	1,846	15,945	(14,099)
Item 121 Electricity Generation Corporation (Verve Energy)	165,508	160,508	(5,000)	160,508	81,571	78,937
Item 125 Port Hedland Port Authority	750	750	-	750	21,000	(20,250)
Item 126 Royalties for Regions	363,299	363,299	-	363,299	305,836	57,463
Item 127 WA Health	186,407	150,566	(35,841)	150,566	97,782	52,784
Total Government Equity Contributions	785,014	676,969	(108,045)	676,969	522,134	154,835
Other						
Item 129 Perry Lakes Trust Account	1,166	1,166	-	1,166	17,340	(16,174)
Total Other Capital Contributions	1,166	1,166	-	1,166	17,340	(16,174)
Total Administered Capital Contributions	786,180	678,135	(108,045)	678,135	539,474	138,661
TOTAL ADMINISTERED TRANSACTIONS	1,985,135	1,921,355	(63,780)	1,921,355	1,534,010	387,345

	2011	2011		2011	2010	
	Estimate	Actual	Variance	Actual	Actual	Variance
	\$000	\$000	\$000	\$000	\$000	\$000
DETAILS OF INCOME ESTIMATES						
<u>Taxation</u>						
Payroll Tax	2,453,361	2,624,830	171,469	2,624,830	2,299,942	324,888
Transfer Duty	1,601,678	1,226,668	(375,010)	1,226,668	1,551,816	(325,148)
Landholder Duty	58,100	47,336	(10,764)	47,336	87,442	(40,106)
Other Tax	-	350,000	350,000	350,000	-	350,000
	4,113,139	4,248,834	135,695	4,248,834	3,939,200	309,634
<u>Commonwealth Grants</u>						
Compensation for Crude Oil Excise Condensate	57,100	61,099	3,999	61,099	50,073	11,026
GST Grants	3,374,000	3,158,371	(215,629)	3,158,371	3,589,635	(431,264)
Non- Government Schools	887,423	1,006,504	119,081	1,006,504	1,078,609	(72,105)
First Home Owners' Boost	0	28,914	28,914	28,914	168,388	(139,474)
	4,318,523	4,254,888	(63,635)	4,254,888	4,886,705	(631,817)
<u>Dividends and Taxes</u>						
Government Enterprises - Dividends	660,693	687,031	26,338	687,031	570,271	116,760
	660,693	687,031	26,338	687,031	570,271	116,760
<u>Other Revenue</u>						
Consolidated Account Revenue Received from Agencies	4,386,508	5,077,232	690,724	5,077,232	3,112,232	1,965,000
Interest	188,191	248,932	60,741	248,932	160,276	88,656
Gold State Superannuation Reimbursement	132,984	167,220	34,236	167,220	143,694	23,526
Other Revenue	82,888	140,617	57,729	140,617	114,220	26,397
	4,790,571	5,634,001	843,430	5,634,001	3,530,422	2,103,579
TOTAL INCOME ESTIMATES	13,882,926	14,824,754	941,828	14,824,754	12,926,598	1,898,156

Explanation of Variances in DTF Administered Expenditure - recurrent*Community Service Obligations*Electricity Retail Corporation (Synergy)**Item 12**

At \$324.5 million, the actual outturn for Synergy's operating subsidy for 2010-11 represents a \$107.6 million increase over the 2009-10 outturn. This outcome reflects the impact of higher operating subsidy costs as a result of increases in the cost of electricity, paid in respect of below-cost electricity tariffs, and the introduction of the Feed-in Tariff (which provides a concession to electricity consumers who install renewable generation technologies).

The 2010-11 outturn was \$121.5 million higher than budget, as a result of increased costs along the electricity supply chain, and higher than expected Feed-in Tariff payments.

*Grants, Subsidies and Transfer Payments*First Home Owners' Assistance**Item 20**

The \$102.0 million actual for 2010-11 was \$33.0 million lower than the 2010-11 budget estimate (\$135.0 million). This reflects the effect of a surge in first home buyers activity in the 2009-10 year, driven by the Commonwealth's First Home Owner Boost stimulus initiative.

First Home Owners' Assistance was \$223.3 million lower in 2010-11 than in 2009-10. This was largely due to the withdrawal of the Boost scheme.

Goods and Services Tax (GST) Administration Costs**Item 21**

GST administration costs increased by \$11.4 million in 2010-11. This reflects additional funding for the Australian Taxation Office, agreed between the Commonwealth and the States, for the purpose of promoting voluntary GST compliance.

Payroll Tax Rebate**Item 23**

The Payroll Tax Rebate scheme, a Government initiative that provided a one-off payment to small and medium sized businesses to offset their 2009-10 payroll tax liability, became operational in 2010-11.

Provision for District Allowances**Item 26**

Budgeted at a cost of \$11.6 million in 2010-11, this item provided for district allowance payments for public sector employees in the 2010-11 year. This funding and the associated allowances were subsequently transferred to agencies as part of their recurrent service appropriations.

Royalties for Regions**Item 31**

The 2010-11 actual was \$116.4 million higher than 2009-10 due to an increase in the projected value of the State's royalty revenue (largely due to higher iron ore prices and production volumes) and an increase in the proportion of recurrent projects supported by the Fund. The *Royalties for Regions Act 2009* requires 25% of the State's projected royalty revenue at budget time to be applied to the Fund.

*Authorised by Other Statutes*Western Australian Treasury Corporation Act 1986 - Interest

These items provide for the debt servicing costs of Consolidated Account borrowings raised from the Western Australian Treasury Corporation. Interest is payable on borrowings raised under the *Western Australian Treasury Corporation Act 1986*.

At \$192.5 million, the actual for 2010-11 was \$32.1 million lower than estimated due to the timing of borrowings raised during the second half of the year.

The increase of \$150.4 million from 2009-10 is largely due to the increase in borrowings in support of the State's substantial Asset Investment Program.

Explanation of Variances in DTF Administered Expenditure - capital*Government Equity Contributions*Department of Corrective Services**Item 120**

The \$67.2 million lower than budgeted outcome for 2010-11 reflects a realignment of the cash payments for the Eastern Goldfields Regional Prison. The Government has decided to procure the new prison as a design, build, finance and maintain model as a Public Private Partnership.

Relative to 2009-10, spending in 2010-11 was down \$14.1 million. This followed the completion of various facilities in 2009-10 including the Wyndham Work Camp, the Warburton Work Camp and the fast tracked 640 new beds within the existing Albany, Hakea and Casuarina prisons. In addition, major projects expected to proceed in 2010-11 (including the Acacia 387-beds expansion and the Eastern Goldfields Regional Prison noted above) were subject to extensive procurement assessments resulting in changes in projected timing of construction costs.

Electricity Generation Corporation (Verve Energy)**Item 121**

At \$160.5 million, the actual outturn for Verve Energy's Government Equity Contributions for 2010-11 represents a \$78.9 million increase over the 2009-10 outturn. This funding was provided for the construction of two 100 megawatt high efficiency gas turbines with project progression and contractual obligations dictating the distribution of funding across the projects' construction timeframe. Commissioning of the high efficiency gas turbines is expected to occur in late 2011.

Port Hedland Port Authority**Item 125**

Payments to the Port were \$20.3 million lower in 2010-11 compared with 2009-10. This reflects a one-off reimbursement of \$21 million in 2009-10 for tax payable under the National Tax Equivalent Regime arrangement on the Third Party Contribution from BHP Billiton for the construction of the Multi-user Panamax Berth at Utah Point to compensate the tax effects of developers' contributions in that year.

Royalties for Regions Fund**Item 126**

Relative to 2009-10, payments were \$57.5 million higher in 2010-11. This was due to an increase in the projected value of the State's royalty revenue for 2010-11 (the *Royalties for Regions Act 2009* requires 25% of the State's projected royalty revenue at budget time to be applied to the Fund), partly offset by a decrease in the proportion of capital projects supported by the Fund (i.e. a higher portion of the Fund was spent in the form of grants).

WA Health**Item 127**

The 2010-11 outturn was \$35.9 million lower than budget. This reflects changes in scheduled spending for the following projects:

- development works on the New Children's Hospital (\$10.5 million);
- works at Princess Margaret Hospital (\$11.5 million);
- redevelopment of Royal Perth Hospital (\$4.2 million);
- the Health Services Development Fund (\$3.6 million);
- the reconfiguration of Stage 1 of Osborne Park Hospital (\$2.8 million); and
- maintenance of existing facilities including upgrades to Royal Perth Hospital (\$2.2 million).

These works were rescheduled as a result of delays in site and design planning including feasibility works.

The 2010-11 outcome was \$52.8 million higher than 2009-10 largely due to works on the following projects:

- Information and Communication Technology (\$22.6 million);
- QEII Medical Centre New Central Plant Facility (\$13.0 million);
- QEII Medical Centre Hydraulic Infrastructure Upgrade (5.5 million);
- the SCGH G Block Lift Upgrade (\$4.4 million); and
- other miscellaneous projects (worth a total \$7.2 million).

Other

Perry Lakes Trust Account

Item 129

The \$16.2 million decrease in the borrowings for the Perry Lakes Redevelopment project in 2010-11 reflects the completion of the basketball facility in 2009-10 and receipt of land sales from stage 1 of the residential development.

Explanation of Variances in DTF Administered Revenue - capitalTaxationPayroll Tax

A \$324.9 million variance between the 2010-11 actual and 2009-10 actual reflects growth in employment and wages. This was mainly due to the strength of the Western Australian mining sector. Annual average growth in the wage price index for mining was 4.5% compared with 3.9% for all industries in 2010-11. At the same time, the mining industry contributed almost half of the 3.1% annual average growth recorded for total employment in 2010-11.

Transfer Duty

A sluggish Western Australian property market contrasted with budget time expectations of recovery from the impact of the global financial downturn. Transfer duty collections were \$375.0 million lower than expected in the 2010-11 budget estimate, with a 0.4% decline in established house prices in 2010-11 compared with an expected 2.5% increase in prices in the 2010-11 Budget.

Similarly, the \$325.1 million lower outcome in 2010-11 compared to 2009-10, reflected a decline in property prices and lower volumes of property transactions.

Landholder Duty

A \$10.8 million lower outcome relative to the 2010-11 estimate reflects the decline in the value and number of dutiable transactions as a result of the property market conditions noted above.

Collections of Landholder Duty declined by \$40.1 million between 2009-10 and 2010-11 on the back of these market conditions.

Other Tax

As part of an agreement to allow greater flexibility to expand and integrate iron ore operations in the Pilbara, BHP Billiton and Rio Tinto made a one-off payment of \$350 million to the Consolidated Account. After the 2010-11 Budget was presented to the Parliament, the Government announced that these funds would be directed to a Special Purpose Account established to pay for construction of the New Children's Hospital.

Compensation for Crude Oil Excise Condensate

Production levels of North West Shelf condensate increased between 2009-10 and 2010-11. This resulted in higher annual excise payments to the Commonwealth and also higher condensate excise deductions claimed by producers against royalties. Accordingly, Commonwealth compensation payments to Western Australia for revenue forgone under North West Shelf arrangements as a result of the deductions were \$11.0 million higher than in 2009-10.

GST Grants

A \$431.3 million decline in grants between 2009-10 and 2010-11 reflects a reduction in Western Australia's share of GST revenue grants through the Commonwealth Grants Commission process. The State's share of GST declined from 78% of its population share in 2009-10 to 68% in 2010-11. The decline in the State's share was partially offset by growth in the national grant pool and an increase in Western Australia's population share.

Non-Government Schools

Relative to the estimate, non-government schools funding was \$119.1 million higher than expected in 2010-11. This is largely due to higher non-government school enrolments, higher per capita average government school recurrent costs (which are reflected in the Commonwealth's funding formula) and higher than anticipated payments for the non-government schools component of the Commonwealth's Building the Education Revolution stimulus program.

First Home Owners' Boost

The First Home Owners' Boost was part of the Commonwealth Government's stimulus initiatives. The scheme was extended in the Commonwealth's May 2010 Budget which made Boost payments available for eligible contracts made between 14 October 2008 and 31 December 2009. As the scheme was due to end at 31 December 2009, there was no budget forecast for 2010-11. However, \$28.9 million of late receipts were received during 2010-11, reflecting the lagged payment of Commonwealth funding to reimburse the State for grants paid to first home buyers under the scheme.

The 2010-11 actual of \$28.9 million was \$139.5 million lower than in 2009-10 as the scheme ended in 2009-10.

Government Enterprises – Dividends

Relative to 2009-10 actual, dividend revenue increased by \$116.8 million in 2010-11. This reflects increased profitability for the electricity corporations Synergy, Western Power and Verve Energy, and the 2010-11 State Budget decision to increase dividend payout ratios for a number of public corporations. The increase was partially offset by reductions in dividends from the Western Australian Treasury Corporation (reflecting revised market conditions combined with the overall level of public sector borrowing activities) and the Geraldton Port Authority (which entered a new arrangement with Mount Gibson Iron, with the foregoing of port throughput charges in exchange for the full cost of a train unloader).

Consolidated Account Revenue Received from Agencies

The 2010-11 outturn was \$690.7 million higher than the budget estimate, mainly reflecting the impact of higher than expected iron ore royalties collected by the Department of Mines and Petroleum. This reflects increases in iron ore prices and production volumes through the year.

The 2010-11 outturn was \$1,965.0 million higher than the 2009-10 actual, predominantly for increases in iron ore royalties (reflecting the movement in prices and volumes on those of the previous year).

Interest

Interest revenue in 2010-11 was \$60.7 million higher than the budget estimate, primarily due to higher than expected average investment earning rates and a higher than expected investment pool balance through the year.

The same factors were responsible for an \$88.7 million increase in annual interest revenue relative to 2009-10. Average earnings rates were 5.01% in 2010-11 compared with 3.98% in 2009-10. The average Public Bank Account investment pool balance was \$4.6 billion in 2010-11 compared to \$3.6 billion in 2009-10.

Gold State Superannuation Reimbursement

Gold State Superannuation Scheme contributions are paid on an emerging cost basis by the State. However, appropriation-funded agencies pay the Government Employees Superannuation Board (GESB) the concurrent contributions owing for their employees, with Gold State contributions for this group of agencies paid back to the Consolidated Account by the Board. This arrangement ensures that the full cost of services is reflected in agencies that receive a recurrent service appropriation while maintaining the overall unfunded status of the closed Gold State defined benefit scheme.

The 2010-11 outturn of \$167.2 million was \$34.2 million (or 25.7%) higher than budget, largely reflecting a lower than expected decline in current member numbers (i.e. the number of Gold State members still actively working for State agencies).

Relative to the 2009-10 outturn, the 2010-11 outcome was higher by \$23.5 million (or 14.1%), due mainly to the impact of higher average salary rates for Gold State members and an increase in the annual employer contribution rate¹, partially offset by a 6.8% decline in the number of current Gold State scheme members during 2010-11.

Other Revenue

The 2010-11 actual was \$57.7 million higher than estimated, largely reflecting a one-off receipt from GESB to reimburse the Consolidated Account for prior years' overpayments of contributory Gold State Superannuation Scheme benefit payments. The overpayments, arising from the generation of duplicate records over an extended period, were discovered on review of GESB administration systems during 2010.

The 2010-11 actual was \$26.4 million higher than the 2009-10 outturn, including the effect of the one-off reimbursement from GESB, partially offset by lower revenue from the Perth Parking Levy (due to timing issues around payments of the Levy and the later than expected passage of legislation during 2009-10).

¹The annual employer contribution rate, which represents a contribution by the employer (the State) to provide a benefit to the employee (member), increased from 13.5% in 2009-10 to 15% in 2010-11. The employer contribution rate is set annually by the Treasurer on advice from GESB and its actuary. The increase in the rate in 2010-11 was in response to the lingering impact of global financial turmoil on Government Employees Superannuation Fund defined benefit scheme investments.

Note 43. Supplementary financial information

(a) Write-offs

During the financial year, \$9.55M (2010: \$10.57M) was written off by the Department under the authority of:

	2011 \$000	2010 \$000
Under Treasurer	4,329	5,653
Minister	1,592	3,365
Executive Council	3,629	1,552
	<u>9,550</u>	<u>10,570</u>

(b) Write-offs by category

	2011 \$000	2010 \$000
Public assets	144	1,949
Debts due to the State	9,406	8,621
	<u>9,550</u>	<u>10,570</u>

Note 44. Service delivery arrangements Indian Ocean Territories

	2011 \$000	2010 \$000
Revenue		
Commonwealth receipts	<u>944</u>	<u>766</u>
Expenditure		
Consultants and contractors	781	691
Travel and accommodation	4	7
Administration	47	41
Payroll and Business franchise	25	21
Stamp duties, land taxes and financial taxes	4	2
Compliance	<u>4</u>	<u>24</u>
	<u>865</u>	<u>786</u>
Surplus/(deficit) for the period	<u>79</u>	<u>(20)</u>
Balance brought forward	142	150
Prior Year Adjustment	-	12
Balance carried forward	<u>221</u>	<u>142</u>

Note 45. Special purpose accounts

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

Accrued Salaries

The purpose of the special purpose account is to hold funds in accordance with section 26(2) of the *Financial Management Act 2006*.

	2011 \$000	2010 \$000
Balance at the start of the year	90,659	66,221
Receipts	23,337	24,438
Payments	-	-
Balance at the end of the year	<u>113,996</u>	<u>90,659</u>

Bankwest Pension Trust

The purpose of the special purpose account is to hold funds received from BankWest in satisfaction of its liabilities under the *Superannuation and Family Benefits Act 1938* and other receipts.

	2011 \$000	2010 \$000
Balance at the start of the year	9,173	10,170
Receipts	2,487	2,415
Payments	(3,539)	(3,412)
Balance at the end of the year	<u>8,121</u>	<u>9,173</u>

Commonwealth Payments For Specific Purposes Account

The purpose of the special purpose account is to receive National Specific Purpose Payments and National Partnership Payments from the Commonwealth Government pursuant to the *Intergovernmental Agreement on Federal Financial Relations* for disbursement to relevant government agencies and the Consolidated Account.

	2011 \$000	2010 \$000
Balance at the start of the year	75,513	90,034
Receipts	3,630,696	4,032,989
Payments	(3,673,335)	(4,047,350)
Balance at the end of the year	32,874	75,673

Note: The closing balance in 2010 Annual Report of \$75,673 should have been \$75,513. The overstatement relates to the 2009 period, where \$160 was incorrectly allocated to Commonwealth SPP grants instead of GST revenue.

Departmental Receipts in Suspense

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

	2011 \$000	2010 \$000
Balance at the start of the year	143	15,952
Receipts	82,793	777,232
Payments	(82,936)	(793,041)
Balance at the end of the year	-	143

Note: An immaterial error was identified in the 2010 Annual Report for receipts and payments. The amount for receipts was disclosed as \$787,140, the correct amount should be \$777,232. The amount for payments was disclosed as (\$802,931), it should have been (\$793,041). The 2010 comparatives for payments, receipts and the balance at the end of the year have been corrected.

Fiona Stanley Hospital Construction Account

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

	2011 \$000	2010 \$000
Balance at the start of the year	1,161,959	1,319,876
Receipts	53,285	59,451
Payments	(406,748)	(217,368)
Balance at the end of the year	808,496	1,161,959

Independent Schools – General Building Grants

The purpose of the special purpose account is to hold funds received from the Commonwealth Department of Employment, Education, Training and Youth Affairs for recurrent capital grants to independent schools in accordance with the provisions of the *State Grants (Schools Assistance) Act 1976* pending payment to independent schools.

	2011 \$000	2010 \$000
Balance at the start of the year	-	-
Receipts	336,678	309,402
Payments	(336,678)	(309,402)
Balance at the end of the year	-	-

Independent Schools – Recurrent Grants Schools Assistance Acts

The purpose of the special purpose account is to hold funds received from the Commonwealth Department of Employment, Education, Training and Youth Affairs for recurrent capital grants to independent schools in accordance with the provisions of the *State Grants (Schools Assistance) Act 1976* pending payment to independent schools.

	2011 \$000	2010 \$000
Balance at the start of the year	-	-
Receipts	7,518,016	695,413
Payments	(7,518,016)	(695,413)
Balance at the end of the year	-	-

Jervoise Bay Infrastructure Development Trust Account

The purpose of the special purpose account is to hold funds received from the Commonwealth being a grant for the development of facilities at Jervoise Bay.

	2011 \$000	2010 \$000
Balance at the start of the year	8,304	7,993
Receipts	415	311
Payments	-	-
Balance at the end of the year	8,719	8,304

Local Authorities Tax Sharing Entitlements Account

The purpose of the special purpose account is to hold funds received from the Commonwealth pursuant to the *Local Government (Financial Assistance) Grants Act 1995* pending payment to local authorities.

	2011 \$000	2010 \$000
Balance at the start of the year	-	-
Receipts	248,249	230,003
Payments	(248,249)	(230,003)
Balance at the end of the year	-	-

Mortgage Monies Under Transfer of Land Act

The purpose of the special purpose account is to hold funds paid to the Treasurer in accordance with section 126 of the *Transfer of Land Act 1893*.

	2011 \$000	2010 \$000
Balance at the start of the year	69	49
Receipts	3	20
Payments	-	-
Balance at the end of the year	72	69

Non-government Schools – Other Recurrent Grants

The purpose of the special purpose account is to hold funds received from the Commonwealth Department of Employment, Education, Training and Youth Affairs for recurrent grants to non-government schools in accordance with the *State Grants (Schools Assistance) Act 1976* pending payment to non-government schools.

	2011 \$000	2010 \$000
Balance at the start of the year	-	-
Receipts	23,325	73,794
Payments	(23,325)	(73,794)
Balance at the end of the year	-	-

Public Bank Account Interest Earned Account

The purpose of the special purpose account is to hold funds in accordance with section 10(d) of the *Financial Management Act 2006*.

	2011 \$000	2010 \$000
Balance at the start of the year	56,831	20,567
Receipts	244,975	152,471
Payments	(239,034)	(116,207)
Balance at the end of the year	62,772	56,831

Royalties For Regions Fund

The purpose of the special purpose account is to facilitate investment in regional Western Australia in the areas of infrastructure and headworks, local government and community services.

	2011 \$000	2010 \$000
Balance at the start of the year	415,940	25,906
Receipts	831,450	644,000
Payments	(577,060)	(253,966)
Balance at the end of the year	670,330	415,940

Statutory Authorities Investment Account

The purpose of the special purpose account is to hold funds received from statutory authorities for investment purposes as provided by section 39(2) of the *Financial Management Act 2006*.

	2011 \$000	2010 \$000
Balance at the start of the year	146,690	158,547
Receipts	11,302	5,643
Payments	(11,900)	(17,500)
Balance at the end of the year	146,092	146,690

Tariff Equalisation Fund

The purpose of the special purpose account is to allow the transparent transfer of appropriate funds from the Electricity Networks Corporation (Western Power) to the Regional Power Corporation (Horizon Power) to enable it to maintain uniform tariff protection in its areas of operation in accordance with the provisions of the *Electricity Industry Act 2004*.

	2011 \$000	2010 \$000
Balance at the start of the year	-	-
Receipts	175,700	122,100
Payments	(175,700)	(122,100)
Balance at the end of the year	-	-

Departmental Receipts in Suspense – Office of State Revenue

The purpose of the special purpose account is to hold funds pending identification of the purpose of which those monies were received or identification of where those monies are to be credited or paid.

	2011 \$000	2010 \$000
Balance at the start of the year	3	1
Receipts	-	3
Payments	(2)	(1)
Balance at the end of the year	1	3

Indian Ocean Territories

The purpose of the special account is to hold taxation collections pending transfer to the Commonwealth of Australia in accordance with the Service Level Agreement entered into with the Commonwealth.

	2011 \$000	2010 \$000
Balance at the start of the year	207	611
Receipts	3,445	2,856
Payments	(3,305)	(3,260)
Balance at the end of the year	347	207

Perry Lakes Maintenance Account

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

	2011 \$000	2010 \$000
Balance at the start of the year	5,067	-
Receipts	253	5,067
Payments	-	-
Balance at the end of the year	5,320	5,067

Toodyay Fire Victims Fund Account

The purpose of the special purpose account is to hold funds pending distribution to residents directly affected by the Toodyay bushfire on 29 December 2009 and to meet associated costs.

	2011 \$000	2010 \$000
Balance at the start of the year	-	-
Receipts	7,500	-
Payments	(4,328)	-
Balance at the end of the year	3,172	-

Purchasing Card Common Use Arrangement – Financial Incentive Payments

The purpose of the special purpose account is to hold for disbursement to public authorities financial incentive monies received from the Purchasing Card CUA suppliers - National Australia Bank Limited and Australia and New Zealand Banking Group Limited.

	2011 \$000	2010 \$000
Balance at the start of the year	-	-
Receipts	888	-
Payments	(888)	-
Balance at the end of the year	-	-

Note 46. Administered income and expenses

	2011 \$000	2010 \$000		2011 \$000	2010 \$000
<u>Expenses</u>			<u>Incomes</u>		
Superannuation	650,189	710,091	Taxation	5,342,403	5,340,660
Borrowing costs	344,527	195,674	Commonwealth grants	9,037,059	9,874,677
Appropriations	16,203,265	15,259,477	Government enterprises:		
Capital contributions	2,618,683	2,858,181	Dividends	687,031	570,271
Grants, subsidies and transfers	3,357,464	3,382,310	Tax equivalent receipts	378,219	368,445
Transfer payments	175,700	122,100	Interest(a)	248,932	160,276
Other expenses	326,162	149,604	Pension recoups	15,452	15,416
Collections transferred to other agencies	38,014	63,110	Loan guarantee fees	25,669	30,418
Total Administered expenses	23,714,004	22,740,547	Gold State superannuation reimbursement	167,220	143,694
			Revenue for transfers	175,700	122,100
			Other revenue	462,832	62,597
			Collections raised on behalf of other agencies	37,292	63,110
			Community funding	126,267	129,772
			Total Administered revenues	16,704,076	16,881,436

(a) The 2010 Interest Actual was reported as \$211.080 million in the 2010 Annual Report. The 2010 actual interest should have been reported as \$160.276 million, as \$50.8 million interest was included twice therein.

Note: The item "Consolidated Account Revenue received from Agencies" (2011 \$4.387 billion budget, 2010 \$3.575 billion budget), identified in the Budget Papers as Treasury Administered, has not been included in this schedule as the collection of these revenues is administered by other agencies and disclosed as administered revenues in the financial

statements of the relevant agencies.

Note 47. Disclosure of administered income and expenses by service

	Financial Management and Reporting		Forecasts and Policy Development		Revenue Assessment and Collection		Grants and Subsidies Administration		Total	
	Service 1		Service 3		Service 4		Service 5			
	2011	2010	2011	2010	2011	2010	2011	2010	2011	2010
	\$000	\$000	\$000	\$000	\$000	\$000	\$000	\$000	\$000	\$000
COST OF SERVICES										
<u>Expenses</u>										
Superannuation	650,189	710,091	-	-	-	-	-	-	650,189	710,091
Borrowing Costs	344,527	195,674	-	-	-	-	-	-	344,527	195,674
Appropriations	16,203,265	15,259,477	-	-	-	-	-	-	16,203,265	15,259,477
Capital contributions	2,618,683	2,858,181	-	-	-	-	-	-	2,618,683	2,858,181
Grants, subsidies and transfers	-	-	-	-	-	-	3,357,464	3,382,310	3,357,464	3,382,310
Transfer payments	175,700	122,100	-	-	-	-	-	-	175,700	122,100
Other expenses	323,779	134,398	-	-	2,383	15,206	-	-	326,162	149,604
Collections transferred to other agencies	-	-	-	-	-	-	38,014	63,110	38,014	63,110
Total administered expenses	20,316,143	19,279,921	-	-	2,383	15,206	3,395,478	3,445,420	23,714,004	22,740,547
<u>Income</u>										
Taxation	-	-	-	-	5,342,403	5,340,660	-	-	5,342,403	5,340,660
Commonwealth grants	-	-	9,037,059	9,874,677	-	-	-	-	9,037,059	9,874,677
Government enterprises:										
Dividends	-	-	687,031	570,271	-	-	-	-	687,031	570,271
Tax equivalent receipts	-	-	378,219	368,445	-	-	-	-	378,219	368,445
Interest(a)	248,932	160,276	-	-	-	-	-	-	248,932	160,276
Pension recoups	15,452	15,416	-	-	-	-	-	-	15,452	15,416
Loan guarantee fees	25,669	30,418	-	-	-	-	-	-	25,669	30,418
Gold State Superannuation Reimbursement	167,220	143,694	-	-	-	-	-	-	167,220	143,694
Revenue for transfers	175,700	122,100	-	-	-	-	-	-	175,700	122,100
Other revenue	462,832	62,597	-	-	-	-	-	-	462,832	62,597
Collections raised on behalf of other agencies	-	-	-	-	-	-	37,292	63,110	37,292	63,110
Community funding	126,267	129,772	-	-	-	-	-	-	126,267	129,772
Total administered income	1,222,072	664,273	10,102,309	10,813,393	5,342,403	5,340,660	37,292	63,110	16,704,076	16,881,436

(a) The 2010 Interest Actual was reported as \$211.080 million in the 2010 Annual Report. The 2010 actual interest should have been reported as \$160.276 million, as \$50.8 million interest was included twice therein.

Note 48. Administered assets and liabilities

	2011	2010
	\$000	\$000
<u>Current assets</u>		
Cash and cash equivalent	4,892,674	5,175,170
Investments	-	83,885
Treasurer's advances	7,067	7,632
Taxation receivable	341,568	234,695
Government enterprises:		
Dividends receivable	1,505	44,403
Tax equivalents receivable	141,557	104,533
Recoverable advances	5,737	66,827
Other receivables	298,831	330,121
Total administered current assets	5,688,939	6,047,266
<u>Non-current assets</u>		
Investments	8,121	9,173
Recoverable advances	58,250	4,802
Other receivables	58,586	58,586
Total Administered Non-Current Assets	124,957	72,561
Total administered assets	5,813,896	6,119,827
<u>Current liabilities</u>		
Superannuation	49,290	45,365
Interest payable	85,601	74,643
Appropriations payable	210,068	152,147
Special purpose account liabilities	2,563,297	2,444,903
Other payables	102,040	144,432
Total administered current liabilities	3,010,296	2,861,490
<u>Non-current liabilities</u>		
Borrowings	4,701,717	3,521,901
Superannuation	7,242,800	7,192,403
Appropriations payable	5,346,890	4,629,297
Other payables	22,660	20,993
Total administered non-current liabilities	17,314,067	15,364,594
Total administered liabilities	20,324,363	18,226,084

Note 49. Supplementary funding

Supplementary funding approved and expended during 2010-11 was as follows:

Item 12 – Electricity Retail Corporation (Synergy)

Supplementary funding of \$136.8 million was provided for Synergy in 2010-11 to fund additional operating subsidy requirements. Only \$121.5 million of this additional funding was utilised due to Synergy receiving a prepayment of its operating subsidy and the reconciliation of subsidy and concession payments that occurred in 2009-10.

	2011	2010
	\$000	\$000
	Approved	Expended
	136,814	121,549
	136,814	121,549

Item 23 – Payroll Tax Rebate

The original appropriation for the pay-roll tax rebate of \$100 million for 2009-2010 was subsequently increased in November 2010 to \$120 million (an additional allocation \$16 million for 2010-11 and \$1 million per annum thereafter for the four out years). This was considered necessary at that time based on the proportionate take-up at that time relative to the budgeted cashflow.

However, by January 2011, it was apparent that only around \$2 million of the additional \$16 million for 2010-11 was likely to be required. This was on the basis that a significant number of potential taxpayers ceased to be eligible for the rebate, due to their failure to lodge the necessary wages reconciliation information by the legislative expiry date of 31 December 2010.

	2011	2010
	\$000	\$000
	Approved	Expended
	16,000	421
	16,000	421

Item 29 – Refund of Past Years Revenue Collections – All Other

Following a successful appeal a refund of \$15 million was paid in March 2011. Based on past year refunds an increase in supplementary funding equivalent to that amount was approved by the Economic and Expenditure Reform Committee. Conveyances out of past year refunds were not as robust as initially estimated and resulted in only \$3.3 million of the additional funding being utilised leaving a balance of \$11.7 million.

	2011	2010
	\$000	\$000
	Approved	Expended
	15,000	-
	15,000	-

Item 32 – State Property Emergency Services Levy

Additional funding of \$741,688 was required to meet Emergency Service Levy (ESL) payments on State owned property.

This reflects stronger than expected assessment of gross rental values by Landgate, largely from higher than anticipated property values this year.

In accordance with previous practice, when the ESL on State property is greater than the appropriated administered item, the controlled appropriation provided to the Fire and Emergency Services Authority is reduced by a corresponding figure, thereby offsetting this increase in administered costs. However, an impact will still be recorded against the Treasurer's Advance.

	2011	2010
	\$000	\$000
	Approved	Expended
	742	742
	742	742

Item 34 – All Other Grants, Subsidies and Transfer Payments

A total of \$8 million of supplementary funding was requested over 2010-11 for this item which covers a range of individual payments.

The largest appropriation was \$5 million to the Toodyay Bushfire Financial Assistance Special Purpose Account.

Another \$3 million was requested for the remaining items, the largest being Interest on Public Monies Held in Participating Trust Fund Accounts. However, only \$802,000 of this supplementary funding was expended due to lower than expected interest payments on the public monies balances.

	2011	2010
	\$000	\$000
	Approved	Expended
	8,000	5,802
	8,000	5,802

Item 123 – Forest Products Commission

Given the uncertainty surrounding the success of the voluntary severance scheme for the Forest Products Commission resulting from Cabinet's decision of 19 June 2010, the amount of supplementary finding that was applied for was rounded up to \$3 million. The actual draw down was slightly lower.

	2011	2010
	\$000	\$000
	Approved	Expended
	3,000	2,855
	3,000	2,855

Note 50. Lease incentive

Lease incentives received from building owners for rent and fitout costs associated with Government occupied building leases.

	2011	2010
	\$000	\$000
Lease Incentives	34,188	30,022
	34,188	30,022

KEY PERFORMANCE INDICATORS

Certification of key performance indicators

For the year ended 30 June 2011

I hereby certify that these key performance indicators are based on proper records, are relevant and appropriate for assisting users to assess the Department of Treasury and Finance's performance, and fairly represent the performance of the Department for the financial year ended 30 June 2011.



Michael Barnes
A/Under Treasurer
13 September 2011

Performance assessment

Outcomes

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

Sustainable and transparent public sector finances

Service 1: *Financial management and reporting*

Service 2: *State Fleet Service*

A strong and competitive State economy

Service 3: *Economic and revenue forecasts and policy development*

Due and payable revenue is collected and eligible grants, subsidies and rebates paid

Service 4: *Revenue assessment and collection*

Service 5: *Grants and subsidies administration*

Value-for-money outcomes in service delivery and infrastructure provision

Service 6: *Evaluation and planning of government service delivery and infrastructure provision*

Value-for-money from public sector procurement

Service 7: *Facilitate the development and management of agency specific contracts*

Service 8: *Development and management of whole-of-government common use contract arrangements*

Provision of effective shared corporate services

Service 9: *Project management, coordination and implementation of the whole-of-government shared corporate services reform*

Service 10: *Provision of financial and human resources services*

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

Service 11: *Leads the planning and delivery of new Government buildings*

Service 12: *Leads the planning and delivery of Government building maintenance*

Service 13: *Leads the planning and delivery of Government office accommodation*

Measuring our performance

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

Performance measures for Services 7 and 8 are based on client surveys and statistical information relating to contracting services.

Key effectiveness indicators

Treasury business

Outcome 1: Sustainable and transparent public sector finances

The Department of Treasury and Finance works to maintain sustainable and transparent public sector finances. Its commitment to this key role is reflected in advice to the Government on its fiscal strategy and targets; publication of reports on the State's finances; advice to Government and its agencies on the legislative framework underpinning financial management and accountability; management of the Public Ledger; management of the investment of the public bank account; and management of the Government's light vehicle fleet.

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

Key indicators of effectiveness	2007-08 Actual	2008-09 Actual	2009-10 Actual	2010-11 Target	2010-11 Actual
Status of the State's credit rating ⁽¹⁾	triple-A	triple-A	triple-A	triple-A	triple-A
Unqualified audit opinion on the Annual Report on State Finances	Yes	Yes	Yes	Yes	Yes
Profitability of the State's light vehicle fleet (profit in \$'000)	\$11,703	\$12,433	\$22,225	\$9,743	\$23,466

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

The State's triple-A credit rating was again confirmed by both Moody's and Standard & Poor's during 2010-11. Both credit rating agencies continued to assess Western Australia with the highest possible credit ratings, with both Moody's and S&P confirming the State's stable credit rating outlook.

The 2009-10 Annual Report on State Finances, which was released on 28 September 2010 and details whole-of-government outcomes for the Western Australian public sector, was again given an unqualified audit opinion by the Auditor General.

State Fleet's profit for 2010-11 was better than forecast, primarily due to an increase in sales revenue, additional income from over-run leases and interest on equity.

Treasury business

Outcome 2: A strong and competitive State economy

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

Key indicators of effectiveness	2007-08 Actual	2008-09 Actual	2009-10 Actual	2010-11 Target	2010-11 Actual
Accuracy of key general government revenue forecasts ⁽¹⁾⁽²⁾					
- Tax and mining revenue	9.4%	-10.5%	2.8%	+/-5.0%	8.2%
- GST revenue	0.8%	-10.8%	7.7%	+/-3.0%	-6.2%
Accuracy of key economic forecasts ⁽³⁾					
- Employment growth (percentage point difference)	2.1	1.4	2.3	+/-0.5	1.5
- Real State Final Demand (SFD) growth (percentage point difference)	6.5	-0.9	6.6	+/-2.0	-0.5

(1) The results for the two indicators for 2009-10 were updated since publication of the Department's 2009-10 Annual Report. The latest available estimates were used at the time of the Annual Report.

(2) Final tax, mining and GST revenue data for 2010-11 will not be available until September 2011. The latest available estimates have been used.

(3) The results for the indicators prior to 2010-11 are different to those reported in the Department's Annual Reports, due to the use of a new methodology. The new method is based on a direct comparison between actual and forecast growth in the budget year. The forecasting error is expressed as the percentage point difference between actual growth and forecast growth (in absolute terms). Previously the KPIs were calculated as the five-year average forecasting error for growth.

Tax and mining revenue was higher than forecast in 2010-11 due to higher-than-expected royalty income, which in turn was largely driven by stronger iron ore prices (which averaged a record \$US170 per tonne in 2010-11, an increase of 37 per cent on 2009-10) and higher mineral output. The 2009-10 result was consistent with the forecast.

GST revenue was lower than projected in 2010-11, mainly due to weaker national household spending and a smaller national GST pool than that forecast by the Commonwealth Treasury. The opposite was true for 2009-10, when GST revenue was higher than projected.

The higher than expected employment growth in 2010-11 reflected stronger than average domestic activity, which also helped reduce the State's unemployment rate. Even though this resulted in the target for employment growth forecasting accuracy not being achieved, it improved upon the 2009-10 outcome when employment growth did not contract as expected.

The estimate of 2010-11 State Final Demand (SFD) was close to expectations. This was an improvement on the 2009-10 outcome, when forecasting accuracy for SFD growth did not meet the target due to the State's economy recovering much faster from the effects of the global financial crisis than originally forecast.

State Revenue business

Outcome 3: Due and payable revenue is collected and eligible grants, subsidies and rebates paid.

The Department of Treasury and Finance, through the Office of State Revenue, administers a range of revenue laws on behalf of the Government. This involves the collection of revenue raised and payment of grants and subsidies under relevant legislation, as well as a number of administrative-based schemes.

Key effectiveness indicators for revenue collection provide a measure of the accuracy of the revenue assessment process, the level of compliance by taxpayers and the timeliness of processing assessments. These are considered the key elements in the effective collection of revenue.

Key indicators of effectiveness	2007-08 Actual	2008-09 Actual	2009-10 Actual	2010-11 Target	2010-11 Actual
Extent to which due revenue is collected	88%	88%	90%	88%	90%
Overdue debt as a percentage of revenue raised	0.92%	1.42%	1.47%	2.00%	1.18%
Extent to which correct grants, subsidies and rebates are paid	99%	99%	99%	99%	99%

The result for overdue debt as a percentage of revenue raised differs from the 2010-11 target due to write-offs of \$9.4 million being processed in May 2011. There was also a lower than expected delinquency rate, and a reduction in Duties debt in the second half of 2010-11.

Treasury business

Outcome 4: Value-for-money outcomes in service delivery and infrastructure provision

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

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

Key indicators of effectiveness	2007-08 Actual	2008-09 Actual	2009-10 Actual	2010-11 Target	2010-11 Actual
Percentage of the Department's material resource allocation recommendations complying with the Service Provision Analysis Framework ⁽¹⁾	N/A	N/A	88%	90%	99%
Percentage of highest value agencies complying with the Strategic Asset Management Framework or equivalent accredited mechanism	N/A	N/A	75%	75%	69%

(1) The result for the indicator in 2009-10 is different from that reported in last year's annual report due to the methodology changing to only include EERC papers rather than all correspondence.

Ninety-three of the 94 EERC papers, involving a resource allocation recommendation of more than \$5 million over the forward estimates period, were compliant with the SPAF. This was better than the 2009-10 performance and 2010-11 target.

Eleven of the 16 highest-value agencies' asset investment programs were subject to thorough analysis under the SAMF or equivalent accredited mechanism for 2010-11. Of the non-compliant agencies most were found to have reasonable internal processes in place. Treasury will continue to work with these non-compliant agencies during 2011-12.

Government Procurement business

Outcome 5: Value-for-money from public sector procurement

This outcome aims to deliver value-for-money procurement services and frameworks across the Western Australian public sector. Value-for-money is a key policy objective and ensures public authorities achieve the best possible outcome for the amount of money spent when purchasing goods and services.

Value-for-money from public sector procurement is considered effective if:

- client agencies agree that common use contracting arrangements are awarded and managed on a value-for-money basis; and
- client agencies agree that their contracts are awarded on a value-for-money basis.

Key indicators of effectiveness	2007-08 Actual	2008-09 Actual	2009-10 Actual	2010-11 Target	2010-11 Actual
Extent to which client agencies agree that common use contract arrangements achieved value-for-money	83%	92%	83%	85%	85%
Extent to which client agencies agree that their contract arrangements achieved value-for-money	86%	82%	92%	85%	90%

Common Use Contract Arrangements

During 2010-11, nine common use contract arrangements were surveyed compared with eight in the previous year. The survey response rates was 77 per cent, with a standard error rate of 1.81 per cent. Results showed a small improvement from the previous reporting period.

Agency Contract Arrangements

There was a response rate of 84 per cent to the survey of agency contract arrangements, with a standard error rate of 1.45 per cent for this indicator.

The percentage of client agencies agreeing that their contract arrangements achieved value-for-money showed a minimal decrease from 2009-10, however, it was above the 2010-11 target and better than previous reporting periods.

Shared Services business

Outcome 6: Provision of effective shared corporate services

A key rationale underpinning the Shared Services model was the provision of an integrated framework for the entire Government to exploit economies of scale through shared technology, information and processing. In the medium and long term, this framework would provide:

- better efficiencies, thereby achieving significant cost savings; and
- better effectiveness and better service for agencies, allowing agencies to focus on core business.

These performance indicators are therefore a measure of progress in establishing this Shared Service Centre and the centre's achievement of desired service delivery standards.

Key indicators of effectiveness	2007-08 Actual	2008-09 Actual	2009-10 Actual	2010-11 Target	2010-11 Actual
Progress with the reform of the Western Australian public sector for shared services by achievement of the following milestones:					
- Number of agencies rolling in by financial quarter ⁽¹⁾	Qtr 1 – 1	Qtr 1 – 2	Qtr 1 – 3	Qtr 1 – 7	Qtr 1 – 7
	Qtr 2 – 6	Qtr 2 – 3	Qtr 2 – 6	Qtr 2 – 7	Qtr 2 – 8
	Qtr 3 – 2	Qtr 3 – 3	Qtr 3 – 2	Qtr 3 – 5	Qtr 3 – 0
	Qtr 4 – 0	Qtr 4 – 2	Qtr 4 – 1	Qtr 4 – 1	Qtr 4 – 4
- Percentage of agencies rolled in compared to the total number to be rolled in	26%	33%	45%	67%	65%
Percentage of services provided within established timeframes	83%	99%	86%	90%	95%
Accuracy of services provided	100%	100%	100%	100%	100%
Average resolution rate of enquiries (within 6 working days)	79%	89%	85%	80%	86%

(1) Includes agencies that have re-joined for payroll services after initially only rolling in for finance services.

The pause in the rolling-in of agencies as a result of the Government's review affected the timing and number of agencies rolled in.

As at 30 June 2011, a total of 58 agencies had rolled into Shared Services, an increase of 18 agencies over the previous year.

During 2009-10, service enhancements were implemented that saw substantial improvements in the following year when providing services within established timeframes.

Building Management and Works businesses

Outcome 7: Value-for-money from the management of the Government's non-residential buildings and public works

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

The Department continued to work closely with key Government agencies to improve its services. In 2009-10, annual stakeholder surveys were introduced, through an independent research company, to measure agency satisfaction with the works reforms and key services.

Key indicators of effectiveness	2007-08 Actual	2008-09 Actual	2009-10 Actual	2010-11 Target	2010-11 Actual
Extent to which client agencies agree that the planning and delivery of their new buildings has achieved value-for-money	N/A	N/A	39%	85%	44%
Extent to which client agencies agree that the planning and delivery of their building maintenance has achieved value-for-money	N/A	N/A	32%	85%	33%
Extent to which client agencies agree that their office accommodation has achieved value-for-money	N/A	N/A	49%	85%	62%

The results reflect the opinions of 62 respondents from a total of 79 surveyed, comprising 22 Directors General and 40 asset leaders. The survey achieved the required sampling accuracy at the 95 per cent confidence level.

Compared with the 2009-10 baseline scores, results indicate an improvement in new buildings and office accommodation, while maintenance results remained steady.

Support continued for the principles of the Works Reform program as did concerns regarding managing timeframes and skills shortages. Stakeholders also identified the need for Building Management and Works to communicate the progress of the reform and continue to build relationships.

Key efficiency Indicators

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

Treasury business

Service 1: Financial management and reporting

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

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

Key indicators of efficiency	2007-08 Actual	2008-09 Actual	2009-10 Actual	2010-11 Target	2010-11 Actual
Cost of financial management reporting per million dollars general government sector expenses ⁽¹⁾	\$427	\$421	\$311	\$313	\$292
Percentage of financial reports released as per agreed timeframes ⁽²⁾	100%	100%	100%	100%	100%

(1) The general government sector expenses value is not finalised until mid-September 2011. The work in progress figures as at 1 September 2011 have been used for the calculation.

(2) The Government ceased monthly reporting of general government sector financial outcomes from 1 July 2010. Accordingly, the number of financial reports published as part of Service 1 is now limited to publications produced under the statutory reporting requirements of the Government Financial Responsibility Act 2000. This includes the budget projections, Quarterly Financial Results Reports, the Government Mid-year Financial Projections Statement and the Annual Report on State Finances. Treasury has met all statutory reporting deadlines under the Act for these publications in the past and expects to continue to do so throughout 2011-12. Previous actuals have been backcast to be consistent with this methodology.

The cost of financial management reporting per million dollars general Government sector expenses continued its downward trend. At the same time, the timeliness of reports subject to the efficiency indicator was maintained at 100 per cent.

For 2010-11, Treasury released all statutory whole-of-government financial reports required by the Government Financial Responsibility Act 2000 (GFRA) by the legislated deadlines. Of note, the 2009-10 Annual Report on State Finances (ARSF) included publication of the State's last Monthly Report of General Government Finances, completing the monthly reporting cycle for the 2009-10 year. The monthly reports, which were published by convention and not as a disclosure requirement of the GFRA, were discontinued because of the volatility of the series through the year which limited the value of the reports for users.

Statutory interim reports are still available through the Quarterly Financial Results Reports which Treasury releases within 60 days of the end of each quarter (for September, December and March quarters) and as part of the ARSF at year end (released within 90 days of the end of the reporting year).

Government Procurement business

Service 2: State Fleet Service

This service is responsible for managing the State's motor vehicle fleet to ensure an efficient and effective use of Government vehicles with particular attention to the delivery of a sustainable public sector fleet.

Key indicator of efficiency	2007-08 Actual	2008-09 Actual	2009-10 Actual	2010-11 Target	2010-11 Actual
Average cost per vehicle of financing and managing the State Fleet Service	\$145	\$139	\$85	\$131	\$84

The cost base for 2010-11 remained constant compared with the previous year. The reduction from earlier years was due to the savings from in-sourcing services previously provided externally and a reduction in fleet size due to the Government's fleet cost reduction initiative.

Treasury business

Service 3: Economic and revenue forecasts and policy development

This service involves analysis and advice on economic and revenue policy issues, including in relation to the State's major revenue sources, utilities regulation and reform, as well as economic, social and environmental developments generally.

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

Key indicators of efficiency	2007-08 Actual	2008-09 Actual	2009-10 Actual	2010-11 Target	2010-11 Actual
Percentage of ministerials, briefings or reports provided on economic issues within agreed timelines	91%	85%	93%	90%	87%
Percentage of regulatory impact statements assessed within agreed timeframes	N/A	N/A	100%	90%	90%

Briefings and other Ministerial information associated with the management of the State Budget's expenditure aspects provided within agreed timeframes were slightly below the 2010-11 target of 90 per cent and the previous year's actual, with 261 of the 299 requests completed within agreed timeframes.

The percentage of regulatory impact statements assessed within agreed timeframes met target, with 19 out of 21 assessed within the agreed timeframe for 2010-11.

State Revenue business

Service 4: Revenue assessment and collection

This service involves the assessment and collection of a range of statutory-based revenues, including:

- those for which the Commissioner of State Revenue has direct responsibility (duties, land tax and pay-roll tax); and
- those that are collected on behalf of other agencies (such as Perth Parking Licence fees) or other jurisdictions (for example, collection of a range of taxes for the Commonwealth in the Indian Ocean Territories).

This service contributes to the desired outcome that due and payable revenue is collected and eligible grants, subsidies and rebates are paid.

Key indicators of efficiency	2007-08 Actual	2008-09 Actual	2009-10 Actual	2010-11 Target	2010-11 Actual
Average cost per land tax item assessed	\$11.10	\$10.79	\$9.83	\$12.25	\$10.14
Average cost per insurance duty client	\$1,846.89	\$1,196.84	\$642.02	\$907.31	\$629.51
Average cost per pay-roll tax client	\$634.22	\$579.84	\$600.98	\$560.30	\$508.65
Average cost per duties instrument assessed manually	\$46.25	\$101.88	\$67.27	\$63.86	\$89.39
Average cost per duties instrument assessed electronically	\$3.74	\$26.17	\$44.73	\$46.38	\$34.26

The reduction in average cost per insurance duty was driven by reduced compliance costs in 2010-11 and a greater than anticipated number of insurance duty clients.

The decrease in the average cost per Pay-roll tax client in 2010-11 was due to the increase in the number of registered Pay-roll tax clients which was directly attributed to the growth in taxable wages paid by employers who exceeded the annual Pay-roll tax threshold. In addition, the Government's one-off Pay-roll Tax Rebate to employers saw an increase in registration numbers in July 2010.

The 2010-11 target for number of Pay-roll tax clients was, in hindsight, underestimated based on the view that continued growth in taxpayer numbers was unlikely.

The average cost per duties instrument assessed manually in 2010-11 was higher than budgeted due to the number of instruments assessed manually being 25.9 per cent lower than anticipated. The decrease in the number of instruments assessed manually resulted from the weakened economic activity in Western Australia along with a shift of instruments to electronic assessing due to changes in lodgement and payment arrangements with effect from 1 March 2011.

The increase in the number of instruments assessed electronically was due to the enhanced functionality to the Online Duties Systems, which became effective on 1 March 2011.

State Revenue business

Service 5: Grants and subsidies administration

This service involves the assessment and payment of a range of grants and subsidies under both statutory and administrative schemes. The major payments relate to the First Home Owner Grant (FHOG) scheme, as well as concessions on water rates, local government rates and the emergency services levy for pensioners and seniors.

This service contributes to the desired outcome that due and payable revenue is collected and eligible grants, subsidies and rebates are paid.

Key indicator of efficiency	2007-08 Actual	2008-09 Actual	2009-10 Actual	2010-11 Target	2010-11 Actual
Average cost per application/claim processed	\$6.85	\$10.86	\$8.31	\$9.14	\$8.76

The number of FHOG applications processed in the 2010-11 year was lower than anticipated due to a subdued housing market, with the subsequent flow-on to the first home buyer market.

Treasury business

Service 6: Evaluation and planning of government service delivery and infrastructure provision

This service involves investigating agencies' operations with regard to efficiency and effectiveness and advising Government on the allocation of taxpayers' resources to achieve desired outcomes. It includes the analysis, evaluation and planning of Government service delivery and infrastructure provision to ensure value-for-money outcomes.

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

Key indicators of efficiency	2007-08 Actual	2008-09 Actual	2009-10 Actual	2010-11 Target	2010-11 Actual
Cost of expenditure budget management per million dollars general government sector expenses	\$591	\$577	\$532	\$453	\$481
Percentage of ministerials, briefings or reports provided on service delivery and infrastructure within agreed timeframes	97%	98%	95%	90%	94%
Cost of infrastructure management per million dollars of forward estimates capital program	N/A	\$178	\$236	\$302	\$252

(1) The general government sector expenses value is not finalised until mid-September 2011. The work-in-progress figures as at 1 September 2011 have been used for the calculation.

The cost of expenditure budget management per million dollars general Government sector expenses continued its downward trend since 2007-08. The 2010-11 actual is broadly consistent with the 2010-11 target.

For 2010-11, the provision of briefing requests and other Ministerial information associated with the management of expenditure aspects of the State Budget within agreed timeframes continued to be above the target of 90 per cent, with 308 of the 329 requests completed within agreed timeframes.

The cost of infrastructure management per million dollars of forward estimates capital program was lower than the 2010-11 budget estimate. Infrastructure management costs remained the same, however, the forward estimates capital program was higher than budget due to the addition of new works and rescheduled works in progress, as detailed in the 2010-11 Mid-Year Review and the 2011-12 State Budget. This result was consistent with 2009-10 performance.

Government Procurement business

Service 7: Facilitate the development and management of agency-specific contracts

This service entails assisting Government agencies to effectively manage procurement risks, and also establish and manage contracts that deliver value-for-money and efficiently meet their operational needs.

Key indicator of efficiency	2007-08 Actual	2008-09 Actual	2009-10 Actual	2010-11 Target	2010-11 Actual
Cost of facilitating the development and management of agency specific contracts as a percentage of the contract award value	1.9%	1.6%	2.0%	1.3%	1.9%

The increase from the 2010-11 target to actual was due to a small number of large value contracts not being awarded within the reporting period. This increase was offset slightly by a drop in direct costs due to a high number of FTE vacancies. The indicator still shows an improvement from the 2009-10 actual.

Government Procurement business

Service 8: Development and management of whole-of-government common use contract arrangements

The Department of Treasury and Finance provides a whole-of-government approach to procurement that efficiently meets the business needs of agencies, manages risk and delivers value-for-money.

Key indicator of efficiency	2007-08 Actual	2008-09 Actual	2009-10 Actual	2010-11 Target	2010-11 Actual
Cost of developing and managing whole-of-government common use contract arrangements as a percentage of the total annual value of purchases through the arrangements	1.3%	1.4%	1.2%	1.0%	1.1%

The 2010-11 actual was slightly above target, due to a lower value in common use arrangement (CUA) throughput than expected. However, the overall downward trend associated with the cost of facilitating the development and management of CUAs, as a percentage of the throughput value, was an indicator that CUAs are delivering value-for-money outcomes.

Shared Services business

Service 9: Project management, coordination and implementation of the whole-of-government shared corporate services reform

The Department of Treasury and Finance Shared Services Project division is responsible for building a business system to support the provision of shared corporate services to general Government agencies and the rolling-in of agencies. The initial release of the integrated finance and HR/payroll system has been completed.

The build of the whole-of-government business system is now complete including the delivery into production of all industrial instruments.

Key indicator of efficiency	2007-08 Actual	2008-09 Actual	2009-10 Actual	2010-11 Target	2010-11 Actual
Progress with the reform of the Western Australian public sector for shared corporate services within budget:					
- Delivery of project within budgeted target (\$ million)	\$18.676	\$43.127	\$42.189	\$35.227	\$36.555

Expenditure on the project was affected by the review announced by the Premier in December 2010 and the earlier than anticipated expenditure in relation to the building of the Building Management and Works-specific modules.

The decrease of \$5.63 million from 2009-10 was the result of a reallocation of the ASG contract costs between services, from 25 per cent of total cost in 2009-10 to 10 per cent in 2010-11. Additionally the allocation of the corporate model, which was based on FTE allocation, reduced as Service 10 increased its staffing.

Shared Services business

Service 10: Provision of financial and human resources services

The Department of Treasury and Finance Shared Services Centre is responsible for providing finance, procurement, human resource, payroll and on-line systems services to Government agencies across the public sector.

Key indicators of efficiency	2007-08 Actual	2008-09 Actual	2009-10 Actual	2010-11 Target	2010-11 Actual
Cost of processing financial services per transaction	N/A	N/A	\$57.17	\$48.14	\$35.32
Cost of providing human resource/payroll services per agency headcount	N/A	N/A	\$5,901	\$2,530	\$3,750

The estimate of accounts payable transactions for 2010-11 was 830,000 and the actual was 1.1 million. This reduced the cost per transaction considerably for 2010-11.

With the announcement of an independent review and changes to the roll-in schedule, the number of staff paid through the Oracle payroll system reduced from the anticipated 14,000 to 10,080 (actual head count for the pay of the 22 June 2011), affecting the cost of providing HR services.

Building Management and Works business

Service 11: Leads the planning and delivery of new Government buildings

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

Key indicator of efficiency	2007-08 Actual	2008-09 Actual	2009-10 Actual	2010-11 Target	2010-11 Actual
Cost as a percentage of the total annual value of the planning and delivery of capital works projects	N/A	N/A	4.4%	3.9%	3.9%

The Commonwealth's Building the Education Revolution (BER) program is in addition to the State Government's ongoing new buildings program. Had the BER activities in 2010-11 been excluded, the result for this indicator would have been around 5.7 per cent.

This indicator includes strategic projects processed through Building Management and Works' systems and excludes projects processed in other agency systems such as major health portfolio construction projects. The effect of including these projects would have produced an actual result of around 2.6 per cent.

Building Management and Works business

Service 12: Leads the planning and delivery of Government building maintenance

The Department of Treasury and Finance's Building Management and Works business also provides strategic leadership and facilitation in the planning, project management and procurement of maintenance for non-residential buildings.

Key indicator of efficiency	2007-08 Actual	2008-09 Actual	2009-10 Actual	2010-11 Target	2010-11 Actual
Cost as a percentage of the annual value of maintenance services delivered	N/A	N/A	8.8%	10.1%	11.1%

There was a significant variance between the 2010-11 target and actual, due to a 13 per cent reduction in the overall program.

The significant variance between the 2009-10 actual and 2010-11 actual highlights the impact of the winding-down of the building maintenance and refurbishment component of the Commonwealth's Building the Education Revolution (BER) program.

Had the BER activities in 2010-11 been excluded, the result would have been around 11.8 per cent.

Building Management and Works business

Service 13: Leads the planning and delivery of Government office accommodation

The Department of Treasury and Finance's Building Management and Works business provides strategic leadership and facilitation in the planning, project management and procurement of Government office accommodation.

Key indicator of efficiency	2007-08 Actual	2008-09 Actual	2009-10 Actual	2010-11 Target	2010-11 Actual
Cost as a percentage of the value of gross rentals of buildings and office accommodation managed	N/A	N/A	6.7%	8.2%	11.1%

The significant difference between 2010-11 target and actual was due to an increase in operational costs associated with the State Government Office Accommodation Master Plan, which will see the relocation of approximately 5,300 public servants in 2011-12.

The significant variance between the 2009-10 actual and 2010-11 actual can also be attributed to an adjustment of expenditure to recognise capital improvements to Government owned buildings. Had this adjustment been excluded, the result would have been 8.3 per cent.

OTHER FINANCIAL DISCLOSURES

Ministerial directives

No ministerial directives were received during the financial year.

Other financial disclosures

Pricing policies

DTF operates in an environment where a significant proportion of operating revenue is received from sources other than the Consolidated Account. DTF provides a diverse range of services, mainly to public sector agencies, for which fees and charges are applied. The pricing policies reflect the type of service being provided and include the following services:

Construction of new Government buildings and maintenance and improvements

DTF's Building Management and Works (BMW) business leads the planning and delivery of the Government's new non-residential buildings and building maintenance and improvement programs. DTF recovers the direct cost of the work performed on a 'fee for service' basis and also recovers from agencies the cost of planning and managing this work.

During 2009-10, the 'fee for service' funding model for new buildings and building maintenance for major agencies using BMW services was replaced with a 'direct appropriation' funding allocation model. This new funding model was a key part of the Works Reform Program.

Appropriation funding for 2010-11 and forward estimates previously received by agencies for program, project and contract management services were transferred to BMW as part of the 2010-11 budget process.

Key agencies currently using BMW's new buildings and building maintenance services that were affected by the transfer of their fee funding to BMW as a direct appropriation are:

- Department of Education;
- Department of Corrective Services;
- Western Australia Police;
- Department of Health;
- Department for Communities;
- Department for Child Protection; and
- Department of the Attorney General.

Other agencies that receive new building and maintenance works from BMW, including those that do not primarily rely on Consolidated Account funding, will continue to be billed by BMW on a 'fee for service' basis.

Accommodation

DTF charges government agencies rent, based on market rates, for the use of multi-tenanted government buildings owned by the Minister for Works.

Fremantle Prison

The prison offers a range of tourist activities to the public. Prices are reviewed annually and, where possible, price increases are maintained close to the Consumer Price Index.

State Fleet

DTF charges agencies fixed monthly vehicle rentals, set at the commencement of leases, based on a forecast residual value expected to be realised when the vehicle is sold at the end of the lease. The residual risk on vehicles is borne by State Fleet under commercially-based operating lease arrangements with agencies. Over time, State Fleet seeks to remain profitable.

Shared Services

DTF charges for the provision of corporate services to client agencies. The fees are based on data supplied by agencies as part of the original Shared Services business case (e.g. number of transactions processed). These charges have been indexed annually.

Employment and industrial relations

The Department of Treasury and Finance employed an average of 1691 full-time equivalent (FTE) staff during 2010-11, compared with 1631 FTE staff the previous year.

This increase in FTEs is due to a number of projects instigated during 2010-11, agency restructures as well as additional staff who joined DTF as part of the roll-in of agencies into Shared Services.

Business	Average FTE
Treasury	238
State Revenue	224
Shared Services	421
Corporate Services	143
Building Management and Works and Strategic Projects	396
Government Procurement	259
Under Treasurer's Office, Audit and PMO	10
Total	1,691

Capital Works

In 2010-11, \$228 million was spent on capital investments. The key capital projects are detailed in the table below.

Project	Expected completion date	Actual expenditure 2009-10 \$000	Actual expenditure 2010-11 \$000	Estimated Cost to Complete \$000	Estimated total cost \$000
Centre for Excellence and Innovation in Infrastructure Delivery	2013	469	1,135	2,396	4,000
Master Planning Strategy – Government Office Accommodation	2016	-	41,226	184,619	225,845
Office of the Premier's Accommodation – Hale House Relocation	2013	-	56	25,444	25,500
Revenue Collection Information System	2013	4,390	4,219	12,068	20,677
Shared Services Establishment	2013	169,491	37,957	27,306	234,754
Strategic Information Management System	2012	3,031	3,033	1,750	7,814
State Fleet annual vehicle acquisition program	2011	-	137,747	-	-

Centre for Excellence and Innovation in Infrastructure Delivery

The Centre for Excellence and Innovation in Infrastructure Delivery (CEIID) is progressively implementing a common software solution for agencies to manage projects and contracts associated with infrastructure delivery. The software product will enable a more consistent and risk-managed approach to be applied to project and contract management. The product is now operational at the Public Transport Authority and is about to be implemented in the Building Management and Works business.

A capital works reporting system was developed to provide status reporting on major, high-risk infrastructure projects. This system will be extended to cover all infrastructure projects, both in planning and under construction, that are valued above a nominated threshold.

Master planning strategy – Government office accommodation

A new master planning approach to Government office accommodation was in its second year.

The major moves as part of Phase One included:

- The consolidation of agencies into the 140 William Street, Perth precinct. When fully occupied the precinct, including the adjacent three heritage buildings, will house around 2,500 public sector employees; and
- The decentralisation and consolidation of Building Management and Works, and the Department of Training and Workforce Development into the Optima Building. This brought together 890 public sector employees spread across seven buildings into one location.

Completion of the Phase One Government Office Accommodation Implementation Plan will continue to be a major initiative during 2011-12. The master planning approach will result in a more coordinated outcome for Government office accommodation planning, modern fit-outs, shared facilities and future long-term savings in leasing and operating costs.

Office of the Premier and Cabinet Secretariat accommodation – Hale House relocation

In January 2011, Cabinet agreed to relocate the Office of the Premier, Cabinet Room and the Cabinet Secretariat from their existing location at Governor Stirling Tower to Hale House in West Perth (located opposite Parliament House adjacent to the Constitutional Centre of WA). A total budget of \$25.5 million was allocated to the project. The project is being managed by Building Management and Works and a full consultant design team is working on the project.

The project will involve the restoration of the heritage-listed Hale House, adaptation to its new executive government function and provision of a new wing to accommodate the Cabinet Room, meeting rooms and other ancillary facilities. All development approvals were in place and a forward works contract was awarded. The main construction contract is due to be awarded in October 2011 and the project is scheduled for completion and occupation in October 2012.

Revenue Collection Information System

State Revenue is reliant upon the Revenue Collection Information System (RCIS) as its primary tool to assess and collect State taxes and duties, and disburse grants, subsidies and rebates. The system is a 'mission-critical' asset and therefore an essential element in enabling Government to fund its operations on a year-by-year basis.

A project to redevelop the RCIS into a contemporary web-based technology for the user-presentation layer and also address longevity issues commenced in 2008. The system will continue to be underpinned by an Oracle relational database system.

Development work during the year incorporated a range of system changes, including measures implemented as part of the 2009-10 budget process. While the total project cost has remained the same, these system changes and measures have resulted in the project schedule being extended by 12 months and the project is now due for completion in 2013.

Shared Services implementation

The build of the Oracle eBusiness System was substantially completed during 2010-11. This included the finalisation of the complex Award Build project and the completion of Project Accounting, Enterprise Asset Management, Property Manager, Outbound Data Management solution and the Occupational, Safety and Health and Workers' Compensation solutions.

During 2010-11, \$36.5 million was spent on the build of the Oracle System and rolling in new agencies. As at 30 June 2011, 58 agencies were receiving various services from the Shared Service Centre.

In December 2010, the Premier announced an independent review of the Shared Services project. This review, undertaken by the Economic Regulation Authority (ERA) was finalised in June 2011. In July 2011, the Premier announced that the Government accepted in principle the ERA's recommendation to decommission the Shared Service Centre. A Task Force has been established to implement this recommendation, chaired by the Director General of the Department of Finance.

Strategic Information Management System

The Strategic Information Management System (SIMS) project will replace the existing Treasury Information Management System (TIMS), which currently provides the Department with the critical business tools to support whole-of-government economic management, budget management and financial reporting business requirements. Due to a range of technical issues and limited windows of opportunity to test and install, the 'go-live' date was deferred until 2012.

State Fleet annual vehicle acquisition program

State Fleet finances passenger and light commercial vehicles for Government agency use. Vehicles are purchased through a financing arrangement with the Western Australian Treasury Corporation. The actual number of vehicles acquired is based on agency needs. During 2010-11, State Fleet spent \$137.7 million on vehicle acquisitions, less than its budget of \$160 million. This reduction in expenditure reflects the Government's vehicle reduction initiative, introduced in 2009-10, which has resulted in 622 Government vehicles not being replaced.

OTHER LEGAL REQUIREMENTS

Compliance with *Public Sector Management Act 1994 Section 31(1)*

In the administration of the Department of Treasury and Finance, I have complied with the Public Sector Standards in Human Resource Management, the Western Australian Public Sector Code of Ethics and our Code of Conduct.

I have put in place procedures designed to ensure such compliance and conducted appropriate internal assessments to satisfy myself that the statement made in paragraph one is correct.

The applications made for breach of standards review and the corresponding outcomes for the reporting period are:

- number lodged 4
- number of breaches found, including details of multiple breaches per application 0
- number still under review 0



Michael Barnes
A/Under Treasurer
13 September 2011

Compliance with Public Sector Standards and ethical codes**Advertising**

In accordance with section 175ZE of the Electoral Act 1907 the following table details expenditure incurred by, or on behalf of, the Department of Treasury and Finance in the 2010-11 period.

	\$
Advertising	190,811
Adcorp	183,061
Lester Blades	7,750
Market Research Organisations	37,297
Advantage Communications & Marketing	37,297

Disability Access and Inclusion Plan outcomes

The Department of Treasury and Finance is committed to ensuring that people with disabilities, their families and their carers have full access to the range of services and facilities provided by the Department. DTF is committed to ensuring the following six outcomes continue to be met:

- People with disabilities have the same opportunities as other people to access the services of, and any events organised by the Department;
- People with disabilities have the same opportunities as other people to access the buildings and other facilities of the Department;
- People with disabilities receive information from the Department in a format that will enable them to access the information, as readily as other people are able to access it;
- People with disabilities receive the same level and quality of service from the Department's staff; and
- People with disabilities have the same opportunities as other people to make complaints to the Department.
- People with disabilities have the same opportunities as other people to participate in any public consultation by the Department.

To assist people with disabilities to access the DTF buildings, facilities and information, policies are regularly reviewed and updated to ensure guidelines are met.

Progress on the Disability Access and Inclusion Plan (DAIP) Implementation Plan was reported to the Disability Services Commission on 8 July 2011. The DAIP can be accessed through the Department's website and all timelines contained in the Implementation Plan were met.

Work was in progress to develop a new DAIP for the period 2011 to 2016. The public will be invited to comment on the draft plan through the Department's website.

Recordkeeping plans

Compliance with the *State Records Act 2000*

The Department is committed to establishing and maintaining recordkeeping practices that meet its business needs, the State Records Commission's minimum requirements and stakeholder expectations.

Requirement 1

The efficiency and effectiveness of the organisation's recordkeeping systems is evaluated not less than once every five years.

The Department revised the recordkeeping policy, updated the Recordkeeping Plan, simplified the controlled vocabulary and initiated a review of onsite and offsite storage. The incumbent document management system was replaced with a more reliable and user friendly electronic document and records management system with integrated workflow.

Requirement 2

The organisation conducts a recordkeeping training program.

An online awareness training program is currently in the final stages of customising and will be progressively rolled out during the second half of 2011.

This training methodology will meet the complexities of delivering training to the agency's regional employees as well as allowing for flexibility and adaptability for all employees.

Requirement 3

The efficiency and effectiveness of the recordkeeping training program is reviewed periodically.

As part of the ongoing development of training, the monitoring of value and effectiveness by employees is routinely undertaken. This directly affects the content and delivery of training and is vital to the continuous improvement of programs.

Requirement 4

The organisation's induction program addresses employee roles and responsibilities in regard to their compliance with the organisation's Recordkeeping Plan.

Records awareness training remains a critical component of every new employee's induction, providing a foundation for recordkeeping compliance in accordance with State Government requirements. This mandatory program provides a first step approach to recordkeeping responsibilities.

The induction training is complemented with record keeping systems training and the imminent introduction of online awareness training.

Government policy requirements

Occupational safety, health and injury management

The Department of Treasury and Finance is committed to the health and wellbeing of all employees, and to providing a safe working environment. The Department adopts a preventative approach, consistent with the principal objective of the *Occupational Safety and Health Act 1984* to promote and secure the safety and health of persons in the workplace.

It continues to work towards achieving 'Silver' accreditation from WorkSafe in recognition of its safe work practices.

Occupational safety, health and injury management performance

Indicator	Actual 2010–11
Number of fatalities	0
Lost-time injury/disease (LTI/D) incidence rate	0.42
Lost time injury severity rate	0
Percentage of injured workers returned to work within 28 weeks	100%
Percentage of managers trained in occupational safety, health and injury management responsibilities	13.45%

Workers' Compensation

Shared Services provides an up-to-date expert advice and proactive consultancy services on occupational safety and health, workers' compensation and injury management issues. Shared Services also provides advice and support to managers and employees regarding workers' compensation claim lodgment processes, including assistance with early intervention and injury management strategies.

Substantive Equality

The Department of Treasury and Finance is committed to achieving substantive equality by eliminating systemic racial discrimination in the provision of services and promoting sensitivity to the different needs of client groups.

The Department's State Revenue business commenced a review of department policy and practice in the administration of the First Homes Owners Grant (FHOG).

This was completed in late 2010. Two main findings from the report indicate that:

- Indigenous Western Australians are aware of, and are accessing, the FHOG, although not in numbers that are proportionately consistent with the non-indigenous first home buying population; and
- The current FHOG application form and lodgment guide are not considered to be having an adverse impact or prohibiting Indigenous people from applying for the first home owner grant.

Equity and Diversity Management Plan

Agencies are required to prepare and implement an Equal Employment Opportunity (EEO) Management Plan under Section 145(1) of the *Equal Opportunity Act 1984*.

The EEO Management Plan needs to meet the requirements of Part IX of the Act which details line management responsibilities ensuring that the workplace is accountable and free from harassment, that workplaces are free from unlawful discrimination, and that there are strategies for equal employment opportunity groups to achieve workplace diversity.

The Department of Treasury and Finance Equity and Diversity Management Plan 2010-2013 (E&D Plan) provides a framework that reinforces the link between employment equity and diversity, improved planning and delivering excellence through service provision. Specifically, the E&D Plan articulates how, in a contemporary workplace, managing equity and diversity issues is part of the everyday responsibility of managers and supervisors.

The E&D Plan reflects the Department's commitment to achieving its vision of providing independent advice and innovative services through its people. Given that the Department provides an extensive range of services to the diverse Western Australian community, it is essential that it attracts and harnesses the different perspectives, skills and experience of the Western Australian community. This will ensure that we are in a strong position to respond to our clients' diverse needs.

The plan also provides quantifiable objectives to ensure delivery of this commitment and indicates priority areas to address current equity and diversity gaps within the Department.

Wellness Program

The Department of Treasury and Finance's Wellness Program was established to assist staff in achieving optimal health and offer a broad range of activities for staff to be productive and have happier, healthier and balanced lives.

The program offers a range of activities from health and wellbeing information, to free flu vaccinations, health and fitness education, discounts on gym membership, and eyesight screening and testing.

An Employee Assistance Program is also in place to support staff for work-related or personal issues which may harm their wellbeing.

WESTERN AUSTRALIAN BUILDING MANAGEMENT AUTHORITY ANNUAL REPORT 2010-11

Overview

The Western Australian Building Management Authority (WABMA) was established under the *Public Works Act 1902* as a body corporate. The Authority was 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 held the residual borrowings from the amalgamation of the former Ministry of Housing and the Department of Contract and Management Services in 2001.

The responsibility for the Authority was transferred to the Department of Treasury and Finance on 2 February 2009, along with the Government's 'works' function.

The balance of Western Australian Treasury Corporation (WATC) loans as at 30 June 2011 was \$0. There was no activity during 2010-11.

The Peel Health Campus loan agreement was finalised on 1 July 2008 by receiving the full lease payment from the Health Department of Western Australia. The WATC also received full payment on 1 July 2008.

Borrowings from the WATC for the funding of the capital works programs were also finalised, with the full balance of borrowings of \$63.6 million paid by 16 July 2008.

Certification of financial statements

For the year ending 30 June 2011

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 2011 and the financial position as at 30 June 2011.

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



Roy Picardo
A/Chief Finance Officer
13 September 2011



Michael Barnes
Acting Accountable Authority
13 September 2011

Performance indicators

Nil indicators. The Authority was dormant during the financial year.

Report on operations

Nil. The Authority was dormant during the financial year.

Significant trends and issues

Nil. There were no changes in the activities of the Authority during the financial year, nor are changes anticipated in the foreseeable future.

Disclosures and legal compliance

Nil

Financial statements

Statement of comprehensive income

Nil transactions/balances for the financial year.

Statement of financial position

Nil transactions/balances for the financial year.

Statement of changes in equity

Nil transactions/balances for the financial year.

Statement of cash flows

Nil transactions/balances for the financial year.

Ministerial directives

Nil

Other financial disclosures

Nil.

Employment and industrial relations

Nil. No staff.

Governance disclosures

Nil

Other legal requirements

Nil

Government policy requirements

Nil