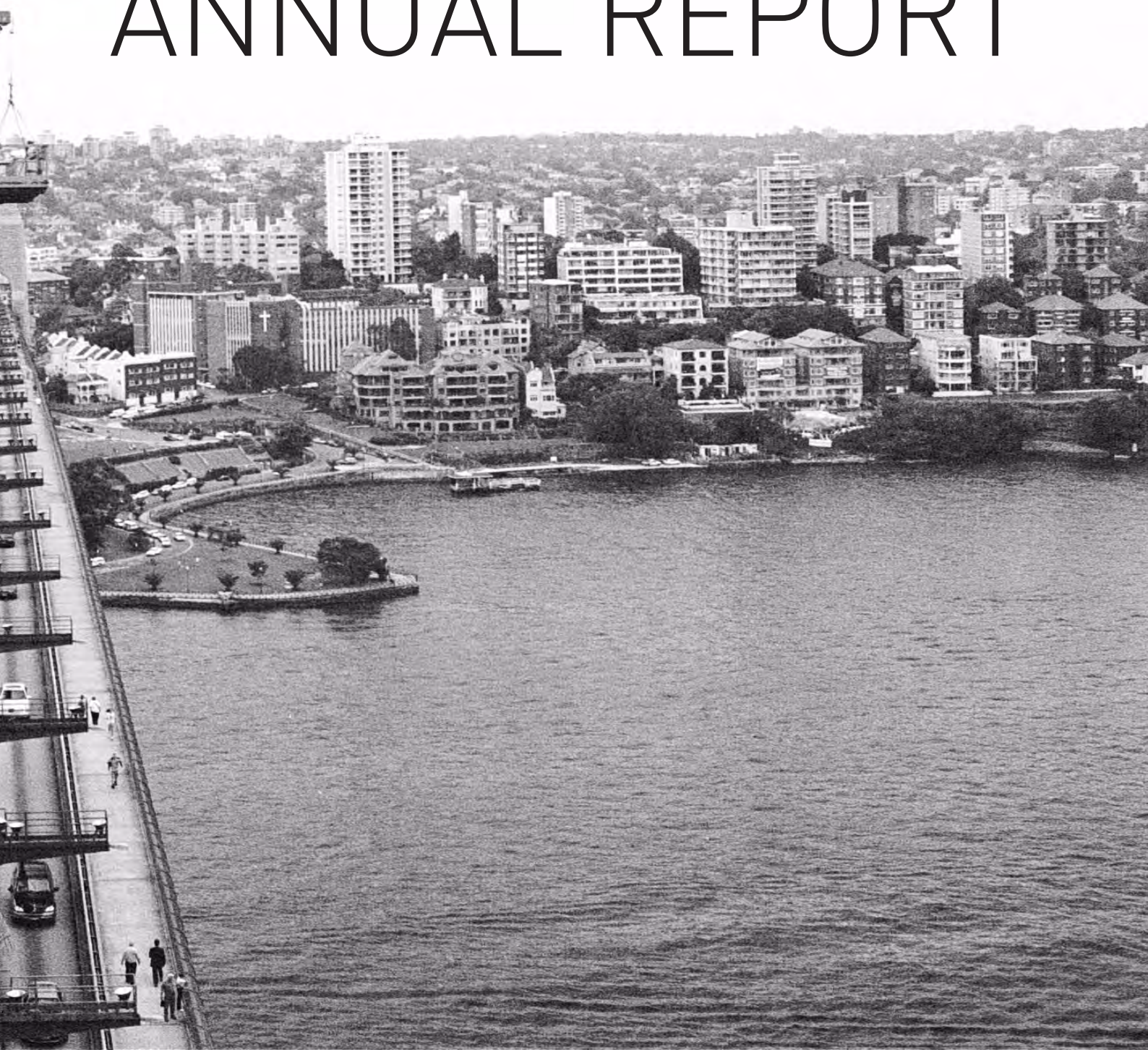




The
Treasury

2013-2014

ANNUAL REPORT



NSW Treasury

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31 October 2014
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The Hon. Andrew Constance MP
NSW Treasurer
GPO Box 5341
SYDNEY NSW 2001

Dear Treasurer

I have pleasure in submitting the Annual Report of the NSW Treasury for the financial year ended 30 June 2014, for presentation to the NSW Parliament in accordance with the *Annual Reports (Departments) Act 1985*.

This volume reports on the operations and performance of the NSW Treasury, together with the consolidated financial statements for the period 1 July 2013 to 30 June 2014.

It also includes selected information about the operations and performance of the Crown Entity (and its related entities).

A second volume contains the audited financial statements of the Related Crown Entities.

Yours sincerely



Philip Gaetjens
Secretary
31 October 2014

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Philip Gaetjens
Secretary
NSW Treasury

It has been an eventful year for NSW Treasury and not only because we celebrated our 190th anniversary. Treasury is the longest serving government agency in Australia - a legacy we are all very proud to uphold. A staff photograph commemorating the event is found on page 6.

It is extremely pleasing to report that for the first time in the history of whole-of-government reporting in NSW, the State's 2012–13 accounts received an unqualified audit opinion. This tangible outcome demonstrates early success in improving financial management and reporting across the NSW public sector. I applaud the effort and dedication of staff within the Fiscal and Economic Group in Treasury, as well as the sector, to achieve this outcome. I look forward to further unqualified audits which would indicate sustained improvement in this area.

The NSW economy strengthened in 2013–14. Higher revenues combined with effective management of expenses saw a three per cent improvement in the forecast 2013–14 Budget result. Revenues were driven by strength in the housing market, solid household spending and the re-profiling of Commonwealth infrastructure grants into 2013–14 from later years. As a result of better operating results in previous years and asset recycling, the State's debt position improved, making it possible to accelerate infrastructure investment while maintaining the State's triple-A credit rating.

As a result of machinery of government changes in May 2014, Treasury became the principal agency in a newly created Treasury and Finance cluster which brought together Treasury, the Office of Finance and Services and Service NSW. This powerful amalgamation consolidates key economic, financial and resource allocation policy functions with strategic and innovative approaches to sector-wide IT and procurement and a dedicated customer-focussed delivery capability.

In addition to Treasury's key roles in budget and financial management and reporting, we addressed several innovative policy directions and reforms to provide significant benefits to the people of NSW. They included our stewardship of the Government's wages policy and the monitoring of NSW agency's savings plans, both of which are key planks to the State's fiscal strategy. The now widely used term asset recycling, which provides funds for new productive infrastructure, originated in NSW and the professionalism and rigour of the Asset Transactions Unit in Treasury has restored the State's reputation as a reliable vendor.

This year, the Government approved the business case for the Financial Management Transformation program which will reform financial management arrangements across the NSW public sector. Treasury is leading this project but governance and consultation necessarily involves the wider sector on whole-of-Government budgeting, performance information and reporting.

Treasury's innovative financing outcomes extend to areas of social policy. Two Social Benefit Bonds were signed by private investors in 2013–14 to demonstrate that social policy outcomes and private finance can be successfully linked. Australia's first Social Benefit Bond funded a program to restore children to their families from out-of-home care and to prevent at-risk children from entering care by creating safe family environments. It delivered a 7.5 per cent return to investors in its first year, while improving support for parents of children in, or at risk of, entering out-of-home care.

Treasury played a significant role in progressing the State's approach to implementing the National Disability Insurance Scheme during the year. We are leading the program to transfer services seamlessly to the non-government sector. This is being approached with a clear focus on maintaining continuity of care to existing clients while supporting the State's workforce through the transition.

Our policy breadth extends to our continuing work on developing a funds management and investment strategy to move to a whole-of-State portfolio perspective for the \$65 billion of managed funds recognised on the State's balance sheet.

Throughout the year, change management continued across the organisation. We embarked on a major program of implementing new technologies to enable improvements to our work practices. These included the introduction of an electronic document record management system and electronic workflow processes which will increase the security and efficiency of our recordkeeping. The technology upgrades are a vital precursor to our office relocation to 52 Martin Place later in 2014. Together with new work practices and new office space, they are aimed at improving collaboration within the organisation and have proved popular with the majority of staff.

A new organisational structure was embedded with the establishment of a new Treasury Group Executive comprising the Secretary and the five leaders of our functional groups and our management structure was enhanced with the recruitment of Executive Directors.

Treasury is developing an overarching Strategic Plan which focuses on NSW Treasury as one integrated organisation "One Treasury" with clearly defined roles and responsibilities to the rest of Government. This programme provides an opportunity to refresh our Corporate Plan with the engagement and buy in of our business to create a shared vision and strong direction for the organisation.

The Strategic Plan brings focus to our organisational goals and is a product of genuine consultation with staff. We commenced workshops this year to develop specific programs and will move to implementation in 2015-16 to achieve the following strategic goals:

- ≈ being a trusted and influential advisor to Government
- ≈ being excellent in leadership and management
- ≈ being a highly valued relationship partner
- ≈ being an active shareholder and strategic balance sheet manager
- ≈ being an excellent budgeting financial and risk manager
- ≈ adopting a strong economic and financial policy agenda
- ≈ being an employer of choice
- ≈ enabling the effective integration of the new Treasury and Finance Cluster.

While change can give rise to some uncertainties and unsettling impacts, I pay tribute to staff, including our new recruits, for holding a steady course and making a valuable contribution to the work of Treasury. Our span of work extends across the NSW public sector as well as the many areas where public policy intersects with the non-government and private sectors. Importantly, I am encouraged by many positive comments and feedback from a number of employees and external stakeholders about the direction we are taking.



Philip Gaetjens
Secretary

The changing face of Treasury

NSW Treasury was established in April 1824 and is the longest continuous serving Government agency in Australia. Back in 1824 Treasury had a staff of nine officers and in 1908 the first female officer was appointed as a typist. Over the years our workforce has increased and, unlike those early days, our workforce now has approximately equal numbers of men and women.

The image below is one of the earliest photographs of Treasury's people. It was taken in 1894 on the steps to the Royal Botanic Gardens, overlooking Chowder Bay in Sydney.



New South Wales Treasury personnel, Royal Botanic Gardens, Sydney 1894

So many major events have taken place in the world since that day in the Gardens. NSW Treasury itself has also seen a lot of change since then.

This year marked Treasury's 190th anniversary. To commemorate this milestone we took the opportunity to photograph Treasury's current employees, together with the Treasurer, outside Governor Macquarie Tower. The 2014 photograph is shown on the next page.

We are fortunate to employ a highly capable and qualified group of both women and men who continually strive to make a difference to the State of NSW.

The 2014 photograph is significant in light of Treasury's planned relocation to 52 Martin Place later this year.



The Hon Andrew Constance MP, the Treasurer and Mr Philip Gaetjens, Secretary of the Treasury,
with staff of NSW Treasury, on 12 May 2014

About NSW Treasury

NSW Treasury advises the NSW Government on state financial management policy and reporting, on economic conditions and issues, and on industrial relations matters. We coordinate the State Budget, manage the State's financial assets, monitor performance of the State's commercial agencies, implement industrial relations policy, and monitor and review policy, expenditure and budgets of NSW Government agencies.

This Annual Report outlines the NSW Treasury's operations and performance for the 2013–14 reporting period. Our report is both quantitative, encompassing a broad spectrum of effectiveness and efficiency measures, and qualitative, recounting the major achievements of our organisation.

During 2013–14 NSW Treasury had administrative responsibility for the following entities:

- ≈ Long Service Corporation
- ≈ Crown Finance Entity
- ≈ State Rail Authority Residual Holding Corporation
- ≈ Liability Management Ministerial Corporation
- ≈ Electricity Assets Ministerial Holding Corporation
- ≈ Lotteries Assets Ministerial Holding Corporation
- ≈ Ports Assets Ministerial Holding Corporation

The following entities are within the Treasury cluster, but report directly to the Treasurer:

- ≈ Treasury Corporation (TCorp)¹
- ≈ Residual Business Management Corporation
- ≈ Port Newcastle Lessor Pty Ltd
- ≈ Port Botany and Port Kembla Lessor Companies Pty Ltd
- ≈ Cobbora Holding Company Pty Ltd
- ≈ Hunter Valley Training Company Pty Ltd

On 23 April 2014, the Administrative Arrangements Order 2014 was issued, which established the Treasury and Finance cluster. As a result, the Office of Finance and Services and a number of other entities moved from the former Finance and Services cluster to the new Treasury and Finance cluster. For continuity of reporting, the entities transferred under the Order provide separate Annual Reports.

Treasury's Structure

The Treasury Group Executive comprises the Secretary of Treasury, three Associate and Deputy Secretaries, the Chief Operating Officer and the Executive Director Industrial Relations. The organisation chart is presented on page 12.

As at 30 June 2014 NSW Treasury's structure incorporated the following groups:

- ≈ Fiscal and Economic Group
- ≈ Resource Allocation Directorate
- ≈ Commercial Group
- ≈ Corporate Group
- ≈ NSW Industrial Relations

The functions, responsibilities and performance of each area are outlined on pages 18 to 53.

The Secretary of NSW Treasury is also the nominal employer of the NSW Public Service for industrial purposes and is responsible for the central management of NSW public sector industrial relations functions. Advice on economic, financial, industrial relations and policy issues is coordinated across the organisation allowing broad perspectives to be provided to the Government on a whole-of-Treasury basis.

¹

Reports to the Treasurer via the TCorp Board chaired by the Secretary.

Primary legislation administered by NSW Treasury

Treasury administers a large range of Acts and Regulations on behalf of the Treasurer and Minister for Industrial Relations. The following Acts constitute the primary legislation which governs most of our core business:

- ≈ *Annual Reports Acts (Departments, 1985; Statutory Bodies, 1984)*
- ≈ *Fiscal Responsibility Act 2012*
- ≈ *Industrial Relations Act 1996*
- ≈ *Long Service Corporation Act 2010*
- ≈ *Public Finance and Audit Act 1983*
- ≈ *Public Authorities (Financial Arrangements) Act 1987*
- ≈ *Government Sector Employment Act 2013 (Part 4, Division 6, jointly with the Premier)*
- ≈ *Annual Holidays Act 1944*
- ≈ *Long Service Leave Act 1955*
- ≈ *Public Holidays Act 2010.*
- ≈ *Retail Trading Act 2008*

Our Stakeholders

Treasury's stakeholders include:

- ≈ the NSW Treasurer and the NSW Government
- ≈ the people and businesses of NSW and organisations that represent them
- ≈ NSW Government agencies and government businesses
- ≈ the NSW Parliament
- ≈ the NSW Auditor-General
- ≈ Independent Pricing and Regulatory Tribunal (IPART)
- ≈ rating agencies (such as Standard and Poor's and Moody's).

Our principal stakeholder is the Treasurer. Treasury strives to increase the prosperity of the people of NSW and meet our *NSW 2021* commitments. These are achieved through a focus on good policy and efficient resource allocation.

We regularly interact with colleagues in other government agencies and representatives of the business and community sectors. This ensures their views are taken into account in policy development within an overall context of NSW having strong finances and a growing economy.

The dedication and efforts of our staff allow us to make commitments to our stakeholders and achieve our objectives and results.

Full details of our commitments to our stakeholders are outlined in Treasury's Guarantee of Service, available on our website (www.treasury.nsw.gov.au).

NSW Treasury Corporate Plan

Our 2012–13 to 2015–16 Corporate Plan shows our vision for achieving enduring prosperity for the people of NSW. It articulates our Mission, Targets and our Values: Excellence, Integrity, Accountability and Trust.

The Corporate Plan details our business as usual priorities which largely align with the external goals of the organisation set out in our Strategic Plan. The Plan presents them on a functional basis consistent with our structure at that time. In this respect the Corporate Plan is a planning, budgeting and resource allocation tool for our business as usual.

Our Vision

Enduring prosperity for the people of New South Wales.

Our Mission

Promote the long term interests of New South Wales through leadership in economic policy and financial management strategies to deliver a strong, competitive economy and better services.

Our NSW 2021 Goal - Rebuild State Finances

Targets

- ≈ Effective Balance Sheet Management
- ≈ Improve Financial Management and Controls
- ≈ Improve Efficiency and Effectiveness of Expenditure
- ≈ Reform Revenue
- ≈ Improve Public Trading Enterprise (PTE) performance.

Our priorities incorporate these targets and underpin our *NSW 2021* commitment.

What we live by – our Values

The *Government Sector Employment Act 2013* outlines a set of values for all NSW public servants. These core values are Integrity, Trust, Service and Accountability.

Treasury upholds these core values and has developed specific values that highlight the particular behaviours we regard as crucial to success in delivering our priorities.

We strive for **excellence** in everything we do:

- ≈ Demanding high standards from ourselves and continually looking for ways to improve
- ≈ Being influential, inspirational and motivational
- ≈ Applying rigour and innovation in our advice
- ≈ Focussing on results
- ≈ Working as one.

We display **integrity** at all times

- ≈ Being honest and treating others fairly
- ≈ Doing what we say we will do
- ≈ Leading with courage
- ≈ Providing apolitical advice.

We hold ourselves **accountable** in our responsibilities

- ≈ Taking ownership and being proactive
- ≈ Taking responsibility for the impact of our actions and decisions
- ≈ Letting others own their responsibilities.

We show **trust** in all our relationships

- ≈ Listening to and understanding the needs of others
- ≈ Collaborating with stakeholders to find practical solutions
- ≈ Respecting diversity and learning from others.

What we do

1. Provide fiscal and economic advice to contribute to sound policy development and informed decision-making.
2. Advise on the effective use of the State's resources to deliver better services, including through capital investment.
3. Support public sector agencies in the application of the Government's Wages Policy.
4. Provide leadership in microeconomic reform to support a strong, competitive economy.
5. Drive public sector financial accountability by promoting a contemporary legislative and policy framework.
6. Facilitate private sector involvement in major capital projects and manage major asset transactions.
7. Manage the Government's shareholding in State Owned Corporations and monitor performance to improve the commercial effectiveness of the sector.
8. Collaborate with agencies and other stakeholders to find sound solutions that add value to policy and service delivery outcomes.
9. Assess financial and economic risk and provide advice on risk management.
10. Disseminate frameworks for economic assessment and advise on the economic impact of policies.
11. Provide strategic public and private sector industrial relations advice to the NSW Government.
12. Create and maintain a working environment that allows our people to excel.

Organisational Change

In 2013–14 Treasury adjusted quickly to the Government's Administrative Changes resulting in the creation of the Treasury and Finance cluster; we concluded the organisational design changes that had begun the previous year; and we adopted new technology and work practices.

Administrative changes

In April 2014, the Government announced the creation of the Treasury and Finance cluster which brought together Treasury as the principal Department, the newly created Office of Finance and Services (OFS) and Service NSW.

Organisational Design

Within Treasury, the Executive Director level was introduced to push down operational accountability and provide Associate and Deputy Secretaries with room for more strategic leadership. Executive Directors provide the key link between strategic leadership and operational accountability. They are the principal and authoritative source of advice within their Divisions and have a high level of engagement across the public sector.

There was a high level of interest for these new roles which were filled by internal and external candidates. Executive Directors were responsible for the subsequent redesign of their Divisions and Branches.

The introduction of Executive Directors under the Executive level allowed a refocus of Treasury's leadership group which was reduced to the five functional heads of Treasury operations and renamed the Treasury Group Executive.

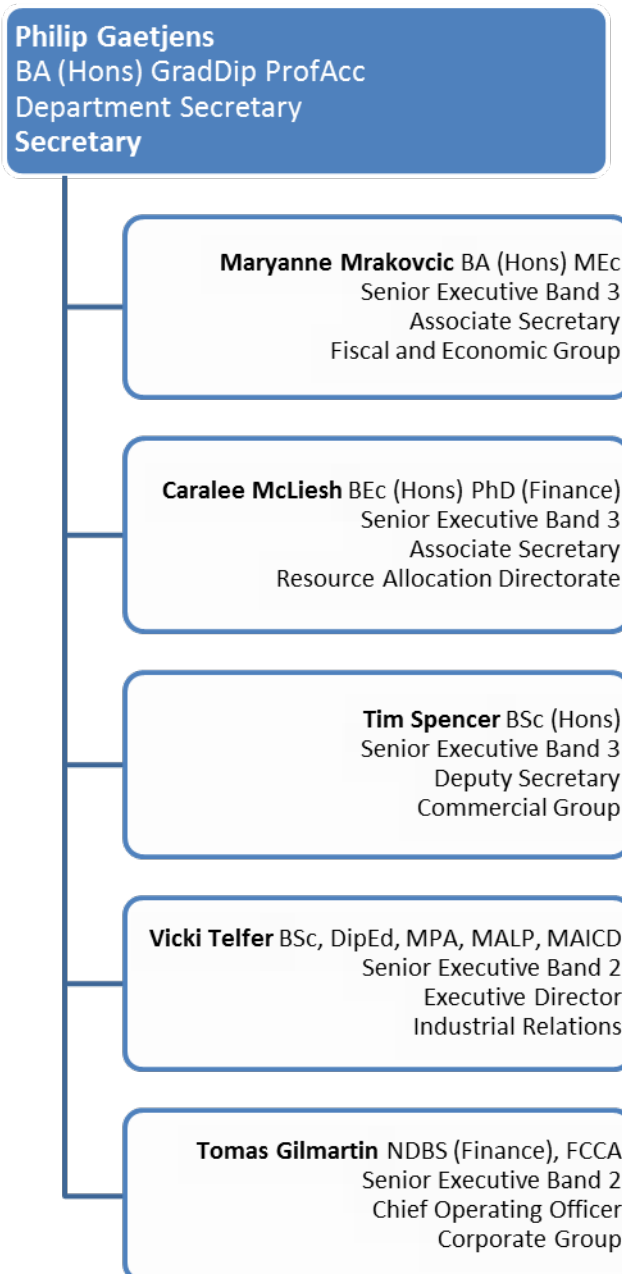
New Ways To Work

Treasury embarked on a major program of technology updates and work practices in preparation for the move to new offices at 52 Martin Place in the last quarter of 2014.

Technology changes included a rollout of new laptops so that all staff now work with dual screens; the introduction of Outlook email system, Windows 7 and Microsoft Lync for instant messaging; new printers enabling staff to print from any printer across the organisation; voicemail; and the electronic document management system, Objective 8.2.

Treasury will embark on agile working at 52 Martin Place that brings our working environment and technology more in line with contemporary practices that apply across the wider professional services sector. This means that staff can choose to work at a desk – sitting or standing – or in a quiet room; or they may hold meetings and collaborate with colleagues in the many meeting rooms across the office floors. This modern work environment is designed to break down silos, connect teams more easily and bring people together.

Treasury Group Executive



This structure was effective as at 30 June 2014

NSW's Economic and Fiscal Environment

Economic Factors

The 2013–14 year was expected to be dominated by the transition of the Australian economy away from mining investment as the main driver of growth and towards growth in the exports and domestic non-mining sectors. The well diversified New South Wales economy was expected to be a beneficiary of this transition with record low interest rates supporting household consumption and dwelling investment growth.

A modest depreciation of the Australian dollar was expected to support activity in trade exposed sectors, as was the prospect of gradually strengthening economic growth among Australia's major trading partners.

As the year progressed, global growth was revised down by the International Monetary Fund (IMF) principally reflecting slower growth in emerging economies, including China as it attempts to transition towards more consumption-led growth. Constraints to global growth also included uncertainties around the United States' fiscal policy and the timing and extent of the unwinding of extraordinary monetary policy settings. The spectre of deflation and ongoing structural reforms weighed on Euro zone economies, while key risks to the Japanese economy remained fiscal consolidation and the effectiveness of structural reforms.

These global factors weighed on trade and confidence, affecting both national and NSW economic prospects. Nationally, the mining investment boom was ending more abruptly than previously expected and there was a delay in the anticipated pick-up in non-mining business investment. Some positive factors provided support, including the modest Australian dollar depreciation and increased commodity exports as the mining sector continued its transition from investment to production.

By the time of the 2013–14 Half-Yearly Review in December 2013, New South Wales was also affected by the earlier than expected peak in mining investment and softer consumption growth resulting from weaker than expected employment and wages growth. The second half of 2013–14 proved to be much stronger as low interest rates and strong wealth effects from rapid house price growth, along with share market gains, went on to support consumer spending and dwelling investment.

Consistent with the upturn in economic activity, prospects for employment growth turned around. New South Wales' relative economic strength increased compared to the rest of Australia resulting in an increase in the State's share of migration, additional spare capacity and upward pressure on the unemployment rate.

New South Wales' real economic growth for 2013–14 was forecast to be three per cent in the 2014–15 Budget, slightly above expectations in the 2013–14 Budget. In addition to the factors already mentioned, stronger growth was supported by public investment.

Fiscal Influences and Responses

The improved economic performance in the second half of 2013–14 resulted in a significant increase in taxation and GST receipts for the 2014–15 Budget. At the same time the 2014–15 Commonwealth Budget had a major impact on expected NSW revenues, through additional funds for infrastructure projects, the re-profiling of major infrastructure grants and reductions in recurrent funding for Health and Education. This introduced additional complexity and uncertainty to the State's fiscal environment in the short and medium term.

The Government continued to frame its fiscal strategy and the 2014–15 Budget is consistent with the *Fiscal Responsibility Act 2012*. Maintaining the State's triple-A credit rating is the overall objective of the Act. This is supported by the key targets of expense growth remaining at or below long-term revenue growth and fully funding superannuation liabilities by 2030.

Treasury maintained a key role in implementing and monitoring expense controls to ensure that revenue growth exceeded expense growth to support increasing budget surpluses, as projected in the 2014–15 Budget.

In addition, Treasury's execution of the long-term lease of the Port of Newcastle during 2013–14 resulted in better than expected proceeds. The continuing successful completion of major asset transactions managed by Treasury has led to substantially lower net debt and a stronger fiscal outlook, reducing the pressure on the State's balance sheet and supporting the triple-A credit rating.

As at 30 June 2014, New South Wales was rated triple-A by the two major credit rating agencies.

Supporting *NSW 2021*

Treasury supports the Government's priority to restore economic growth and establish New South Wales as the first place in Australia to do business.

NSW Treasury's vision, mission, targets and priorities are aligned with *NSW 2021*. Treasury leads, and reports to Cabinet, on *NSW 2021* Goal 2: Rebuild State Finances.

Treasury's targets under **Goal 2: Rebuild State Finances** include:

- ≈ Effective balance sheet management
- ≈ Improve financial management and controls
- ≈ Improve efficiency and effectiveness of expenditure
- ≈ Reform of revenue
- ≈ Improve the performance of public trading enterprises.

Treasury has a key role as fiscal and economic adviser to the Government. As such, it works with partner agencies to achieve other *NSW 2021* targets such as:

- ≈ Driving economic growth in regional NSW
- ≈ Increasing the competitiveness of doing business in NSW
- ≈ Placing downward pressure on the cost of living
- ≈ Delivering critical infrastructure of value when needed
- ≈ Restoring confidence and integrity in NSW planning processes
- ≈ Restoring trust in government as a service provider and in many of the goals relating to sectoral initiatives, e.g. in transport, health, family and community services, police and public trading enterprises.

These aims are supported at the strategic level in Treasury's Corporate Plan.

The Treasury Cluster *NSW 2021* achievements for 2013–14 are available in the [NSW 2021 Performance Report 2014–15](#). They include:

- ≈ Recycling assets to reinvest in new infrastructure. Completed transactions comprised the sale of Eraring Energy's Eraring and Shoalhaven Power Stations, including the termination of the related Cobbora coal supply agreement and the sale of Delta Electricity's Mount Piper and Wallerawang Power Stations. In addition to the cash benefits achieved, these transactions saved taxpayers around \$2 billion in avoided liabilities. The long-term lease of Newcastle Port was successfully executed, while a single entity to manage the remaining port authority operations in NSW Ports was created.
- ≈ Implementing comprehensive financial management strategies to help NSW maintain its triple-A credit rating and to restrain expenditure growth below revenue growth. These strategies included the monitoring and reporting on the State's fiscal performance in the 2013–14 Budget in accordance with the Fiscal Responsibility Act 2012.
- ≈ Progressing microeconomic reforms to support growth by deregulating retail electricity prices, streamlining environmental assessments and agreeing at the Council of Australian Governments (COAG) to target red tape reduction across a range of industry sectors in 2014–15.

- ≈ Better managing electricity network businesses – integration savings of \$5.4 billion over the five years to 2015-16 are on track, including \$0.5 billion of operational expenditure and \$4.8 billion in capital expenditure. These greater efficiencies have created room to fund electricity rebates to low income consumers.
- ≈ Continuing to monitor over 122 public infrastructure and private projects to ensure compliance with the NSW Guidelines for Construction Procurement, preventing cost increases due to illegal industrial activity on taxpayer-funded infrastructure projects.
- ≈ Making significant progress in reforming the Forestry Corporation to operate on a sustainable financial basis through reform of its cost structures and its hardwood timber division. This included efficiency reforms, contract renegotiation and increased transparency of operations.
- ≈ Adopting a conditional debt pay down financing structure for both the North West Rail Link and Sydney Light Rail Public Private Partnership (PPP). This structure focuses on payments being made only as key operational milestones are met. For the Northern Beaches Hospital PPP, payment will be made on or after completion of the project and the outsourcing of all clinical services.
- ≈ Continuing to support all NSW Government Clusters with the development and monitoring of savings plans to meet the six year savings target of \$18.9 billion from 2011–12 to 2016–17.
- ≈ Continuing to implement the recommendations from the NSW Commission of Audit Report, including the development of new policies, processes and systems for financial management.
- ≈ Providing leadership and in-principle agreement to the Commonwealth Government's proposed asset recycling initiative, which could see the Commonwealth offer substantial financial incentives to encourage States and Territories to divest assets and use the proceeds to encourage investment in productivity-enhancing infrastructure.
- ≈ Stewardship of the Government's wages policy with around 255,000 employees receiving increases of 2.5 per cent per annum in remuneration across the public sector and more than 18,000 employees identifying savings and productivity offsets for increases above 2.5 per cent.

Key initiatives for 2014–15

The Treasury and Finance Cluster, together with the Planning and Environment Cluster, will deliver the following key initiatives to meet its NSW 2021 Goals in 2014–15:

Rebuild State finances (Goal 2)

The Treasury and Finance Cluster will improve the strength of the NSW balance sheet by:

- ≈ Progressing the sale of Delta Electricity's Vales Point and Colongra power stations and the Cobbora coal mine site. The aim is to finalise these sales in the first half of the 2014–15 financial year. The sale process for Macquarie Generation's Bayswater and Liddell power stations will also be completed, dependent on the outcome of the Australian Competition Tribunal review and the sale achieving a price which benefits the State.
- ≈ Further developing non-recourse debt financing structure options to be used to fund proposed motorway developments (e.g. WestConnex), allowing Government to accelerate the construction of projects while minimising the impact on its balance sheet and credit rating metrics.
- ≈ Implementing the decision to amalgamate the funds management of State financial assets worth \$65 billion within NSW Treasury Corporation (TCorp), creating a top 10 Australian investment manager.
- ≈ Advising on amendments to the *State Owned Corporations Act 1989* to reflect contemporary best practice corporate governance.
- ≈ Completed a scoping study into the long-term lease of 49 per cent of the State's interests in electricity transmission and distribution businesses.

Fiscal and Economic Group



Maryanne Mrakovcic
Associate Secretary
Fiscal and Economic Group

- ≈ Prepared the 2012–13 Report on State Finances and advised on and prepared the 2013–14 Half-Yearly Review and the 2014–15 State Budget
- ≈ Prepared the NSW Total State Sector Accounts and received an unqualified audit opinion for the first time in the history of NSW whole-of-government reporting
- ≈ Prepared tax reform proposals to improve the efficiency of the tax system and reduce business costs and red tape
- ≈ Developed the Financial Management Transformation (FMT) business case for reforming financial governance arrangements across the NSW Public Sector. FMT will improve information provided to the Government to support resource allocation decisions and contribute to the efficiency and effectiveness of Government spending
- ≈ Led the Program Data Project which examined selected government programs and services in consultation with agencies to assess their efficiency, economy and cost-effectiveness
- ≈ Established the Chief Financial Officer forum, facilitating collaboration and engagement in whole-of-government financial management challenges and solutions

The Fiscal and Economic Group provides advice on the NSW economic and fiscal outlook, including budget performance, tax, revenue and productivity measures, intergovernmental relations, competition policy and regulatory reform.

The Group is also responsible for the integrity of the NSW Government's financial governance arrangements, including the financial management framework and preparation of the state sector accounts.

The introduction and consolidation of a new structure saw a significant degree of change within the Group in 2013–14. An important part of this was the creation of divisions and the re-allocation of responsibilities from the former directorates to new divisions. This was achieved seamlessly with successful realignment of activities and the ability to build and improve both ways of working and the quality of outputs.

In 2013–14 the Group worked with Cluster Chief Financial Officers and Treasury's Resource Allocation Directorate to improve the financial projections of agencies. As a result a better understanding of the risks to agency budgets and the impact on year-end projections was achieved.

In November 2013 the team which developed the *Internal Audit and Risk Management Toolkit for the NSW Public Sector* received a Treasury Managed Fund Excellence Award for Leadership. See page 25 for more information.

The NSW State Budget

Significant contributions to the management of the State Budget were made by the Group, including the coordination and preparation of the 2012–13 Report on State Finances, the 2013–14 Half-Yearly Review and the 2014–15 State Budget.

Treasury continues to support the Government's fiscal strategy to maintain the State's triple-A credit rating, introducing improved processes to support Government decision-making in 2014–15. This included improved transparency in the 2014–15 Budget through a statement outlining new, recurrent policy decisions taken since the last published estimates.

Tax Reform

The tax reform proposals announced in the 2014–15 Budget were developed by the Group. These included the removal of stamp duty on the transfer of non-real business assets, remaining mortgage duty and stamp duty on unlisted marketable securities. Removing these taxes will improve the efficiency of the tax system and reduce business costs and red tape.

The Group assisted the Government's consideration of proposals to reform the existing insurance-based funding mechanism for fire and emergency services. During 2013–14 the Government announced the appointment of Professor Allan Fels AO to review the experience in Victoria, which recently replaced its insurance-based system of fire services funding with property levies. The Government will review Professor Fels' report, expected in early 2015, before making any decision to change the funding arrangements for fire and emergency services.

The Group worked with the Office of State Revenue on further 2014–15 Budget initiatives, including changes to the criteria for the \$5,000 New Home Grant and increasing the maximum purchase price threshold to \$750,000 for the \$15,000 First Home Owners Grant.

Goods and Services Tax low value threshold

The Group played a leading role in working with the Commonwealth and the other states to reduce the low value goods and services tax (GST) importation threshold. The current threshold value of \$1,000, which includes imported services, was estimated by the Commonwealth to reduce total GST revenue by around \$3 billion over 2013–14 to 2016–17. The NSW share is estimated at almost \$1 billion, if all of this revenue was available to the states.

The Commonwealth Treasurer provided the business cases for various options to reduce the GST importation threshold to the states following the 28 March 2014 meeting of the Council for Federal Financial Relations. The Group is now evaluating these business cases and will recommend a course of action in 2014–15.

Commonwealth GST revenue payments

The Group coordinates and produces NSW input to the Commonwealth Grants Commission's inquiries into the distribution of Commonwealth GST revenue between the states. The Group aims to achieve a fair share of GST revenue for the State of NSW.

In this reporting year the Group has undertaken the following GST reviews:

In September 2013 the Group provided two submissions to the Commonwealth Grants Commission in response to issues it identified as requiring treatment in the 2014 Update. One submission dealt with the treatment in the mining revenue assessment of changed State policy on royalties and the second submission responded to other assessment issues identified by the Commission.

In December 2013, the Group completed a third submission in response to additional issues identified by the Commission in November 2013. This submission was primarily concerned with the treatment of Commonwealth payments to states.

In March 2014, the Commonwealth Government released the Commonwealth Grants Commission's 2014 Update of GST Revenue Sharing Relativities, containing its recommended relativities for distributing GST revenue between the states in 2014–15.

The 2014 Update used methods established in the Commission's 2010 Review of GST Revenue Sharing Relativities.

The Commission's 2014 Update recommended increasing the NSW share of Commonwealth GST revenue payments from 31.0 per cent received in 2013–14 to 31.2 per cent in 2014–15. This change in state GST relativities equates to an increase of \$145 million per annum in GST payments to NSW.

The 2015 Review

In 2013–14 the Group produced two major submissions to the Commonwealth Grants Commission's Review of GST Revenue Sharing Relativities (the 2015 Review) and provided coordinated responses to the Commission's requests for data for the Review. This inquiry, due to report in February 2015, is reviewing the principles and methods the Commission uses to recommend the distribution of GST revenue between the states under horizontal fiscal equalisation.

The Group provided a first submission to the Review in July 2013. This submission recommended an equal per capita distribution of GST revenue between the states, with supplementary Commonwealth payments to financially weaker states so that no state is disadvantaged.

Additionally, the submission reported on the specific recommendations of the Commission's response to the Review of GST distribution. The submission noted Commonwealth Grants Commission assessments of the State's ability to raise revenue and spending needs that the NSW Government considers are in need of improvement.

In February 2014, the Group provided a second submission to the Review, noting that NSW did not agree with the Commission's conclusion that the terms of reference for the 2015 Review precluded changes to the principle of horizontal fiscal equalisation. This submission then addressed each of the issues raised in the Commission's discussion papers.

Contributing to a productive NSW economy

Policy reviews

The Group promotes strong economic policy, with a focus on boosting productivity in NSW to ensure that the state is well placed to benefit from the transition away from mining-led growth to more diversified growth drivers.

In 2013–14 the Group contributed to NSW Government submissions to Commonwealth Government policy reviews. These reviews have potentially significant implications for the economic growth of NSW.

The Group led the drafting of the NSW Government's submission to the Commonwealth's Competition Policy Review that highlights NSW's commitment to improving competition. The submission promoted a new competition reform agenda underpinned by an institutional structure that supports effective reform, including through a new round of National Competition Policy payments. It discussed the need to remove existing regulatory impediments to competition and prevent new ones in the public and private sectors; the importance of competition in delivering better public services; and opportunities and challenges for competition policy arising from new technologies.

The NSW Government's submission to the Commonwealth Government's Financial System Inquiry was coordinated by the Group. The submission highlighted the importance of the financial services sector in NSW and developing Sydney as an international financial centre. It also identified key issues around capital allocation, the debt market and financial products.

The Group contributed to the NSW Government's submission to the National Commission of Audit. The Audit will help to inform the Commonwealth's White Papers on the reform of the Federation and taxation reform.

Council of Australian Government's reform agenda and economic policy reform

As a component of the 2014–15 Budget, the Group prepared the chapter Positioning NSW for Stronger Growth, in Budget Paper 2. This chapter underlined the importance of productivity-enhancing reforms to position NSW to be the engine room of the Australian economy and outlined the steps the Government is taking.

The Group continued to promote regulatory reform as a key way to boost productivity and growth. It supported the COAG deregulation agenda and contributed to the targeted review of the cafes and restaurants sector and the Productivity Commission study of the cost of doing business in the retail trade sector.

The Group represented Treasury on the Heavy Vehicle Charging and Investment Reform Board and High Level Reference Group, and advocated for a more commercial approach to heavy vehicle road services.

Evaluation and Review

The Group led the evaluation and review of the effectiveness, efficiency and economy of government service delivery to provide opportunities to improve policy development and the use of government spending.

Through the Program Data Project, the Group led targeted reviews of Government services delivered by various Government agencies, including the Office of Finance and Services, Family and Community Services and Education and Communities.

Through the Centre for Program Evaluation, the Group continued to expand its role in the evaluation of government programs, including the Community Justice Program, initiating the evaluation of the new Sydney CBD Entertainment Precinct Plan of Management, and supporting clusters in completing their initial 12-month Rolling Evaluation Schedules.

Strengthening Economic Frameworks

Energy policy

In 2013–14 the Group led responsibility for energy reforms in regulation, pricing and supply. It coordinated Treasury advice on Council of Australian Government related energy reform processes and policies.

The Group coordinated or provided critical policy advice on:

- ≈ implementation of retail electricity price deregulation
- ≈ major reports relating to gas prices and gas supply, coal industry development
- ≈ renewable energy and climate change issues, including Treasury input to whole-of-Government submissions on the Commonwealth's Direct Action climate change policy and Renewable Energy Target (RET) review; and energy reliability standards
- ≈ time-of-use pricing and other demand management measures
- ≈ energy rebates for vulnerable customers and climate change adaptation initiatives, including coastal impacts.

Cost-benefit analysis

Cost-benefit analysis is a decision making tool that is used to assess the merits of Government initiatives. In 2013–14 the Group led the development of guidance on cost-benefit analysis frameworks for the assessment of broad range of government initiatives. These initiatives include energy efficiency programs, cultural venues and asset divestment proposals. It also consulted with and reached agreement with agencies on a methodology for cost-benefit analysis for major events.

Competition and deregulation reform agenda

The Group assisted with the implementation of new requirements for the review of Government advertising undertaken by central agencies, by completing economic appraisals of 15 advertising campaigns. This ensured agency compliance with the *Government Advertisements Act 2011* which requires economic appraisals of all Government advertising campaigns valued at \$1 million or more.

In addition, the Group contributed to the development of new state-wide policy frameworks by promoting innovation and competition in the delivery of government services to the people of NSW.

National Injury Insurance Scheme

The Group represented NSW in inter-jurisdictional meetings of Senior Officials as part of the development of the National Injuries Insurance Scheme (NIIS). The NIIS is planned to be a State-based insurance scheme providing no-fault lifetime care and support for people injured catastrophically in accidents.

Benchmarks were developed identifying the minimum-level of care to be provided for people injured in motor vehicle accidents. During 2013–14 further consultation commenced on the development of minimum-level of care benchmarks relating to workplace accidents and medical misadventure.

National Partnership Agreements

In 2013–14 the Group oversaw negotiations on three new National Partnership Agreements and Project Agreements. The most significant was the National Partnership Agreement on Asset Recycling, which recognises the crucial role of infrastructure in driving national productivity and competitiveness. The agreement will provide additional financial incentives for states to recycle capital to deliver infrastructure within a framework first developed and promoted by NSW. The agreement gives NSW the opportunity to receive up to 15 per cent of divestment proceeds as Commonwealth incentive payments, to be reinvested into productive new infrastructure.

Achievements included leading or contributing to 20 extensions or expansions of National Partnership Agreements and Project Agreements – including the National Partnership Agreement on Implementing Water Reform in the Murray-Darling Basin and the National Partnership Agreement on Natural Disaster Resilience.

The Group led negotiations with the Commonwealth on the funding model for how the states and territories will contribute financially to the proposed national Paid Parental Leave Scheme. In May 2014, the Council of Australian Governments agreed that the final funding model will involve no additional net cost to states and territories, with details of the scheme to be settled following the passage of legislation.

The Group will continue to advocate for adequate, stable and sustainable funding for NSW as part of the Commonwealth White Paper on the Reform of the Federation and the White Paper on Taxation Reform processes.

Improving Financial Governance Arrangements

Financial Management Transformation

The Group has overarching management of the Financial Management Transformation (FMT) program reforming financial governance arrangements across the NSW Public Sector. The FMT program is the multi-year program to develop revised financial governance arrangements for the NSW public sector to be implemented between now and 2017–18.

The program includes a financial and performance information technology system to assist Treasury to undertake its whole-of-government budgeting and reporting.

The FMT program will deliver policy reform and reinforce the Government's public management reform agenda by revising financial governance arrangements and the performance framework. FMT will improve the quality of information provided to the Government to support resource allocation decisions and contribute to the efficiency and effectiveness of Government spending. It will also align with the *Fiscal Responsibility Act 2012* and the *Government Sector Employment Act 2013*.

A keystone policy reform is the development and implementation of more meaningful financial information to provide government with greater transparency and understanding of agency expenditure; better understanding of how resources link to government priorities; and meaningful management information to inform resource allocation decisions.

Other significant policy reforms under the FMT program include:

- ≈ reform of current financial legislation
- ≈ revised capital and total asset management framework
- ≈ enhanced Budget policy including improved Budget controls.

The policy reforms will be supported by a new information and communication technology system to support Treasury's advisory role to Government that includes preparation and analysis of state sector budget outcomes. It will also focus on improving financial management capability across the sector to ensure reforms are sustainable.

Accomplishments of the FMT program this year included:

- ≈ full costing and approval of the FMT business case in April 2014
- ≈ obtaining Government endorsement of the key design principles for the development of program-based budgeting and reporting
- ≈ ongoing engagement with agency Chief Financial Officers and other key stakeholders
- ≈ establishing a sector-wide governance structure to involve all major agencies from the sector in the design and development of new policies.

Centre for Program Evaluation

The Centre for Program Evaluation (CPE) continued its work to ensure that evaluations are a core part of the policy and resource allocation decision-making process by conducting evaluations of major NSW Government programs; providing evaluation advice to agencies and building evaluation capacity across the sector.

The CPE conducted two evaluations in 2013–14: the Sydney CBD Entertainment Precinct Plan of Management and the Community Justice Program. CPE also helps lead the NSW Evaluation Community of Practice (evaluation.dpc.nsw.gov.au), a forum that brings together evaluators from government, non-governmental and private sectors in the interests of enhancing evaluation practice.

Improvements to Financial Management and Reporting

Unqualified audit opinion

The 2012–13 Report on State Finances was presented to Parliament in October 2013. The NSW Total State Sector Accounts received an unqualified audit opinion for the first time in the history of NSW whole-of-government reporting. The Group achieved this outcome by working directly with key agencies to resolve issues in agency accounts that when consolidated gave rise to an overall qualification of the Total State Sector Accounts and/or the General Government Accounts. Issues resolved were the completeness and accuracy of the recognition of Crown Lands, the Department of Education audit qualification on the valuation of buildings, and the audit qualification on the measurement and valuation of State Archives.

The Group focused on improving the overall quality of financial management and information when working with agencies. The Group provided improved guidance on early close procedures to focus on areas of potential risk or error.

The Group also increased communication and training and raised awareness of the importance of resolving potential audit qualifications and audit issues. This work was supported by ongoing monitoring of agencies' actions to resolve issues which had previously given rise to audit qualifications and/or significant errors in agency accounts. In addition, there was increased Treasury monitoring of complex transactions and emerging risks throughout the year.

These initiatives, in combination with agency efforts, resulted in an overall improvement in the quality of financial reporting as noted by the Auditor-General in the Auditor-General's Report on State Finances (2013) Volume 3.

Early close procedures

The Group enhanced mandatory early close procedures in 2013–14 by extending them to cover new areas of risk and by closer monitoring of agency emerging risks, issues, and complex transactions and proposed actions toward resolution. Early close procedures refer to providing certain aspects of financial statements to the Auditor-General at an early date and requiring agencies to undertake a range of early planning actions in preparing aspects of financial statements for preliminary audit review. The Group actively engaged with agencies, particularly where material impacts were likely, to improve the quality of financial information and minimise risks of error or misstatement.

Reporting on State Finances

During 2013–14 the Group issued monthly general government sector financial statements. Accurate, informative and timely reports on State finances help to ensure accountability in the use of public funds.

In 2013–14 the Group focused on improving agency projections. Working with Cluster Chief Financial Officers and the Resource Allocation Directorate in Treasury, the Group sought to better understand the risks to agency budgets and the impact on year-end projections.

2013–14 Half-Yearly Review and 2014–15 Budget

The Group engaged the Auditor-General to review the reasonableness of the estimates and forecasts in the Half-Yearly Review and the 2014–15 Budget Papers. No significant errors were reported in his report and the Auditor-General issued unqualified conclusions. This was an improvement on the previous year where the Auditor-General issued a qualified conclusion on the 2013–14 Budget.

Enhancing Corporate Governance

Assurance over Financial Information

In the reporting year the Group refined the requirement for Secretaries and Chief Executive Officers (CEOs) to certify that their projections for the Budget year and the forward estimates were the best estimates on available information. These attestations accompany budget returns. The Group revised the template in 2013–14 in consultation with cluster Chief Financial Officers (CFOs).

The CFO of each agency is required to formally express an opinion to their Secretary or CEO, with a copy to Treasury, on the effectiveness of internal controls over financial information. In 2013 the Group conducted extensive consultation with stakeholders, including Cluster CFOs and some CFOs from small and medium agencies, Audit and Risk Committee Chairs and the Audit Office, to develop detailed guidance to support the CFO Attestation Process.

Internal Audit and Risk Management

In November 2013 the Group team responsible for developing the Risk Management Toolkit for NSW Public Sector Agencies (TPP 12-03) was awarded a Treasury Managed Fund Excellence Award for Leadership.

During 2013–14 the Group continued to support agencies in implementing the *Internal Audit and Risk Management Policy for the NSW Public Sector* (TPP 09-05). In particular, the Group provided assistance to Departments and agencies implementing the associated Guidance on *Shared Arrangements and Subcommittees for Audit and Risk Committees* (TPP 12-04).

The Risk Management Policy is aimed at strengthening internal audit, risk management and governance processes across the NSW public sector. It requires agencies to establish Audit and Risk Committees (ARCs) to provide independent oversight of governance arrangements in agencies. The Group held a series of meetings with Chief Audit Executives of Departments as well as some medium and small agencies, to uncover and address any issues with the operation of the policy.

The Pre-qualification Scheme for Independent Chairs and Members of ARCs establishes a list of pre-qualified independent chairs and members who can serve on the ARCs of NSW Government Departments and statutory bodies. In 2013–14 the Group streamlined and simplified the application process for selection to the pre-qualified panel to ensure that suitable candidates are not deterred from applying to be pre-qualified.

Building Capability

Monthly CFO Forums

The Monthly CFO Forums has promoted better engagement on financial related issues between the Treasury and the principal agencies in each Cluster. The 2013–14 year was the first full year of the monthly forums chaired by the Associate Secretary Fiscal and Economic Group. These forums are attended by the CFOs of each Cluster and senior Treasury officials. It has facilitated a more open dialogue between Treasury and Cluster agencies and has promoted engagement and collaboration in the development of whole-of-government financial management solutions.

Advice on developments in Australian Accounting Standards

The Group provided ongoing advice to agencies on developments in Australian Accounting Standards and guidance on their practical application to ensure that the NSW public sector follows best practice in financial reporting standards.

An example of this approach was the introduction in 2013–14 of Australian Accounting Standard (AASB) 13 Fair Value Measurement. In early 2014 the Group issued the Treasury policy and guidelines paper *Valuation of Physical Non-Current Assets at Fair Value* (TPP 14-01) to assist agencies prepare for the new standard.

To build further understanding of this new standard, the Group conducted a workshop on the application of the new accounting standard and the Treasury policy and guidelines, where key agencies were able to share their practical experiences. Follow up contact with agencies was initiated by the Group to assist agencies with their individual circumstances, together with further guidance for the sector.

Accounting advice for significant asset transactions

During 2013–14 the Group strengthened its capability and capacity to support the complex accounting involved in the State's major sale, lease and infrastructure transactions.

A dedicated resource was put in place to lead the Group's work in this area. This involved the development of position papers on each sale and lease transaction. Each position paper detailed the accounting required and the justification for specific treatments, the verification of the accounting entries in accordance with the accounting advice recommended and the development of close relations with those leading the transactions.

Supporting the Sector

Financial implications of the Government Sector Employment Act

The Group prepared guidance, in consultation with key stakeholders, for NSW public sector agencies on the financial implications of agency restructures arising from the new Government Sector Employment legislation.

On 24 February 2014 the former *Public Sector Employment and Management Act 2002* was repealed and the *Government Sector Employment Act 2013* (GSE Act) was enacted.

Following enactment of the new GSE Act, the Group prepared guidance for agencies on the financial implications of agency restructures arising from the legislation as a result of:

- ≈ existing reporting entities and control relationships being abolished and new ones established
- ≈ assets and liabilities transferred from abolished agencies to new or existing agencies with effect from the date of the commencement of the GSE Act
- ≈ consequences for budget allocations, taxation and systems.

The Group provided early guidance to agencies which assisted them to adapt to their new administrative structures quickly, maintain early reporting regimes and comply with various tax and other financial obligations during a period of significant administrative change.

Providing assurance to Government and agencies on programs and projects

Gateway Reviews produce independent advice on programs and projects, identify weaknesses to be addressed and test procurement activity.

During 2013–14, the Group facilitated 34 Gateway Reviews with project values totalling \$4.5 billion. Projects reviewed ranged from major hospital redevelopments, transport, justice, emergency and medical-clinical information communication technology and telecommunications systems, water safety infrastructure upgrades, public school upgrades and state-wide court house strategies.

Over the last decade, 477 reviews have been undertaken on 756 projects with a total value of over \$50 billion. The diversity of the program has grown with reviews being undertaken on agency asset management systems, whole-of-government insurance contracts, aeromedical emergency retrieval service contracts, and large urban renewal programs and cultural precincts.

In 2013–14 two new Gates were added to the Gateway System. The Initiation/Justification Gate occurs after a service need has been identified, with the review being undertaken at the earliest point in the development of the proposed service or service change. The Gateway Health Check was developed to complement the Gate Reviews by providing a 'point in time' insight into areas of concern which may impact on completion of the next Gate or project outcomes.

Total Asset Management

In 2013–14, the Group updated and reissued the Total Asset Management (TAM) policy. The revised policy, Total Asset Management Submission Requirements (TPP13-03), reflects the Government's objective of a strategic, systematic and consistent approach to physical asset and infrastructure planning and management across government. It aims to ensure that the Government's physical assets best support its service delivery responsibilities within the limits of available resources.

As part of the Budget returns process, agencies and nominated Public Trading Enterprises are required to develop and maintain TAM submissions comprising an Asset Strategy (nominated agencies and Public Trading Enterprises only) and TAM data tables. Once collected, TAM information may be shared with and used by a number of agencies, including Infrastructure NSW, Government Property NSW and the Office of Finance and Services.

Supporting migration of Self Insurance Corporation and Building Insurer's Guarantee Corporation to the Office of Finance and Services

The Group successfully managed the transfer of Self Insurance Corporation (SICorp) staff and responsibility for the management of Building Insurer's Guarantee Corporation (BigCorp) from NSW Treasury to the former Department of Finance and Services, (now the Office of Finance and Services). This transfer was the result of a Public Sector Employment and Management Order effective from 1 July 2013.

Resource Allocation Directorate



Caralee McLiesh
 Associate Secretary
 Resource Allocation

- ≈ Supported the implementation of Australia's first Social Benefit Bonds with UnitingCare Burnside and The Benevolent Society including establishing a robust evaluation framework
- ≈ Advised on reform of the NSW Vocational Education and Training system including the separation of TAFE from the Department of Education and Communities
- ≈ Led financial modelling to support the implementation of the National Disability Insurance Scheme
- ≈ Participated in working groups and developed financial modelling to support State and Commonwealth discussions on implementing national health reforms
- ≈ Advised on Justice sector reforms that support the achievement of NSW 2021 goals of preventing and reducing crimes and reoffending
- ≈ Supported the ongoing development of a NSW strategic commissioning framework to achieve better value for money and improved service delivery in the public sector
- ≈ Supported the development of business cases and financial appraisals for the WestConnex motorway and the CBD and South East Light Rail projects

Treasury's Resource Allocation Directorate contributes to a strong and sustainable financial and economic environment in New South Wales by supporting the Government's fiscal strategy. The Directorate is the key interface between Treasury and public sector agencies on financial and policy matters. The Directorate oversees the recurrent and capital expenditure of the general government sector with key deliverables that include:

- ≈ Providing high quality advice to Government on all portfolio matters in the preparation and monitoring of the State Budget
- ≈ Promoting sector reforms that recognise and capture economic drivers and develop policy to increase human and social capital and generate productivity growth in the NSW economy
- ≈ Supporting agencies in their delivery of savings and value for money, and working collaboratively to manage major cost drivers and risks to service provision
- ≈ Advising on prioritising the State's recurrent and capital investments to achieve and complement sustainable economic and fiscal settings
- ≈ Proactively monitoring a complex and extensive portfolio of savings across government agencies through the Fiscal Effectiveness Office.

The five Resource Allocation Directorate Divisions are:

- ≈ Education, Families and Communities
- ≈ Health and Justice
- ≈ Natural Resources and Government Services
- ≈ Transport, Infrastructure and Planning
- ≈ Fiscal Effectiveness Office and the Centre for Excellence.

Social Benefit Bonds

In 2013–14 the Directorate led the development and signing of contracts for Australia's first Social Benefit Bonds (SBBs) in consultation with the Department of Family and Community Services, UnitingCare Burnside and a consortium of The Benevolent Society, Westpac Institutional Bank and the Commonwealth Bank of Australia.

Operations began in July 2013 for the Newpin SBB, which aims to restore children to families and prevent children from entering out-of-home care. The Benevolent Society SBB began in October 2013 with an aim to keep vulnerable families and their children safely together. The Directorate will continue to support the Department of Family and Community Services through the implementation of the SBBs.

Social Benefit Bonds aim to deliver better outcomes for disadvantaged people by allowing the government to re-orient spending away from crisis activities towards early intervention and prevention. Services are funded by investors, who are repaid by government on the basis of outcomes achieved.

The first evaluation of the SBB project in late 2013 found that the development phase had been successful. The Directorate will manage evaluations for the services provided and the SBB structures throughout the life of the Bonds. The Directorate also contributes economic and policy advice to a Social Impact Investment Unit with the Department of Premier and Cabinet and will continue to work on initiatives to grow the Social Impact Investment market in NSW.

2014–15 State Budget and Agency Monitoring.

The Directorate supported the preparation of the State Budget through working with agencies to understand and assess funding needs and business cases, and advising on value for money proposals that were consistent with the fiscal strategy and government priorities.

Work included ongoing monitoring and analysis of financial performance of agencies to understand how agencies were managing financial risks to remain on budget to successfully deliver on government commitments.

Smart and Skilled reform of the NSW Vocational Education and Training system

In 2013–14 the Directorate contributed to the implementation of the Smart and Skilled reform of the NSW vocational education and training system to meet the State's need for skills contributing to increased productivity and workforce participation. This included implementing financial management arrangements to support the Smart and Skilled reform.

The Directorate also worked with stakeholder agencies to separate TAFE NSW from the Department of Education and Communities as funder and policy maker for the broader vocational education and training sector. This separation was effective from 1 July 2014.

National Disability Insurance Scheme

The Directorate provided key financial modelling and analysis to support implementation of the National Disability Insurance Scheme (NDIS). This included analysis for a trial in the Hunter area from July 2013 and also included planning to implement the full scheme by 2018–19. The Directorate's work included providing financial modelling of the cost impacts and funding arrangements for both the trial and full scheme, and advice on system design and implementation in collaboration with the Department of Family and Community Services. The National Disability Insurance Scheme will increase choice and control over the support that people with a disability receive.

In addition, Treasury's Commercial Group chaired the steering committee for a scoping study which examined the issues associated with the transfer of disability and community care services to the non-government sector as contemplated in the NDIS. This transfer is being

approached with a clear focus on maintaining continuity of care to existing clients while supporting the State's workforce through the transition.

National health reform funding changes

Partnering with other jurisdictions the Directorate supported the implementation of national health reforms including Activity Based Funding across the NSW health system. The Commonwealth Budget 2014–15 saw significant reductions in Health funding provided to the states and territories. The Directorate worked collaboratively with the Ministry of Health to moderate the financial impact of these reductions on the NSW Budget and forward estimates. This work included providing financial modelling, advice and options for NSW.

Justice sector reform

The Directorate partnered with the Department of Justice, the Ministry for Police and Emergency Services and the NSW Police Force, to support a range of strategic reforms in the justice sector. The work included financial modelling, analysis of service delivery models and policy reforms in other jurisdictions. Advice was also provided on a range of key issues aimed at reducing reoffending and better targeting resource allocation across and within the sector.

Strategic Commissioning Framework

In 2013–14 the Directorate supported the Government in developing a strategic commissioning framework as a means to delivering better value public services and infrastructure across NSW. Development of the framework was led by the Department of Premier and Cabinet as an across-Government project. The Directorate's work on the framework included participation in cross agency Working Groups and engaging with agencies to gather evidence to inform the framework design and policy development.

Program Data Reviews

The Directorate participated in Program Data Project Reviews, focusing on key economic principles for government involvement in service provision. As part of the Reviews savings proposals were identified reflecting potential changes to the scope of service delivery and improvements in cost recovery for a more efficient government sector. The project recommendations outlined further potential efficiencies and identified where further review and evaluation is required.

Service NSW

In 2013–14 the Directorate established an agency budget monitoring regime for Service NSW following its establishment as a separate reporting entity. This was necessary to ensure standard Treasury financial oversight could be adjusted to match the structure and service groups for the new agency.

WestConnex

Development of the WestConnex Business Case was undertaken by the Directorate working with the Sydney Motorways Project Office and Infrastructure NSW (INSW). The Business Case was independently assured, with the project demonstrating a significant net economic benefit. WestConnex received an unqualified \$1.8 billion recommendation by INSW for Restart NSW funding in the 2014–15 Budget. Development of the strong Business Case also enabled the Commonwealth to commit \$1.5 billion to the project, in addition to a \$2 billion concessional loan.

Water Policy

The Directorate contributed to a review of the State's dam safety arrangements and Stage One of the Hawkesbury-Nepean Valley Flood Management Review. The Directorate also participated in a review of NSW's contribution to both the Murray Darling Basin Authority joint programs and associated cost recovery by the State Water Corporation.

CBD and South East Light Rail

In 2013–14 the Directorate provided comment on the Business Case for the CBD and South East Light Rail project. It also sought assurance on the \$1.6 billion cost estimate in consultation with Treasury's Infrastructure Financing Unit in Commercial Group.

The CBD and South East Light Rail project is a new light rail line that will extend from Circular Quay along George Street to Central Station, through Surry Hills to Moore Park, then to Kensington and Kingsford via Anzac Parade and Randwick via Alison Road and High Street. Work on the project will commence in 2014 and is expected to take five or six years to complete.

Natural Disaster Funding and Governance

The Directorate contributed to the Natural Disaster funding reform agenda to better prioritise funding and improve value for money, particularly relating to grants for local government road repairs. The reforms were undertaken in response to the Commission of Audit's recommendation that was accepted by Government. The Directorate was represented on an inter-departmental working group to map existing grant processes, identify risks and issues and develop reform options.

Restart NSW

In 2013–14 the Directorate provided advice to the Treasurer and the Government on priorities for the Restart NSW Infrastructure Fund. This extends to working with Infrastructure NSW, Transport for NSW and other Government agencies to assess business cases, economic appraisals and prioritise projects for funding. Potential projects were assessed against the objectives of the *Restart NSW Fund Act 2011* which include improving economic growth and productivity. Major State projects funded in the 2014–15 Budget included NorthConnex and a Western Sydney roads package supporting Sydney's second airport at Badgerys Creek.

Restart NSW – Local Government programs

The Directorate engaged with Infrastructure NSW to review and advise on local government priorities for the Government's Illawarra Infrastructure Fund, Resources for Regions and the Cobbora Transition Fund. The projects were assessed against the State's strategic priorities, the programs' objectives, net economic benefits and deliverability. Priorities for Restart NSW funding were recommended to the Treasurer by Infrastructure NSW advisory panels and subsequently by the Infrastructure NSW Board.

New Intercity Fleet

In 2013–14 the Directorate commenced economic and financial analysis to support the Preliminary Business Case for the New Intercity Fleet Project. This project will deliver new trains operations to the Intercity and outer suburban areas, linking Newcastle and the Hunter, the South Coast, the Blue Mountains and the Sydney CBD. The Directorate will continue to support analysis for this important project with a \$2.8 billion estimated total cost.

Sydney Trains and NSW TrainLink

The Directorate worked with Rail Corporation New South Wales (RailCorp) and Treasury's Fiscal and Economic Group on the replacement of RailCorp with the two new specialist organisations – Sydney Trains and NSW TrainLink – to service the different needs of Sydney and intercity/regional train customers. This work included adjustments to the financial oversight arrangements to reflect the new entities.

Fiscal Effectiveness Office

The Fiscal Effectiveness Office supports the effective planning and delivery of savings initiatives across government.

Assisting Clusters develop Savings Plans

The Fiscal Effectiveness Office continued to support Clusters develop detailed savings plans to meet whole-of-government savings targets (\$18.9 billion over six years to 2016–17). There are over 550 savings plans (or Roadmaps) across all Clusters. The Fiscal Effectiveness Office provided progress reports on savings for Clusters to include in their quarterly submissions to the Expenditure Review Committee of Cabinet, as well as preparing quarterly whole-of-government progress reports for the Committee.

The rigorous program management methodology administered by the Office helps ensure that the savings plans developed by all agencies are consistent and transparent for reporting purposes and encourages early discussion if any issues arise within the savings plans. In addition, the Office has fostered the development of a Community of Practice of Project Management Offices across the sector to assist agencies with managing their savings portfolios and promote knowledge sharing and collaboration.

Wages Policy

During 2013–14 the Fiscal Effectiveness Office worked with NSW Industrial Relations and the Public Service Commission to oversee the application of the Government's Wages Policy for all industrial agreements renewing during the year. The Office provided financial advice to ensure that the proposed costs of annual wage outcomes complied with the current wages cap of 2.5 per cent. It also monitored and advised on ongoing changes in wage price indices, providing analytical support for wage related legal matters, such as the inclusion of the Commonwealth's increases in superannuation guarantee levy in the wages cap.

RAD Centre for Excellence

The RAD Centre for Excellence (CfE) was established in August 2012 to develop standard practice throughout the Resource Allocation Directorate and drive increased levels of consistency in all areas, including Budget deliverables, agency oversight processes, as well as better communication and consultation.

During 2013–14 the RAD CfE focussed on improved preparation processes for the 2014–15 Budget, management of internal budgets and staff planning, definition of business improvement projects for the Resource Allocation Directorate, identification of technical training needs for the Directorate's employees, and process/quality assurance improvements for financial oversight of Clusters.

Commercial Group



Tim Spencer
Deputy Secretary
Commercial Policy and Financing

- ≈ Successfully leased the Port of Newcastle to the private sector with net proceeds of around \$1.5 billion
- ≈ Successfully sold the Mount Piper, Wallerawang, Bayswater and Liddell power stations, Green State Power's renewable energy assets, and the Tomago development site for net proceeds and benefits of around \$3.7 billion
- ≈ Developed an Integrated Funds Management and Investment Strategy to move NSW further toward a whole-of-state portfolio perspective, starting with the amalgamation of over \$60 billion of State funds under management
- ≈ Continued the reform of electricity distribution through establishing a joint Board which oversighted operating cost savings of \$78 million and capital expenditure savings of \$1.2 billion for the year
- ≈ Provided advice on the development of innovative financing solutions, commercial arrangements and/or delivery strategies for five major infrastructure projects with a total value of around \$28 billion
- ≈ Led the establishment of Water NSW and the Port Authority of NSW

The Commercial Group has five areas of responsibility:

- ≈ commercial policy development
- ≈ infrastructure financing
- ≈ managing the State's shareholding in its commercial businesses
- ≈ managing major asset transactions
- ≈ analysis and review of the State's commercial assets, liabilities and activities.

The **Infrastructure Financing Unit** facilitates private sector involvement in major capital projects through innovative financing structures and an appropriate allocation of risk. It also monitors compliance with agreements on projects with major risk.

The **Business Policy Performance Unit** actively manages the government's shareholding in State Owned Corporations, assesses and monitors their commercial strategies, manages appointments to the Boards and is responsible for the development of the Government's Commercial Policy Framework.

The **Asset Transactions Unit** manages major asset transactions and their relationship with public policy and regulation.

The **Strategic Balance Sheet Analysis Unit** identifies areas for better management of the State's assets and liabilities.

Infrastructure Financing

The Commercial Group is developing and implementing arrangements for the private finance of significant major infrastructure projects.

WestConnex

The Group led the development of the reference financing strategy for the \$14.9 billion WestConnex motorway project in consultation with the WestConnex Delivery Authority. Additional funding was secured from the Commonwealth Government which has enabled the accelerated development of the second stage of the project.

NorthConnex

The Group worked in conjunction with agencies to achieve a commitment in March 2014 from the M7 motorway owners to deliver the NorthConnex motorway tunnel, subject to delivery of a successful detailed Stage 3 unsolicited proposal and planning approval. NorthConnex will be a nine-kilometre tunnel connecting the M1 and M2 motorways under Pennant Hills Road.

North West Rail Link

During this reporting year, the Group worked with Transport for NSW on the evaluation of proposals for the Operations, Trains and Systems public private partnership (PPP) contract, the Tunnel & Station Civils contract and the Surface Viaduct Civils contract. In June 2014 the Northwest Rapid Transit consortium² was selected as the preferred tenderer for the PPP contract.

Northern Beaches Hospital

The Group worked with the Ministry of Health, Health Infrastructure and the Northern Sydney Local Health District on the development of the innovative delivery strategy for the Northern Beaches Hospital and release of the Request for Proposals in November 2013. A private sector hospital operator will design, construct, finance, operate and maintain the 423 bed hospital on the Northern Beaches, which will provide clinical services to public and private patients.

Sydney Light Rail

During 2013–14 the Group worked with Transport for NSW on the development of the commercial and financial aspects of tender documentation for the Sydney Light Rail project. It also provided specialist advice on the commercial and financial aspects of the project throughout tender discussions with proponents for the PPP.

The CBD South East Light Rail is a new light rail system operating from Circular Quay along George Street to Central station then to Randwick/Kingsford. It includes the operation and maintenance of the existing Inner West Light Rail, to create an integrated light rail network for Sydney.

The project is being procured through a managing contract to undertake critical early works of the project and prepare the city for construction of the project; and a PPP to design, construct, finance, operate and maintain the new CBD South East Light Rail and to operate and maintain the existing Inner West Light Rail.

² The Northwest Rapid Transit consortium consists of MTR Corporation (Australia), John Holland, Leighton Contractors, UGL Rail Services and Plenary Group.

Sydney International Convention, Exhibition and Entertainment Precinct

The Group assisted Infrastructure NSW in successfully reaching financial close in December 2013 with the Darling Harbour Live consortium³ for the Sydney International Convention, Exhibition and Entertainment Precinct PPP project.

The project is the first Social Infrastructure PPP project to adopt The Conditional Debt Pay Down - an innovative financing structure developed by the Infrastructure Financing Unit. This structure takes advantage of the Government's triple-A credit rating by making a substantial capital contribution to repay senior debt once the project has a proven operational history. The Conditional Debt Pay Down improves long-term value for money for the State and reduces the impacts of refinancing risks. It also maintains key elements of risk transfer to the private sector during construction and retains a substantial equity buffer in the project to keep equity investors incentivised over the long-term.

Provision of commercial advisory services

The group also provided commercial advice on management, structuring, refinancing or change of control issues across the State's portfolio of 31 PPPs, on unsolicited proposals and on other major projects being considered.

Business Policy Performance

More active shareholder in Government businesses

During the 2013–14 reporting year, the Group continued implementing strategies to improve the performance of public trading enterprises, of which State Owned Corporations (SOCs) are a significant component. These strategies contribute to a key NSW 2021 State Plan target of improving the performance of the commercial public trading enterprise sector (goal 2, target 5), with improvements expected over the longer term.

The strategies include – reviewing SOC governance with a full review of the State Owned Corporations Act; updating the commercial policy framework with particular focus on financial distribution policy, capital structure and competitive neutrality of debt; strengthening the merit based director appointment process to our SOC's through an independent selection process; and improving the rigour of performance monitoring with quarterly reporting to government of SOC performance against financial and quality targets and their peers.

Review of the Legislative Framework for the Governance and Accountability of State Owned Corporations

In November 2013, the Group released an issues paper, *Review of the Legislative Framework that provides for the Governance and Accountability of State Owned Corporations*, for public consultation, with stakeholder views being used to inform a policy position paper for Cabinet consideration.

The Group, with representatives from the Department of Premier and Cabinet, is undertaking a review of the legislative framework that provides governance and accountability over State Owned Corporations. The Review is considering amendments to the *State Owned Corporations Act 1989* and the foundation charters for the corporatisation of selected NSW Government businesses to improve the commercial performance, efficiency and accountability of the State Owned Corporations.

³ The Darling Harbour Live consortium consists of Lend Lease, Capella Capital, Spotless, AEG Ogden and HostPlus).

Commercial Policy Framework

During 2013–14 the Group updated the Commercial Policy Framework to ensure it continued to meet commercial best practice within a public sector environment. The Group revised and issued the following policies:

- ≈ Government Guarantee Fee Policy for Government Businesses (TPP14-3)
- ≈ Financial Distributions Policy for Government Businesses (TPP14-4).

The Commercial Policy Framework provides a detailed governance and reporting framework for NSW Government businesses. The main objectives of the framework are to provide competitive neutrality and to maximise shareholder wealth for the people of NSW. The Framework comprises a suite of policies to encourage Government businesses to operate in an efficient and commercial manner, through providing appropriate disciplines and incentives replicating those faced by private sector companies. The policies and guidelines in the Framework are published on Treasury's website.

The Group also commenced a project to review capital efficiency in government businesses. The aim of the review is to align its Commercial Policy Framework policies with accounting, regulatory and credit rating frameworks, achieve private sector and regulatory best practice in the public sector and align incentives of its businesses with those of the State. The project is expected to complete in 2014–15.

Business Plans

The Group negotiated Statements of Corporate Intent outlining State Owned Corporations business strategies and forecast financials for 2013–14, on behalf of Shareholder Ministers. As a result, in 2013–14 Statements of Corporate Intent were signed for each of the 15 State Owned Corporations and the Half-Yearly Reports were tabled as required under the *State Owned Corporations Act 1989*.

Improving Board Governance

The Group continued to support the Government in the State Owned Corporations Board selection processes. During the year, a total of 32 State Owned Corporation board appointments were made, of which 23 were men and nine were women. Women comprised of 28 per cent of appointments to State Owned Corporation Boards for this year.

In addition, two appointments (one male and one female) were also made to the Treasury Corporation (TCorp) Board.

Reform and Performance of Government businesses

The Group led the Government's reform agenda, which is delivering significant operational and capital efficiencies in the State Owned Corporations.

The integration of the operations of the three electricity distribution businesses was formalised in August 2013 to create a joint Board and allow that Board to act in the interests of the combined entity. The focus on business efficiencies across Ausgrid, Endeavour Energy and Essential Energy generated operating cost savings of \$78 million and capital expenditure savings of \$1.2 billion in 2013–14. These initiatives have helped to slow consumer price increases and resulted in lower debt funding requirements and less pressure on the State's credit rating.

Efforts to improve operating efficiency and reduce pressure on customer bills while still meeting environmental and regulatory requirements by Sydney Water and Hunter Water are also yielding results. The businesses are implementing a suite of reform initiatives that are reducing costs across the organisations, including labour reform and improved procurement and contractor management outcomes, resulting in outperformance of regulatory operating cost targets.

Water NSW

The Group led the formation of Water NSW, commencing with the operational alignment of State Water and the Sydney Catchment Authority, which aims to bring together water quality, dam management, flood mitigation and catchment protection expertise to create a stronger organisation with shared expertise and skills, delivering the highest quality and most efficient service to its customers.

Port Authority of NSW

With the successful long-term lease of the three major ports, the Group undertook a leading role in combining the management of the State's residual port responsibilities at Sydney, Newcastle and Port Kembla into a single entity.

The single port entity, the Port Authority of NSW, will undertake on-the-water operations at the major ports of Port Botany, Newcastle and Port Kembla, such as harbour master, pilotage and navigational services, as well as managing the Hunter Valley coal chain framework. It will also manage and operate the remaining ports of Sydney Harbour, Eden and Yamba.

Forests NSW

During the Forestry Corporation of NSW's first full year as a corporatised entity, the Group worked with the Board and management to improve the commercial operations and performance of the business.

Integrated Funds Management and Investment Strategy

The Group led the amalgamation of over \$60 billion of funds managed within its three largest financial entities: SAS Trustee Corporation, Safety, Return to Work & Support and NSW Treasury Corporation. The project is working toward an amalgamated operating model which will produce one of the country's largest funds managers and which aims, through consolidation of expertise, skill and information, to provide the State with a fund manager capable of demonstrating superior performance. In addition, the amalgamated function should allow the State access to efficiencies and economies in terms of platforms and external service provision.

In parallel, work commenced on developing a governance, reporting and financial risk management framework to further enable the State to understand its asset and liability risk position from a whole-of-state portfolio perspective.

Management of Major Transactions

Sale of generation assets

In July 2013 the Group sold the Mount Piper and Wallerawang power stations to EnergyAustralia for \$160 million. This sale also terminated associated Gentrader agreements and the State's obligation to develop and operate the Cobbora coal mine, which resulted in saving the State about \$2 billion in future costs.

In February 2014 the Group sold Macquarie Generation to AGL Energy for \$1.5 billion, conditional on Australian Competition and Consumer Commission (ACCC) clearance. In March 2014 the ACCC announced that it would oppose the acquisition. AGL then sought authorisation from the Australian Competition Tribunal, which was granted in June 2014. Final contracts to fully execute the sale will be signed in 2014–15.

In June 2014 the Group also sold a suite of Green State Power's wind and hydro assets for \$72.2 million.

The Group also continued work on the sale of Delta Electricity's Vales Point and Colongra power stations and the Cobbora Coal Mine opportunity.

Long-term lease of the Port of Newcastle

The Group successfully executed the long term lease of the Port of Newcastle in April 2014, building on the successful leases of Port Botany and Port Kembla in 2013.

The Government agreed to lease the Port for 98 years to Port of Newcastle Investments Pty Ltd for \$1.75 billion, delivering net proceeds of around \$1.5 billion which were invested in the NSW Government's infrastructure fund, Restart NSW. The price achieved was 27 times annual earnings of the port and easily exceeded its retention value.

Port of Newcastle Investments Pty Ltd equally comprises Hastings Funds Management and China Merchants Group. Hastings manages infrastructure investments on behalf of over nine million Australian superannuants, while China Merchants Group Ltd has a 140-year history as an owner and operator of ports and transport businesses.

The long-term lease of the Port has released capital that will strengthen the State's credit metrics and enhance the growth prospect of the port, through better access to global capital and infrastructure expertise.

Strategic Balance Sheet Management

Scoping studies

The Group oversaw the scoping studies for the potential sale of Pillar Administration and the potential for structural reforms to the Long Service Corporation.

Transaction governance

The Group provided leadership for various transaction steering committees chaired by Treasury under the Department of Premier and Cabinet Policy - Governance Framework for Major Transactions (C2013-07).

Property

The Group advised on numerous major property transactions and matters, including unsolicited proposals, significant government initiatives such as the Decade of Decentralisation Policy and major Social Housing initiatives.

The Group identified the opportunity for the disposal of the Ausgrid Head Office and worked with the Government's Strategic Property Transactions Committee to achieve the \$152 million sale. It also worked with the Committee on a number of other real property disposal initiatives covering transport, health, heritage and justice assets.

The Group is also a member of the negotiation team working with Transport for NSW on the One Carrington Street unsolicited proposal and associated Wynyard Station upgrade works. The total value of this project is approximately \$1.5 billion.

NSW Industrial Relations



Vicki Telfer
Executive Director
Industrial Relations

- ≈ **Maintained agency compliance with Public Sector Wages Policy**
- ≈ **Advised on and managed the Industrial Relations implications of the Government Sector Employment Act**
- ≈ **Prepared and coordinated the submissions for the 2013 Salaries matter in the NSW Court of Appeal. This resulted in a significant decision, successfully upholding the Wages Policy and the Government's decision that superannuation guarantee increases must be included in the 2.5 per cent cap when awarding increases in remuneration and other conditions of employment.**
- ≈ **Prepared the NSW Government submission to the review of the Fair Work Amendment (Transfer of Business) Act 2012 recommending repeal of recent amendments to the Act**
- ≈ **Developed an education campaign for the entertainment industry and a compliance strategy following implementation of the new Entertainment Industry Act 2013**
- ≈ **Consulted with key stakeholders in the Taxi Industry and implemented a compliance strategy and education campaign to increase compliance with the Taxi Industry (Contract Drivers) Contract Determination 1984**

NSW Industrial Relations:

- ≈ provides strategic public and private sector policy advice to the NSW Government
- ≈ provides specialist support to public sector agencies regarding the application of the Government's Wages Policy and implementation of Government reforms
- ≈ participates actively as a partner in the Commonwealth's national workplace relations framework
- ≈ monitors and enforces compliance for the construction, entertainment and taxi industries.

NSW Industrial Relations (NSW IR) maintains a high profile within the business community with workplace advisors engaging directly with employers, employees and vulnerable workers through a comprehensive education program which includes face-to-face workshops and online webinars.

During the 2013–14 reporting period NSW IR work included:

- ≈ responding to 17,170 telephone enquiries and 689 email enquiries
- ≈ developing and presenting 36 live and interactive webinars and video presentations to 611 participants
- ≈ presenting additional pre-recorded online webinars that were viewed by a further 3,868 participants.

NSW IR provided information to 1,889 people at our 171 educational workshops, including 109 workshops attended by 1,215 people in regional NSW. Areas included Albury, Yass, Narrabri, Dubbo, Griffith, Grafton, Taree, Tamworth, Wagga Wagga, Orange and Merimbula. These workshop covered topics like workplace issues for payroll, dealing with workplace bullying and workplace policies.

The NSW IR Aboriginal and Torres Strait Island unit provided strong support and information for employees and employers. During the year the unit attended 40 Aboriginal and Torres Strait Islander community events, produced 11 articles for the National Indigenous Times, produced four *Two Rivers* newsletters and provided 11 information sessions on indigenous radio.

Public Sector Wages Policy

The Wages Policy is an important aspect of the Government's fiscal management strategy and contributes greatly to the maintenance of the State's triple-A credit rating and improving Budget position.

Since July 2011, as a result of effectively applying the Wages Policy, additional costs of approximately \$4 million in 2010–11, \$140 million in 2011–12 and \$313 million in 2012–13 have been avoided. To date, costs of around \$450 million have been avoided.

"The Wages Policy ... maintains the real value of wages over the medium term in line with the mid-point of the Reserve Bank of Australia's target band for inflation. Meeting this commitment has ensured that employee expenses, which represent almost 50 per cent of total government expenses, are now growing at sustainable levels." (2014–15 Budget Statement)

All wages outcomes were compliant with Wages Policy which requires remuneration to be within the 2.5 per cent cap (inclusive of the superannuation guarantee charge) unless employee-related cost savings are achieved.

During 2013–14 there was 94 per cent agency compliance with the procedural components of the Wages Policy that required Bargaining Parameters to be approved by Wages Policy Taskforce or the Expenditure Review Committee prior to the expiry the relevant instrument.

2013 Wages Claim and Superannuation Guarantee Charge Increases

Despite the clear words of the policy, the question of whether or not superannuation guarantee charge (SGC) increases are to be included in the 2.5 per cent cap on remuneration was the subject of significant litigation during 2013–14, both in the Industrial Relations Commission and the NSW Court of Appeal.

On 6 May 2014 the Court of Appeal upheld the Government's interpretation that increases in the SGC are employee related costs that must be included in the 2.5 per cent cap when awarding increases in remuneration and other conditions of employment. This was a significant decision that upholds the Government's decision to maintain costs while delivering wage increases to employees.

The inclusion of superannuation guarantee charge increases in wages policy was also confirmed in the new Industrial Relations (Public Sector Conditions of Employment) Regulation 2014, which commenced on 24 June 2014.

Government Sector Employment Act

NSW IR advised on and managed the industrial relations implications of the *Government Sector Employment Act 2013* (GSE Act).

The *Government Sector Employment Act 2013* (GSE Act) provides the foundation for a modern NSW Government workforce that is highly capable and agile in responding to service delivery priorities, and an attractive career choice within the wider labour market.

During 2014 the main focus for NSW IR was addressing the industrial relations implications of the Act's commencement. This included revising and updating a range of documents to assist agencies in managing industrial relations issues – in particular circulars, policies, memoranda and the Manual of Delegations.

The other main area of activity was assessing the impact of the GSE Act on industrial instruments. Most awards contain some references to the former *Public Sector Employment and Management Act 2002* and these references need to be updated to reflect the provisions of the GSE Act.

NSW IR has worked with agencies and unions on developing relevant variations to awards. A key issue has been the wording of coverage clauses in awards. The coverage clause of the Crown Employees (Public Service Conditions of Employment) Revised Award 2009 is crucial for understanding the coverage of many related awards and is the focus of attention. The Public Service Association sought the assistance of the Industrial Relations Commission in the development of appropriate wording and the parties continue to work closely on this.

In the meantime, NSW IR continues to participate in working parties established by the Public Service Commission to develop policies and rules for a range of public sector issues.

Review of Fair Work Amendment (Transfer of Business) Act 2012

During the year NSW IR prepared the NSW Government submission to the post-implementation review of the *Fair Work Amendment (Transfer of Business) Act 2012* (Fair Work Act) undertaken by the Commonwealth Department of Employment.

Broadly, the amendments made to the Fair Work Act mean that employees transferring from state system government employers to national system employers have their terms and conditions preserved in a 'copied State instrument' for a period of up to five years.

The NSW Government submission argues that the amendments interfere with the rights of State Governments to manage their own affairs including how best to conduct commercial transactions. Accordingly, the NSW Government's principal recommendation was that the laws should be repealed. The NSW Government's submission to the review is available on the Commonwealth Department of Employment website.

Entertainment Industry Reforms

The NSW IR policy and proactive compliance units jointly developed an information program, including a fact sheet and webinar, to assist entertainment industry participants understand the practical implications of the new laws. As part of a wider education campaign the State Compliance Unit also commenced visiting performer representatives.

The entertainment industry generates economic activity worth hundreds of millions of dollars each year as well as making an important contribution to the vibrant cultural life of New South Wales. It is a diverse industry, covering a wide range of artistic endeavours such as acting, music, dance, theatre and modelling.

The *Entertainment Industry Act 2013* and the accompanying regulations commenced operation on 1 March 2014 replacing the former *Entertainment Industry Act 1989*.

The new Act and the accompanying Regulations for the industry are the products of extensive consultations undertaken by NSW IR with industry organisations and government agencies and the former Minister for Industrial Relations, to ensure that it meets the contemporary needs of the industry and delivers reform in the most effective manner.

The most important changes under the new Act are the removal of the current licensing regime and the requirements to lodge monetary bonds while providing comprehensive protections for performers. The changes also include the introduction of a code of conduct for performer representatives.

Entertainment Industry Compliance Strategy

NSW IR also undertook an education campaign to promote the positive aspects of the new Act. The new Act delivers a suite of comprehensive protections for performers, including written managerial agreements, capped fees to be charged by performer representatives, prohibition orders, enforceable undertakings and the introduction of a mandatory code of conduct.

This campaign included publication of Fact Sheets, ongoing liaison with key stakeholders, information sessions and webinars for performers and their representatives and other resource material being published on the NSW IR website.

NSW IR also provided advice to performer representatives on the capped fee structure and the required content of managerial agreements, to assist industry in complying with the new Act and Regulations.

Under the new Act and Regulations there are specific record management requirements imposed on performer representatives. NSW IR will be conducting random audits later in 2014 to ensure compliance with these requirements, which are designed to protect performers from unscrupulous agents.

All previous agreements for services provided by performer representatives (agents and managers) expire on 1 March 2015. As a result, before that date performer representatives are required to put in place new managerial agreements where they propose to charge more than the capped fees. NSW IR will conduct a further education campaign prior to 1 March 2015 to alert performer representatives to this requirement.

Taxi Industry Compliance Strategy

NSW IR regulates Taxi Industry bailment agreements which fall under the Taxi Industry (Contract Drivers) Contract Determination 1984. These agreements are made under the *NSW Industrial Relations Act 1996*.

The Determination provides a framework for the bailment (operation) of taxis between the owners (bailors) and drivers (bailees) and sets out entitlements for drivers such as annual leave, sick leave and other provisions.

NSW IR produced and distributed an information fact sheet for drivers explaining the bailment agreements. To ensure drivers have access to the information the fact sheet is distributed in both hard copy and electronically on the NSW IR website and is translated into a number of community languages for drivers whose first language is not English. Fact sheets are also distributed widely to industry participants from key distribution points, including many Service NSW centres and taxi driver associations.

Within the taxi industry there is a high level of non-compliance with the Determination, in particular in relation to the payment of annual leave. Under the Determination, drivers and owners agree to a 'pay in rate' that is a charge paid by the driver to the taxi owner for using the taxi to earn a living. Often a lower 'pay in rate' is agreed between an owner and a driver, which is permissible under the Determination.

There are situations, however, where some owners use the lower 'pay in rate' as an offset against the owner paying annual leave to a driver. This arrangement is contrary to the provisions of the Determination which does not permit such offsets. Research has indicated that this practice appears to be widespread across the industry.

NSW IR developed and implemented an education campaign including liaison with key stakeholders, presenting information sessions and webinars for owners and drivers, and developing fact sheets and other education resource material published on the NSW IR website.

In addition, NSW IR in conjunction with Roads and Maritime Services, developed a Fact Sheet for taxi owner/operators. This fact sheet was distributed to 4,300 owner/operators within the greater Sydney metropolitan area and published on the NSW IR website, with printed copies provided to the Taxi Council of NSW for further distribution to owners.

Since June 2013 NSW IR initiated four prosecutions to enforce the Determination where owner/operators refused to pay bailee drivers their entitlements.

NSW IR was successful in each of the hearings for these four matters, with taxi operators being ordered to pay drivers their entitlements and civil penalties imposed. NSW IR sought the imposition of civil penalties as a way of discouraging the taxi industry from avoiding its obligations. Civil penalties of between \$1,000 and \$5,000 were imposed.

Corporate Group



Tom Gilmartin
Chief Operating Officer
Corporate Group

- ≈ Led Treasury's New Ways to Work program implementing new technologies to enable improvements to Treasury's work practices, reduce the organisation's reliance on paper and ensure the confidentiality, integrity and availability of Treasury information
- ≈ Directed all elements of Treasury's office relocation to 52 Martin Place
- ≈ Produced Treasury's Strategic Plan to provide a shared vision and strong direction for Treasury
- ≈ Implemented improved recruitment practices and a leadership and management development program to increase effectiveness of Treasury's leaders
- ≈ Implemented improved financial and management performance for the organisation
- ≈ Applied project management disciplines and methodologies to Treasury's strategic projects

Corporate Group's charter is to enable core Treasury business services to be optimised within a clear strategic agenda. This is achieved through a focus on:

- ≈ excellent delivery of core Corporate services
- ≈ strengthening the monitoring and reporting of business performance
- ≈ driving continuous improvement across the organisation
- ≈ providing proactive advice on the business to the Secretary and Executive
- ≈ ensuring Treasury's internal policies are kept up-to-date and observed.

In October 2013 organisational changes took effect in Corporate Group with the introduction of a flatter management structure and the establishment of the following six teams:

- ≈ **Human Resources, Workforce Development and Management** - leading HR, Workforce Development and Management strategies, addressing recruitment needs and implementing a robust workforce management strategy.
- ≈ **Information Management Systems** - managing and supporting our core information technology systems and operations and the delivery of new technology related projects and office systems.
- ≈ **Finance and Business Performance Management** – providing strong financial management information and support to the business; and developing and delivering strategically aligned management information to support executive decision-making.
- ≈ **Executive and Ministerial Services** - providing executive support to the Treasurer's Office and Executive Government; and information disclosure including Government Information (Public Access) and Privacy and Public Interest Disclosures.
- ≈ **Facilities Management** - managing Treasury's current facilities and the upcoming relocation to 52 Martin Place; and commercial management of major supplier relationships and procurement.
- ≈ **Communications and Project Management Office** - bringing together communications and project management activities for increased performance and quality of processes across Treasury.

Treasury's Strategic Plan 2014–2015

Treasury's Strategic Plan provides a shared vision and strong direction for the organisation. Devised over four months, it was the product of genuine consultation with staff of all levels.

The plan is an internal document focussing on 'one Treasury' and emphasising our interaction and collaboration with the whole-of-government. It is aimed at strengthening our foundations and addresses people, culture and operating models.

New Ways to Work

Launched in November 2013, the New Ways to Work (NW2W) Program is leading the implementation of new technologies which will enable improvements to Treasury's work practices, reduce the organisation's reliance on paper and ensure the confidentiality, integrity and availability of Treasury information.



In conjunction with ServiceFirst the NW2W team began upgrading Treasury's information technology to help staff collaborate and perform at a higher level. This included the migration from Windows XP to Windows 7 operating system and from GroupWise to Outlook email. Planning also began for the rollout of new laptops, multi-function printers, voicemail and instant messaging software.

With the aim of reducing the organisation's reliance on paper, the team began work to implement a new Electronic Document and Records Management System. In 2013–14 this included digitising our records.

Under the NW2W Program the team implemented a new Information Security Policy following requirements under the NSW Government's Digital Information Security Policy. The policy sets out digital information security requirements, including the need for Treasury to implement an Information Security Management System.

The NW2W project streams are:

- ≈ **52MP** – facilities planning for the relocation 52 Martin Place
- ≈ **eWorkplace** – transitioning from a Microsoft 2003 XP environment to a Windows 7 platform; replacing the email system with Microsoft Outlook email; and moving from PC desktop workstations to Laptops
- ≈ **Electronic Document Records Management System** - minimising hard-copy printing and filing of documents and reducing wasted areas
- ≈ **Data Security** - Information Security copying to ISO Standard 27001.

52 Martin Place

Consistent with the Government's pre-election commitments, the first phase of the NW2W program was focused on changes to facilitate Treasury's office relocation to 52 Martin Place in late 2014. Treasury implemented detailed plans to facilitate the organisation's relocation. Treasury's move will begin in October 2014 with the exit from Governor Macquarie Tower to be completed before the lease expiry in December 2014.

eWorkplace

Treasury's office systems infrastructure was upgraded as part of the eWorkplace Program. In particular, Treasury replaced its legacy email system with Microsoft Outlook running on Windows7 and implemented Microsoft Lync Unified Communications. This communication system is supplemented by Cisco 'soft-phone' functionality integrated with Treasury's existing Cisco voice over internet telephone facility.

Further workplace initiatives will be introduced progressively to facilitate Treasury's new 'agile' collaborative working culture. Initiatives will include the introduction of laptops for all employees and remote access capability for our people who have a business need to use their laptop when away from the office environment. Treasury's revised Flexible Working Policy will reflect the new work arrangements.

Electronic Document Records Management System

The Electronic Document Records Management team worked with ServiceFirst and Objective Corp to implement Treasury's new Electronic Document Records Management System (EDRMS). This system is part of Treasury's move into a more digital workplace providing electronic workflows that will deliver faster responses to enquires and automating processes that were previously tracked manually.

The team undertook an analysis, developed system requirements and completed preparations to 'go live' with the new EDRMS which will provide:

- ≈ clear audit trails
- ≈ automatic version control
- ≈ enhanced security provisions (e.g. nominate who can view document and exclude other users)
- ≈ secure platform for employees working remotely.

The EDRMS provides an environment of collaboration, with enhanced security and improvement in Treasury processes, reducing costs and enhancing the quality of services delivered.

The first step was implementing the Objective electronic management system removing the need to save files on individual computer drives, print documents and emails and file the 'hard copies'. In future all Treasury information will be stored, searched and retrieved digitally.

On 12 May 2014 the Industrial Relations Division was the first section of Treasury to 'go live' with the new EDRMS. Additionally, an automated electronic workflow for formal briefings was developed and implemented between the IR Division and the Executive Ministerial Services.

The EDRMS will be implemented progressively throughout Treasury with an expected completion date of mid-August 2014.

Business Information Management Challenge

As part of the EDRMS implementation, the Business Information Management Challenge (BIMC) reviewed Treasury's extensive document and records system to determine the length of time that records must be retained to comply with the *State Records Act 1998*. Independent monitoring of this Act is undertaken by the State Records Authority of NSW. In November 2013 State Records approved the Functional Review and Disposal Authority template that Treasury implemented.

Over the first half of 2014 Treasury removed 1.3 kilometres of paper-based records to archive or dispose.

Completing the review and implementing the template enabled Treasury to efficiently organise current files, reduce and standardise our existing records before introducing the new Electronic Document Records Management System and relocating to new premises at 52 Martin Place.

Human Resources, Workforce Development and Management

Recruitment

In 2013–14 Treasury continued its commitment to attracting high performing individuals. We promoted our employer brand of 'making a difference to the State of NSW' which gives us a competitive edge in the market place, ultimately making NSW Treasury an 'employer of choice'.

Our recruitment strategy incorporated more than just hiring the 'best' people into our organisation. Treasury increased its participation in social media in 2013–14, aiming to reach a wider audience and target potential employee groups. In particular, Treasury's LinkedIn page was used as a tool to advertise jobs and employment opportunities. As a result of development of the LinkedIn career page and regular recruitment news updates, Treasury's 'follower' base has doubled over the past year to more than 1,500 followers. This increased 'follower' base indicates improvement in Treasury's branding and an increased awareness of Treasury vacancies. In addition to LinkedIn recruitment advertising is also undertaken through jobs.nsw, SEEK and selected print media.

During 2013–14 Treasury continued to use an assessment centre process to facilitate recruiting for a large number of roles from graduate positions to middle management positions. As part of this process candidates were assessed against the critical capabilities required for the particular roles. Assessment tools included interviews, cognitive tests, group exercises and written activities.

Graduate Program

Treasury received 458 applications for the 2014 Graduate Program, with candidates from disciplines including accounting, commerce and economics. From these applications Treasury recruited 14 recent university graduates – an increase of four positions compared to the previous year. Recruitment and selection for the program was rigorous, and involved a series of interviews and assessments conducted by an external assessment centre.

Each year Treasury recruits outstanding, high-calibre graduates to bring innovative ideas and energy into Treasury while providing graduates an exceptional career start.

The Graduate Program operates over 12-months and includes a comprehensive professional development program. During the program graduates participate in three rotations between Treasury's business Groups. These rotations provide diverse experience designed to equip graduates with knowledge and skills necessary to enhance their professional career while contributing to and making a difference to the State of NSW.

We offer salaries that are competitive with the private sector, generous superannuation, assistance for further study and flex-time. Graduates also have opportunities to become involved in the social club and sporting groups.

Performance Excellence Program

During 2013–14 the Treasury's Performance Excellence Program (PEP) continued to be a key tool to plan, review and provide feedback on staff performance.

Each employee's performance cycle includes goal setting, monitoring, coaching and review. Treasury continues to outline clear links to the PEP Program encouraging the transfer of learning to the workplace and recognising the importance of further training and development opportunities.

Leadership and Culture

As initiatives of the Strategic Plan, NSW Treasury is investing in the development of leadership and management capabilities and in implementing cultural change.

Implementation of Treasury's 'Leadership and Culture' program began in early 2014. The program aims to enhance the Treasury culture by developing:

- ≈ leadership and management capabilities
- ≈ stronger management of employee accountability and manager support for employees
- ≈ collaboration within Treasury and between Treasury and other agencies
- ≈ increased efficiency of Treasury operations.

The key initiatives of the program include:

- ≈ a 'culture' transition plan, engaging leaders, managers and employees in changing the culture
- ≈ 360 degree insight surveys, related coaching and development to build individual and team leadership and management capability
- ≈ articulation of the expectations of managers and training to support the delivery of these expectations
- ≈ improved people management through a Human Capital Management System, to be implemented in phases.

Secretary's Award 2014

The Secretary's Awards for Excellence recognise the excellence, effort and commitment of Treasury staff. Awards are presented for Individual Excellence and Team Excellence.

The winner of the 2014 Individual Excellence Award was Roger Shu in the Transport Infrastructure Planning Branch. Roger won the award for his dedication and application to challenges faced by the Transport team during the 2014–15 Budget process.

The winners for 2014 Team Excellence Awards:

- ≈ Budget Process Design Team for their key role as the driving force in delivering the State Budget
- ≈ RAD Centre for Excellence for outstanding contribution in assisting members of Resource Allocation Directorate and the Budget Strategy Branch for a seamless and well organised Budget process.

People Matter Employee Survey

In May 2014 Treasury's employees participated in the biennial public sector People Matter Employee Survey, providing an opportunity for employees to have their say about working in Treasury. The results of the survey will be available later in 2014 and will be used to inform our change management processes.

Information Management Systems

The Information Management Systems (IMS) team manages and supports Treasury's fit-for-purpose information technology (IT) strategy, systems and platforms. The team delivers core IT systems operations by:

- ≈ assisting production of the NSW Budget by facilitating and delivering the Financial Information Systems (FIS) and supporting agency data collection through the Treasury On-line Entry System (TOES)
- ≈ providing technical support for electronic fund transfer operation and day to day system issues on Crown Asset and Liability Accounting Information System (CALAIS)

- ≈ conducting testing to ensure Treasury's IT Disaster Recovery Plan is robust with appropriate capacity for emergency recovery of FIS/TOES/CALAIS data
- ≈ conducting systems audits to ensure legitimate user authentication
- ≈ management and development of Treasury's intranet and websites.

During the Budget period, IMS supported Treasury officers and external agencies by providing ongoing 24/7 assistance and monitoring for all IT systems, overseeing system backup to verify data is captured and reproducible in emergencies; and working with the Budget Delivery Team to ensure a streamlined Budget Presentation for the Government.

IMS business as usual activities included supporting mobile IT devices, all computer peripherals, software and remote access requests; Cisco telephone and Video conferencing; and escalation of issues to external service providers or vendors when required.

Data and Digital Security

In 2013–14 Treasury implemented an information security management system in accordance with the core requirements of the NSW Digital Information Security Policy. All Treasury information assets were identified and classified following the new data classification guidelines.

In July 2013 and January 2014 Treasury submitted progress reports to the NSW Government ICT Board on the status of compliance with the policy requirements. Awareness programs were developed for Treasury employees to inform and increase awareness of security issues. Security training commenced with the Treasury Group Executive completing the first course in March 2014. Training was then provided to all employees on an ongoing basis.

The Secretary confirmed Treasury's compliance with the Government's new Data Security Policy, which corresponds with ISO27001 and the new NSW data classification and labelling guidelines. The new guidelines increase accountability of Treasury employees and ServiceFirst as our service provider. As a result regular reporting from ServiceFirst will outline the processes in place to safeguard Treasury's information in their ServiceFirst work centres.

Treasury's Digital Information Security Attestation Statement for the financial year 2013–14 is available on page 53 of this Annual Report.

Treasury Website and Intranet

Web-Based Information and Electronic Service Delivery

Treasury's website plays a major role in the efficient and effective delivery of information and services to our stakeholders including government agencies, State Owned Corporations, regulators, Members of Parliament, businesses and the community. The Treasury home page received the highest number of hits and has been excluded from the following table in its function as a 'landing page'.

The table on page 50 presents the web page rankings by the number of hits for Treasury's website for the 2013–14 year. This information allows Treasury to focus improvement efforts on high-value information.

The web administration team also produced the NSW Budget website that was live on 17 June 2014.

Accessibility

Treasury's website meets website accessibility standard WCAG 2.0 level A. The accessibility standards ensure that people with visual limitations, cognitive issues or hearing impairments can access information published on our website. Maintaining accessibility at this high level is now an integral requirement for all new web design and content produced.

The team also began scoping a new project to reach WCAG 2.0 level AA compliance by January 2015. Level AA compliance will further improve the accessibility to our stakeholders using assisted accessibility technology, such as screen readers.

Table: Web page rankings by the number of hits for Treasury's website in 2013–14

	Web page name	Overview of page contents
1	Publications Index	Periodic Reports on State Finances including Budget Papers, Half-Yearly Review, Report on State Finances, Annual Reports and General Government Financial Statements
2	Treasury Circulars Index	Index to Treasury Circulars from 2007 to 2014, including Circulars that have been withdrawn
3	About Us	Treasury information including structure, organisation chart, Corporate Plan and Guarantee of Service
4	Budget Papers Index	Index to the previous State Budget Papers from 1988–89 to 2013–14
5	Treasury Policy Papers Index	Index to Treasury Policy and Guidelines papers
6	Current Jobs Available	Current employment opportunities with NSW Treasury
7	Port of Newcastle Transaction	Information and media releases relating to the long-term lease of the Port of Newcastle
8	A Career with Treasury	Career opportunities in Treasury including Graduate recruitment and guidance in applying
9	2013 Circulars Index	Treasury Circulars issued in 2013
10	Treasurer's News	Treasurer's Media Releases

Note: NSW Budget Papers for 2014–15 are published on the Budget website www.budget.nsw.gov.au

Facilities Management

Optimising Working Environments

During 2013–14 the Facilities Management team implemented Treasury's detailed plans for the relocation to 52 Martin Place scheduled for October 2014. This work was carried out in conjunction with the NW2W program. The team also coordinated works directly associated with changes in the current Treasury workplace. This included developing a series of accommodation guidelines for modifying existing Treasury fit out at Governor Macquarie Tower and the McKell Building. These guidelines assist project managers to optimise working environments when undertaking minor works and are also used to assess occupancy rates while keeping in mind the economic, social and environmental performance issues that make a great workplace.

The team worked with NSW Government Property to ensure all the necessary covenants of Treasury's property portfolio are being delivered under our commercial leases. This includes rent and outgoing payment reviews, standard of cleaning and other office services provided under the lease agreement.

The team also planned workplace accommodation, coordinated maintenance works, assisted with disposal of unwanted or superseded assets and recycling of waste materials in the workplace.

Executive and Ministerial Services

During 2013–14 the Executive and Ministerial Services (EMS) team provided high level advice and support to the Secretary and the Executive Team. The unit maintained a responsive and effective working relationship with Treasurer's Office and Executive Government.

The EMS Cabinet Unit managed the flow of high quality, strategic and timely advice from subject experts in Treasury to the Secretary of Treasury and the Treasurer to support their involvement in the Expenditure Review Committee. A similar support role was provided for the Treasurer's involvement in Cabinet and other sub-Committees of Cabinet.

The EMS team also provided advice on information disclosure and corporate governance including Government Information (Public Access) and Privacy and Public Interest Disclosures.

Government Information (Public Access)

To support the Government's Open Data Policy, which is a priority initiative of the NSW Government ICT Strategy, Treasury is implementing its own Open Data Program. This Program makes appropriate NSW Government data publicly available. Treasury's Open Government activities are at Phase 1 of the Open Data Program and Treasury's Open Government Committee actively considers data from across the agency suitable for public release.

Treasury is a participant on the Steering Committee for the Open Government Community of Practice and the management committee of the NSW Right to Information/Privacy Practitioners Network.

Compared to the previous reporting period NSW Treasury received an increase in applications under the *Government Information (Public Access) Act 2009* (GIPA).

Additional information on Government Information (Public Access) is provided on page 109 and Public Interest Disclosures is provided on page 112.

Communications and Treasury Project Management Office

Communications in Treasury

The Communications team worked across Treasury to promote awareness, interest, understanding and engagement amongst staff for corporate and business news. The team developed clear, consistent and regular messages about Treasury's vision and values, major projects and plans to give staff a line of sight between their role and the direction of the organisation.

During the year, the communications team developed and launched a high-quality fortnightly e-newsletter which collates important and relevant information and initiatives from across the organisation. The team began work on a redesign of the Intranet – one of Treasury's key communication tools – to improve functionality, information architecture, update content and to modernise its look and feel. To celebrate Treasury's 190th anniversary, the team organised an all-staff photograph for public display and for emailing to staff, a presentation from curators of the Powerhouse Museum plus a talk on the history of Treasury.

The team was heavily involved in communications and consultation activities for Treasury's Strategic Plan, the New Ways to Work program, the Culture and Workforce program and Graduate Recruitment. We organised workshops, presentations, messages, graphic design and branding. The team produced messages, posters, banners and videos, and reviewed and developed content for the intranet and website.

The team helped meet Treasury's regulatory requirements by producing Treasury circulars, policy papers, the Annual Report and other publications. Our business as usual activities included ensuring internal policies and procedures, templates and writing style guides were updated as required.

Project Management Office

In 2013–14 Treasury's Strategic Plan identified a range of key initiatives to ensure increased performance and quality of processes across Treasury. One of the initiatives focused on the development and implementation of scalable project management approaches and techniques to support improved delivery of business as usual processes and projects.

Treasury's Program Management Office (TPMO) reported on the strategic programs to ensure transparency and visibility, reporting directly to the Acting Chief Operating Officer. In 2013–14 it was deployed to provide hands-on support in the design of Treasury's overall change management program, with particular focus on key initiatives. This involved conducting focused workshops, the development of effective strategy and the delivery of implementable project plans.

The team drives effective program governance, project and program monitoring and reporting. The ultimate objective of the TPMO is to implement effective Treasury Portfolio Reporting across business as usual and change projects through the 2014–15 year.

Finance and Business Performance Management

During 2013–14 the capabilities of the Finance and Business Performance Management team were enhanced and more robust financial and management reporting was implemented for Treasury. The team's broader financial function and the increased level of reporting resulted in better informed decision-making process for Treasury. The day-to-day financial transactions continue to be outsourced to ServiceFirst, a business unit of Office of Finance and Services.

Operating Expenditure

In 2013–14 Treasury's total expenses increased by \$1.8 million to \$91.6 million. This was primarily a result of the implementation of two major projects within Treasury and across the NSW public sector – the Financial Management Transformation program and the New Ways to Work program.

See page 23 for details on the FMT program and page 45 for details on the NW2W program.

The table below provides a history of Treasury's NCS to Budget.

Benchmark ≤ 100%	2009–10 actual	2010–11 actual	2011–12 actual	2012–13 actual	2013–14 actual
% of Actual NCS to Budget	94.7%	97.8%	99%	91.4%	96.7%

The major component of Treasury's operating expenditure is employee related costs. These costs were below budget as a result of a number of funded positions that were vacant for a large proportion of the year.

Corporate and Strategic Planning

A Corporate Plan is in place to guide NSW Treasury through the forward years to 2015–16. The plan has close links to the State Plan *NSW 2021*. The Corporate Plan sets out Treasury's vision, mission values and our priorities for the period.

Strategic Plan Development

Treasury is developing an overarching Strategic Plan which focuses on NSW Treasury as one integrated organisation "One Treasury" with clearly defined roles and responsibilities to the rest of Government. This programme provides an opportunity to refresh our Corporate Plan with the engagement and buy in of our business to create a shared vision and strong direction for the organisation.

The strategic plan brings focus to our organisational goals and is a product of genuine consultation with staff. We have commenced workshops to develop programs specifically aimed at achieving the following strategic goals:

- ≈ being a trusted and influential Advisor to Government
- ≈ being excellent in leadership and management
- ≈ being a highly valued relationship partner
- ≈ being an active shareholder and strategic balance sheet manager
- ≈ being an excellent budgeting financial and risk manager
- ≈ adopting a strong Economic and Financial policy agenda
- ≈ being an employer of choice
- ≈ enabling the effective integration of the new Treasury and Finance Cluster.

NSW Treasury Digital Information Security Attestation Statement for the Financial Year 2013–14

I, Philip Gaetjens, Secretary, am of the opinion that Treasury put an Information Security Management System in place during the financial year being reported on, consistent with the Core Requirements set out in the Digital Information Security Policy for the NSW Public Sector. Treasury has an ongoing program of work to improve the maturity of its ISMS.

I, Philip Gaetjens, Secretary, am of the opinion that the security controls in place to mitigate identified risks to the digital information and digital information systems of Treasury are adequate for the foreseeable future.

I, Philip Gaetjens, Secretary, am of the opinion that all Public Sector Agencies, or part thereof, under the control of Treasury with a risk profile sufficient to warrant an independent Information Security Management System have developed an Information Security Management System in accordance with the Core Requirements of the Digital Information Security Policy for the NSW Public Sector.

I, Philip Gaetjens, Secretary, am of the opinion that, where necessary in accordance with the Digital Information Security Policy for the NSW Public Sector, certified compliance with AS/NZS ISO/IEC 27001 Information technology - Security techniques - Information security management systems - Requirements had been maintained by all or part of Treasury and all or part of any Public Sector Agencies under its control.



Philip Gaetjens, Secretary
14 August 2014

Good Governance

Insurance

Treasury has insurance coverage for its assets and major risks. Insurance policies for workers compensation, building contents, relocation costs if office no longer available, motor vehicles and public liability are in place with the state Government's self-insurance scheme, the Treasury Managed Fund (TMF).

The TMF premium incentive scheme encourages effective risk management. Agencies that manage risk well receive lower premiums. Those with poor risk management are penalised. Treasury seeks lower premiums by reducing its operational risks. Workers compensation risks are managed with early intervention, an active Workplace Committee, workplace inspections and active rehabilitation.

Audit and Risk Management

The 2013–14 highlights from Treasury's audit and risk function included:

- ≈ Implementing a new Principal and Shared Arrangements Agreement and corresponding Audit & Risk Committee Charters. These operated from 1 July 2013 and brought Treasury and its related entities to full compliance with relevant Government policies TPP 09-05 and TPP 12-04.
- ≈ Rolling out across Treasury the communication strategy linked to the Risk Framework and Policy developed in 2012–13
- ≈ Establishing and implementing the annual procedure for the review and implementation of the executive-level risk register and its related treatment plans
- ≈ Completing a review of all the documentation used by Treasury's internal audit and risk team. In April 2014 about 30 new and revised documents and templates were published on the Treasury website⁴ as well as links to other better practice agencies. Documents published included:
 - guide for staff called on to present to or provide information for the Audit & Risk Committee
 - tracking tool allowing the Committee to follow the external audit progress of financial statements
 - meeting scheduler for the Committee Manager to track tasks in the Charter to the meeting calendar ensuring the Committee covers the full range of its commitments.An induction guide for ARC members and a guide for providing secretariat services to the Audit & Risk Committee will be published in 2014–15.

The team also finalised an agreement with ServiceFirst (SF) resulting in all SF clients receiving four letters of assurance per annum analysing potential risks at the agencies' interface with SF and outlining how they are managed. The continuous nature of the assurance provides time for agencies to ask questions and for SF to rectify issues before CFOs and CEOs are required to assure the Audit Office they are confident of the controls behind their financial statements.

In addition, the business as usual undertaken included:

- ≈ developing risk-based Strategic and 1-Year Audit Plans for 2014–15
- ≈ completing eight internal audits, with an additional four in preparation
- ≈ holding nine Audit & Risk Committee meetings to provide independent advice to the Secretary of Treasury.

The 2013–14 report from Treasury's Audit and Risk Committee is presented on pages 55–56. It is followed by the Secretary's disclosure statement for the year.

⁴ The webpage received over 2,000 'hits' during the year with one third from overseas users.

Report from the Audit & Risk Committee

Dear Secretary

In compliance with Treasury Circular NSWTC 09/08, the NSW Treasury Audit and Risk Committee (the Committee) aims to:

- ≈ assess risks arising from the operations of the NSW Treasury cluster and the adequacy of measures in place to control those risks
- ≈ liaise with external audit
- ≈ assure the integrity of NSW Treasury's external financial reporting and internal management reporting
- ≈ oversee the internal audit function, risk management, corporate governance, and other internal assurance processes that operate within NSW Treasury.

During 2013–14, entities overseen by the Committee included :

- ≈ Treasury, including Industrial Relations and Crown Finance
- ≈ State Rail Authority Residual Holding Corporation
- ≈ Liability Management Ministerial Corporation
- ≈ Lotteries Assets Ministerial Holding Corporation
- ≈ Electricity Assets Ministerial Holding Corporation
- ≈ Ports Assets Ministerial Holding Corporation
 - Port Botany Lessor Company
 - Port Kembla Lessor Company

At the start of 2013–14 the Long Service Corporation established its own Audit & Risk Committee. Some of the early audits in the program below reflect the Treasury Committee's responsibility for the Corporation during 2012–13.

The Committee is separately tasked with oversight of the management controls on the preparation of the Total State Sector Accounts, which are published annually in the Report on State Finances.

Committee Membership

The Committee is constituted in compliance with NSW Treasury policy TPP 09-05.

Current membership:

- ≈ Peter Lucas (independent Chair from April 2012)
- ≈ Carolyn Burlew (independent member from 2009, extended September 2011)
- ≈ Jon Tyers (independent member from August 2012)
- ≈ Garry Dinnie (independent member from June 2013).

Members whose terms ended during 2013–14

- ≈ Kevin Cosgriff (internal member from February 2013 to December 2013, when he left NSW Treasury for a term secondment).

Committee Meetings

The Committee met on nine occasions during 2013–14. Member attendance was excellent, with no member absent for more than one meeting. During the course of the year the Committee monitored matters including:

- ≈ Preparation and external audit of the cluster's financial statements, including those of the Crown and the Total State Sector Accounts
- ≈ Risks and controls around key Treasury projects and programs such as New Ways to Work and Financial Management Transformation (including the viability of the existing financial information system during the transformation period)

- ≈ Treasury's work with agencies to resolve errors impacting the Total State Sector Accounts, and to proactively manage emerging risks to those accounts
- ≈ A full review and redesign of Treasury's Internal Audit & Risk Management webpage. More than 20 documents and templates are now uploaded. The site had and more than 2,000 'hits' across the year.
- ≈ Consideration of the four ServiceFirst assurances now received during the year, in particular any risks they highlight which might affect Treasury's accounts.

The Committee reviewed early close and end-of-year financial statements for each of the Treasury and Shared Arrangement entities and for the Total State Sector Accounts, and provided advice and assurance to the Secretary of Treasury.

Internal Audit Program

The Committee oversees audits and reviews of the activities of NSW Treasury and the other listed entities, as scheduled in the annual internal audit plan. The areas to be audited are determined based on exposure to potential strategic or operating risks.

The following assurance audit reports were tabled before the Committee during 2013–14 and commended, with management responses, to the Secretary for approval:

- ≈ Cluster expectations of the Treasury Corporation
- ≈ Controls and practice around procurement in Treasury, Crown, Industrial Relations and Long Service Corporation
- ≈ Controls and practice around procurement for Asset Transactions
- ≈ Internal Controls, Treasury
- ≈ Internal Controls, Crown (Part 1 of a three-year rolling program)

The following reports on reviews (i.e. not assurance reports) were likewise commended to the Secretary:

- ≈ Recommendations for improvements to reporting to the Treasury Group Executive, based on comparisons with research into current best practice
- ≈ Desktop review of the Financial Information System, plus audit of the use of spreadsheets and other FIS workarounds
- ≈ Desktop review of key documents supporting the Financial Management Transformation business case

The following audits and reviews were in the field or with management for responses as at 30 June:

- ≈ Crown special deposit accounts
- ≈ Compliance and organisation responsibilities of the Residual and Holding entities
- ≈ Review of the implementation of previous audit recommendations
- ≈ Fraud risk and control workshops have been developed, to be held in first quarter 2014–15.

The Committee regularly monitors the appropriateness and timeliness of the implementation of agreed internal audit recommendations and those included in Audit Office management letters.



Peter Lucas,

Peter Lucas, B Comm, FCA, FCIS, FAICD, JP
Independent Chair
NSW Treasury Audit and Risk Management Committee

Internal Audit and Risk Management Statement for the 2013–2014 financial year for NSW Treasury

I, Philip Gaetjens, am of the opinion that NSW Treasury has internal audit and risk management processes in operation that are, in all material respects, compliant with the core requirements set out in Treasury Circular NSW TC 09/08 Internal Audit and Risk Management Policy.

I am of the opinion that the Audit and Risk Committee for Treasury is constituted and operates in accordance with the independence and governance requirements of Treasury Circular NSW TC 09/08. The Chair and Members of the Audit and Risk Committee in 2013–14 were:

- ≈ Independent Chair, Peter Lucas, (April 2012 – April 2015)
- ≈ Independent Member, Carolyn Burlew, (September 2009 – September 2015)
- ≈ Independent Member, Jon Tyers, (August 2012 – August 2015)
- ≈ Independent Member, Garry Dinnie, (June 2013 – June 2017)
- ≈ Non-independent member, Kevin Cosgriff (February 2013 – resigned January 2014)

These processes provide a level of assurance that enables the senior management of the Treasury to understand, manage and satisfactorily control risk exposures.

As required by the policy, I have submitted an Attestation Statement outlining compliance with the policy to Treasury on behalf of the Treasurer and Minister for Industrial Relations.



Philip Gaetjens
Secretary

Date: 1 August 2014

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INDEPENDENT AUDITOR'S REPORT

The Treasury

To Members of the New South Wales Parliament

I have audited the accompanying financial statements of The Treasury (the Department), which comprise the statement of financial position as at 30 June 2014, the statement of comprehensive income, statement of changes in equity, statement of cash flows, and a summary of compliance with financial directives for the year then ended, notes comprising a summary of significant accounting policies and other explanatory information.

Opinion

In my opinion the financial statements:

- give a true and fair view of the financial position of the Department as at 30 June 2014, and of its financial performance and its cash flows for the year then ended in accordance with Australian Accounting Standards
- are in accordance with section 45E of the *Public Finance and Audit Act 1983* (the PF&A Act) and the Public Finance and Audit Regulation 2010.

My opinion should be read in conjunction with the rest of this report.

Secretary's Responsibility for the Financial Statements

The Secretary is responsible for the preparation of the financial statements that give a true and fair view in accordance with Australian Accounting Standards and the PF&A Act, and for such internal control as the Secretary determines is necessary to enable the preparation of the financial statements that give a true and fair view and that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

My responsibility is to express an opinion on the financial statements based on my audit. I conducted my audit in accordance with Australian Auditing Standards. Those standards require that I comply with relevant ethical requirements relating to audit engagements and plan and perform the audit 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 of the financial statements that give a true and fair view in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Department's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the Secretary, as well as evaluating the overall presentation of the financial statements.

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

My opinion does *not* provide assurance:

- about the future viability of the Department
- that it has carried out its activities effectively, efficiently and economically
- about the effectiveness of its internal control
- about the assumptions used in formulating the budget figures disclosed in the financial statements
- about the security and controls over the electronic publication of the audited financial statements on any website where they may be presented
- about other information that may have been hyperlinked to/from the financial statements.

Independence

In conducting my audit, I have complied with the independence requirements of the Australian Auditing Standards and relevant ethical pronouncements. The PF&A Act further promotes independence by:

- providing that only Parliament, and not the executive government, can remove an Auditor-General
- mandating the Auditor-General as auditor of public sector agencies, but precluding the provision of non-audit services, thus ensuring the Auditor-General and the Audit Office of New South Wales are not compromised in their roles by the possibility of losing clients or income.



Grant Hehir
Auditor-General

22 September 2014
SYDNEY

The Treasury

Statement by the Treasury Head

Pursuant to Section 45F of the Public Finance and Audit Act 1983, I state that:

- (a) the accompanying financial statements in respect of the year ended 30 June 2014 have been prepared in accordance with applicable Australian Accounting Standards, the requirements of the *Public Finance and Audit Act 1983*, applicable clauses of the *Public Finance and Audit Regulation 2010*, the requirements of the Financial Reporting Directions published in the Financial Reporting Code for NSW General Government Sector Entities and the Treasurer's Directions;
- (b) the financial statements exhibit a true and fair view of the financial position of The Treasury as at 30 June 2014 and the financial performance for the year then ended, and
- (c) there are no circumstances which would render any particulars included in the financial statements to be misleading or inaccurate.



Philip Gaetjens
Secretary
18 September 2014

The Treasury

Statement of comprehensive income for the year ended 30 June 2014

	Notes	Actual 2014 \$'000	Budget 2014 \$'000	Actual 2013 \$'000
Expenses excluding losses				
Operating expenses				
Employee related	2(a)	62 113	70 158	67 446
Other operating expenses	2(b)	28 099	20 054	21 272
Depreciation and amortisation	2(c)	1 060	1 010	900
Grants and subsidies	2(d)	165	169	169
Finance costs	2(e)	264	—	—
Total expenses excluding losses		91 701	91 391	89 787
Revenue				
Recurrent appropriation	3(a)	74 439	74 439	69 713
Capital appropriation	3(a)	3 285	2 445	384
Sale of goods and services	3(b)	6 217	5 631	16 444
Personnel services revenue	3(c)	6 779	7 225	2 249
Investment revenue	3(d)	522	510	578
Grants and contributions	3(e)	2 790	—	—
Acceptance by the Crown Entity of employee benefits and other liabilities	3(f)	2 252	3 003	1 872
Other revenue	3(g)	84	106	76
Total Revenue		96 368	93 359	91 316
Gain / (loss) on disposal	4	(1)	—	(4)
Net result	19	4 666	1 968	1 525
Other comprehensive income				
<i>Items that will not be reclassified to net result</i>				
Superannuation actuarial gains/(losses) on defined benefit plans	15	(1 101)	—	1 365
Superannuation actual return on fund assets less interest income	15	1 304	—	1 654
Total other comprehensive income		203	—	3 019
TOTAL COMPREHENSIVE INCOME		4 869	1 968	4 544

The accompanying notes form part of these financial statements.

The Treasury

Statement of financial position as at 30 June 2014

	Notes	Actual 2014 \$'000	Budget 2014 \$'000	Actual 2013 \$'000
ASSETS				
Current Assets				
Cash and cash equivalents	6	25 054	22 879	20 927
Receivables	7	6 295	5 737	10 541
Other	8	11,400	–	–
Total Current Assets		42 749	28 616	31 468
Non-Current Assets				
Receivables	7	6 244	2 278	6 289
Plant and equipment	9	9 423	1 138	1 496
Intangible assets	10	2 779	2 276	531
Total Non-Current Assets		18 446	5 692	8 316
Total Assets		61 195	34 308	39 784
LIABILITIES				
Current Liabilities				
Payables	12	4 819	4 356	4 733
Provisions	13	10 995	9 353	13 783
Other	14	1 551	–	1
Total Current Liabilities		17 365	13 709	18 517
Non-Current Liabilities				
Provisions	13	8 310	3 377	7 489
Other	14	16 873	138	–
Total Non-Current Liabilities		25 183	3 515	7 489
Total Liabilities		42 548	17 224	26 006
Net Assets		18 647	17 084	13 778
EQUITY				
Accumulated funds		18 647	17 084	13 778
Total Equity		18 647	17 084	13 778

The accompanying notes form part of these financial statements.

The Treasury

Statement of changes in equity for the year ended 30 June 2014

	Notes	Accumulated Funds \$'000
Balance at 1 July 2013		13 778
Net result for the year		4 666
Other comprehensive income		
Superannuation actuarial gains/(losses) on defined benefit plans	15	(1 101)
Superannuation actual return on fund assets less interest income	15	1 304
Total other comprehensive income		203
Total comprehensive income for the year		4 869
Balance at 30 June 2014		18 647
 Balance at 1 July 2012		 9 027
Net result for the year		1 525
Other comprehensive income		
Superannuation actuarial gains/(losses) on defined benefit plans	15	1 365
Superannuation actual return on fund assets less interest income	15	1 654
Total other comprehensive income		3 019
Total comprehensive income for the year		4 544
Transaction with owners in their capacity as owners		
Increase / (decrease) in net assets from equity transfers		207
Balance at 30 June 2013		13 778

The accompanying notes form part of these financial statements.

The Treasury

Statement of cash flows for the year ended 30 June 2014

	Notes	Actual 2014 \$'000	Budget 2014 \$'000	Actual 2013 \$'000
CASH FLOWS FROM OPERATING ACTIVITIES				
Payments				
Employee related		(58 096)	(72 692)	(57 891)
Grants and subsidies		(165)	(169)	(169)
Other		(26 050)	(22 910)	(24 747)
Total Payments		(84 311)	(95 771)	(82 807)
Receipts				
Recurrent appropriation	3(a)	74 439	74 439	69 713
Capital appropriation (excluding equity appropriations)	3(a)	3 285	2 445	384
Sale of goods and services		10 588	18 416	11 571
Interest received		522	510	649
Grants and contributions		2 790	—	—
Other		3 181	2 939	3 536
Total Receipts		94 805	98 749	85 853
NET CASH FLOWS FROM OPERATING ACTIVITIES	19	10 494	2 978	3 046
CASH FLOWS FROM INVESTING ACTIVITIES				
Proceeds from sale of plant and equipment		8	—	—
Purchases of plant and equipment		(3 914)	(350)	(384)
Other		(2 461)	(2 660)	—
NET CASH FLOWS FROM INVESTING ACTIVITIES		(6 367)	(3 010)	(384)
NET INCREASE / (DECREASE) IN CASH		4 127	(32)	2 662
Opening cash and cash equivalents		20 927	22 911	18 261
Cash transferred in / (out) as a result of administrative restructuring		—	—	4
CLOSING CASH AND CASH EQUIVALENTS	6	25 054	22 879	20 927

The accompanying notes form part of these financial statements.

Summary of compliance with financial directives

	2014				2013			
	Recurrent Appropriation \$'000	Expenditure/ Net Claim on Consolidated Fund \$'000	Capital Appropriation \$'000	Expenditure/ Net Claim on Consolidated Fund \$'000	Recurrent Appropriation \$'000	Expenditure/ Net Claim on Consolidated Fund \$'000	Capital Appropriation \$'000	Expenditure/ Net Claim on Consolidated Fund \$'000
Original Budget Appropriation/ Expenditure								
• Appropriation Act	74 439	74 439	2 445	2 445	61 219	58 863	385	384
• Treasurer's Advance	–	–	2 190	840	–	–	–	–
• <i>S 24 Public Finance and Audit Act 1983</i> – transfers of functions between entities	–	–	–	–	10 850	10 850	–	–
Total Appropriations/ Expenditure/ Net Claim on Consolidated Fund (includes transfer payments)	74 439	74 439	4 635	3 285	72 069	69 713	385	384
Amount drawn down against Appropriation		74 439		3 285		69 713		385
Liability to Consolidated Fund		–		–		–		1

Notes: The Summary of Compliance is based on the assumption that Consolidated Fund moneys are spent first (except where otherwise identified or prescribed).

The 'Liability to Consolidated Fund' represents the difference between the 'Amount drawn down against Appropriation' and the 'Total Expenditure / Net Claim on Consolidated Fund'.

Notes to the Financial Statements
30 June 2014

1. Summary of Significant Accounting Policies

Reporting entity

The Treasury is a NSW government department and is a not-for-profit entity (as profit is not its principal objective) and it has no cash generating units. The reporting entity is consolidated as part of the NSW Total State Sector Accounts.

Under *Public Sector Employment and Management (NSW Self Insurance Corporation) Order 2013 No 187*, the group of staff in the Treasury who were employed to enable the NSW Self Insurance Corporation to exercise its functions were removed from the Treasury and transferred to the Office of Finance and Services (OFS - formally Department of Finance and Services) effective 1 July 2013.

The comparatives within The Treasury Financial Statements include New South Wales Industrial Relations (NSWIR) and Long Service Corporation (LSCorp) operating results from 12 September 2012 to 30 June 2013. Under *Public Sector Employment and Management (Industrial Relations) Order 2012 No 456* and *Public Sector Employment and Management (Treasury) Order 2012 No 514*, NSW Industrial Relations (NSWIR) and the staff that perform the functions of the Long Service Corporation (LSCorp) were transferred from the OFS to The Treasury effective from 12 September 2012.

The Treasury serves the Treasurer and the Government by providing economic, budgetary and financial advice, and by administering employment rights and conditions. It includes effective management, and accounting for the State's finances, providing timely and relevant information on the overall State finances and providing strategic advice on industrial relations matters. NSW Industrial Relations' primary responsibilities are to monitor wages, employment rights, obligations and employment conditions in NSW, while LSCorp administers long service payments to building and construction workers and cleaners.

These financial statements for the year ended 30 June 2014 have been authorised for issue by the Secretary on 18 September 2014.

Basis of preparation

The Treasury's financial statements are general purpose financial statements which have been prepared on an accruals basis and in accordance with:

- applicable Australian Accounting Standards (which include Australian Accounting Interpretations)
- the requirements of the *Public Finance and Audit Act 1983* and *Public Finance and Audit Regulation 2010* and
- the Financial Reporting Directions published in the Financial Reporting Code for NSW General Government Sector Entities or issued by the Treasurer.

Plant and equipment are measured at fair value. Other financial statement items are prepared in accordance with the historical cost convention.

Judgements, key assumptions and estimations by management are disclosed in the relevant notes to the financial statements.

All amounts are rounded to the nearest one thousand dollars and are expressed in Australian currency.

Statement of compliance

The financial statements and notes comply with Australian Accounting Standards, which include Australian Accounting Interpretations.

Administered activities

The Treasury administers, but does not control, certain activities on behalf of the Crown Entity. It is accountable for the transactions relating to those administered activities but does not have the discretion to deploy the resources for the achievement of The Treasury's own objectives.

Transactions and balances relating to the administered activities are not recognised as The Treasury's assets and liabilities, but are disclosed in Note 21.

The accrual basis of accounting and applicable accounting standards has been adopted.

Insurance

The Treasury's insurance activities are conducted through the NSW Treasury Managed Fund Scheme of self - insurance for Government agencies. The expense (premium) is determined by the Fund Manager based on past claim experience.

Notes to the Financial Statements
30 June 2014

Accounting for the Goods and Services Tax (GST)

Income, expenses and assets are recognised net of the amount of GST, except that the:

- amount of GST incurred by The Treasury as a purchaser that is not recoverable from the Australian Taxation Office is recognised as part of an asset's cost of acquisition or as part of an item of expense and
- receivables and payables are stated with the amount of GST included.

Cash flows are included in the statement of cash flows on a gross basis. However, the GST components of cash flows arising from investing activities and financing activities which are recoverable from, or payable to, the Australian Taxation Office are classified as operating cash flows.

Income recognition

Income is measured at the fair value of the consideration or contribution received or receivable. Additional comments regarding the accounting policies for the recognition of income are discussed below.

(i) Parliamentary appropriations and contributions

Except as specified below, parliamentary appropriations and contributions from other bodies (including grants and donations) are recognised as income when The Treasury obtains control over the assets comprising the appropriations / contributions. Control over appropriations and contributions is normally obtained upon the receipt of cash.

Unspent appropriations are recognised as liabilities rather than income as the authority to spend the money lapses and the unspent amount must be repaid to the Consolidated Fund.

If a liability is incurred, it is disclosed as part of 'Current Liabilities – Other'. The amount will be repaid and the liability will be extinguished in the next financial year.

(ii) Sale of goods

Revenue from the sale of goods is recognised as revenue when The Treasury transfers the significant risks and rewards of ownership of the assets.

(iii) Rendering of services (including personnel services)

Revenue is recognised when the service is provided.

(iv) Investment revenue

Interest revenue is recognised using the effective interest method as set out in AASB 139 *Financial Instruments: Recognition and Measurement*.

Grants and Contributions

Grants and contributions are generally recognised as revenues when The Treasury obtain control over the assets comprising the contributions. Control over contributions is normally obtained upon the receipt of cash.

Assets

(i) Acquisition of assets

Assets acquired are initially recognised at cost. Cost is the amount of cash and cash equivalents paid or the fair value of the other consideration given to acquire the asset at the time of its acquisition or construction or, where applicable, the amount attributed to that asset when initially recognised in accordance with the requirements of other Australian Accounting Standards.

Assets acquired at no cost, or for nominal consideration, are initially recognised at their fair value at the date of acquisition (see also assets transferred as a result of an equity transfer – Note 1(l)).

Fair value is the price that would be received to sell an asset in an orderly transaction between market participants at measurement date.

Where payment for an asset is deferred beyond normal credit terms, its cost is the cash price equivalent, i.e. the deferred payment amount is effectively discounted at an asset-specific rate.

(ii) Capitalisation thresholds

Intangibles (software), plant and equipment (excluding leasehold improvements), costing at least \$5 000 are capitalised. Leasehold improvements costing at least \$20 000 are capitalised. However, grouped assets with inter-related functions such as the computer network are generally capitalised regardless of cost.

Notes to the Financial Statements
30 June 2014

(iii) Revaluation of plant and equipment

Physical non-current assets are valued in accordance with the 'Valuation of Physical Non-Current Assets at Fair Value' Policy and Guidelines paper (TPP 14-01). This policy adopts fair value in accordance with AASB 13 *Fair Value Measurement* and AASB 116 *Property, Plant and Equipment*.

Property, plant and equipment is measured at the highest and best use by market participants that is physically possible, legally permissible and financially feasible. The highest and best use must be available at a period that is not remote and take into account the characteristics of the asset being measured, including any socio-political restrictions imposed by government. In most cases, after taking into account these considerations, the highest and best use is the existing use. In limited circumstances, the highest and best use may be a feasible alternative use, where there are no restrictions on use or where there is a feasible higher restricted alternative use.

Fair value of property, plant and equipment is based on a market participants' perspective, using valuation techniques (market approach, cost approach, income approach) that maximise relevant observable inputs and minimise unobservable inputs. Also refer Note 11 for further information regarding fair value.

The majority of The Treasury's assets are non-specialised with short useful lives and are therefore measured at depreciated historical cost, as a surrogate for fair value.

(iv) Impairment of plant and equipment

As a not-for-profit entity with no cash generating units, impairment under AASB 136 *'Impairment of Assets'* is unlikely to arise. As property, plant and equipment is carried at fair value, impairment can only arise in the rare circumstances where the costs of disposal are material. Specifically, impairment is unlikely for not-for-profit entities given that AASB 136 modifies the recoverable amount test for non-cash generating assets of not-for-profit entities to the higher of fair value less costs of disposal and depreciated replacement cost, where depreciated replacement cost is also fair value.

(v) Depreciation of plant and equipment

Depreciation is provided for on a straight-line basis for all depreciable assets so as to allocate the depreciable amount of each asset as it is consumed over its useful life to The Treasury.

All material separately identifiable components of assets are recognised and depreciated over their useful lives. The useful lives of each category of depreciable assets are:

Computer Hardware	4 years
Office Equipment	7 years
Office Furniture	10 years
Leasehold Improvements	up to 20 years depending on the term of leasing arrangements

(vi) Restoration costs

The estimated cost of dismantling and removing an asset and restoring the site is included in the cost of an asset, to the extent it is recognised as a liability.

(vii) Maintenance

Day-to-day servicing costs or maintenance are charged as expenses as incurred, except where they relate to the replacement of a part or component of an asset, in which case the costs are capitalised and depreciated.

(viii) Leased assets

Operating lease payments are charged to the statement of comprehensive income in the periods in which they are incurred. The Treasury has not entered into any finance leases.

(ix) Intangible assets

The Treasury recognises intangible assets only if it is probable that future economic benefits will flow to The Treasury and the cost of the asset can be measured reliably. Intangible assets are measured initially at cost. Where an asset is acquired at no or nominal cost, the cost is its fair value as at the date of acquisition.

All research costs are expensed. Development costs are only capitalised when certain criteria are met.

Notes to the Financial Statements 30 June 2014

The useful lives of intangible assets are assessed to be finite.

Intangible assets are subsequently measured at fair value only if there is an active market. As there is no active market for The Treasury's intangible assets, the assets are carried at cost less any accumulated amortisation.

The Treasury's intangible assets are amortised using the straight line method over a period ranging from 3 to 10 years depending upon the nature of the application.

Intangible assets are tested for impairment where an indicator of impairment exists. If the recoverable amount is less than its carrying amount, the carrying amount is reduced to recoverable amount and the reduction is recognised as an impairment loss.

(x) Receivables

Receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. These financial assets are recognised initially at fair value, usually based on the transaction cost or face value. Subsequent measurement is at amortised cost using the effective interest method, less an allowance for any impairment of receivables. Any changes are recognised in the net result for the year when impaired, derecognised or through the amortisation process.

Short-term receivables with no stated interest rate are measured at the original invoice amount where the effect of discounting is immaterial. Non-current assets are not expected to be collected within 12 months.

(xi) Impairment of financial assets

All financial assets are subject to an annual review for impairment. An allowance for impairment is established when there is objective evidence that the entity will not be able to collect all amounts due.

For financial assets carried at amortised cost, the amount of the allowance is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the effective interest rate. The amount of the impairment loss is recognised in the net result for the year.

Any reversals of impairment losses are reversed through the net result for the year, where there is objective evidence. Reversals of impairment losses of financial assets carried at amortised cost cannot result in a carrying amount that exceeds what the carrying amount would have been had there not been an impairment loss.

(xii) Derecognition of financial assets and financial liabilities

A financial asset is derecognised when the contractual rights to the cash flows from the financial assets expire; or if The Treasury transfers the financial assets:

- where substantially all the risks and rewards have been transferred or
- where The Treasury has not transferred substantially all the risks and rewards, if the entity has not retained control.

Where The Treasury has neither transferred nor retained substantially all the risks and rewards or transferred control, the asset is recognised to the extent of The Treasury's continuing involvement in the asset.

A financial liability is derecognised when the obligation specified in the contract is discharged or cancelled or expires.

(xiii) Trust funds

The Treasury receives monies in a trustee capacity for various trusts as set out in Note 20. As The Treasury performs only a custodial role in respect of these monies, and because the monies cannot be used for the achievement of the entity's own objectives, these funds are not recognised in the financial statements.

Notes to the Financial Statements
30 June 2014

Liabilities

(i) Payables

These amounts represent liabilities for goods and services provided to The Treasury and other amounts. Payables are recognised initially at fair value, usually based on the transaction cost or face value. Subsequent measurement is at amortised cost using the effective interest method. Short-term payables with no stated interest rate are measured at the original invoice amount where the effect of discounting is immaterial.

(ii) Employee benefits and other provisions

(a) Personnel services arrangements

The Treasury provides personnel services through arrangement to LSCorp. Costs associated with staff employed to exercise the functions of LSCorp are recovered by way of personnel services revenue.

(b) Salaries and wages, annual leave, sick leave and on-costs

Salaries and wages (including non-monetary benefits) and paid sick leave that are expected to be settled wholly within 12 months after the end of the period in which employees render the service are recognised and measured at undiscounted amounts of the benefits.

Annual leave is not expected to be settled wholly before twelve months after the end of the annual reporting period in which the employees render the related service. As such, it is required to be measured at present value in accordance with AASB 119 *Employee Benefits* (although short-cut methods are permitted). Actuarial advice obtained by Treasury has confirmed that the use of a nominal approach plus the annual leave on annual leave liability (using 7.9% of the nominal value of annual leave) can be used to approximate the present value of the annual leave liability. The Treasury has assessed the actuarial advice based on the Treasury's circumstances and has determined that the effect of discounting is immaterial to annual leave.

Unused non-vesting sick leave does not give rise to a liability as it is not considered probable that sick leave taken in the future will be greater than the benefits accrued in the future.

(c) Long service leave (LSL) and superannuation

With the exception of staff employed to exercise the functions of LSCorp, LSL and defined benefit superannuation are assumed by the Crown Entity. The Treasury accounts for the liability as having been extinguished, resulting in the amount assumed being shown as part of the non-monetary revenue item described as 'Acceptance by the Crown Entity of employee benefits and other liabilities'.

LSL is measured at present value in accordance with AASB 119 *Employee Benefits*. This is based on the application of certain factors (specified in NSW Treasury Circular TC 14/04) to employees with five or more years of service, using current rates of pay. These factors were determined based on an actuarial review to approximate present value.

The superannuation expense for the financial year is determined by using the formulae specified in the Treasurer's Directions. The expense for certain superannuation schemes (i.e. Basic Benefit and First State Super) is calculated as a percentage of the employees' salary. For other superannuation schemes (i.e. State Superannuation Scheme and State Authorities Superannuation Scheme), the expense is calculated as a multiple of the employees' superannuation contributions.

Liabilities for LSL and defined benefit superannuation of staff who are employed to exercise the functions of LSCorp are not assumed by the Crown Entity.

The cost of long service employee entitlements is met by the payment of a contribution based on salaries and wages to the "Agency Funded Crown LSL Pool agencies" and leave taken is reimbursed from the Pool.

As per Accounting Standard AASB 119 for defined benefit superannuation schemes, expenses are recognised based on the current service costs and net interest. Expected return on fund assets are recognised as other comprehensive income for the reporting period as calculated and advised by Pillar Administration. In accordance with NSW Treasury Circular TC14/05 Accounting for Superannuation, the entity recognises actuarial gains and losses for defined benefit superannuation schemes outside of the net result in the 'other comprehensive income' in the year in which they occur.

Notes to the Financial Statements 30 June 2014

A net liability or asset is recognised based on the difference between the present value of the entity's defined benefit obligations and the fair value of fund assets as at the reporting date, as adjusted for unrecognised past service costs, unrecognised gains/losses, and limitations on the net assets. The net liability or asset is actuarially determined.

For defined contribution superannuation schemes, employer contributions are expensed when incurred. A liability is recognised only to the extent of unpaid employer contributions at reporting date.

(d) Consequential on-costs

Consequential costs to employment are recognised as liabilities and expenses where the employee benefits to which they relate have been recognised. This includes outstanding amounts of payroll tax, workers' compensation insurance premiums and fringe benefits tax.

(iii) Other provisions

Other provisions exist when: The Treasury has a present legal or constructive obligation as a result of a past event; it is probable that an outflow of resources will be required to settle the obligation; and a reliable estimate can be made of the amount of the obligation.

(iv) Fair value hierarchy

A number of the entity's accounting policies and disclosures require the measurement of fair values, for both financial and non-financial assets and liabilities. When measuring fair value, the valuation technique used maximises the use of relevant observable inputs and minimises the use of unobservable inputs. Under AASB 13, the entity categorises, for disclosure purposes, the valuation techniques based on the inputs used in the valuation techniques as follows:

- Level 1 - quoted prices in active markets for identical assets / liabilities that the entity can access at the measurement date.
- Level 2 – inputs other than quoted prices included within Level 1 that are observable, either directly or indirectly.
- Level 3 – inputs that are not based on observable market data (unobservable inputs).

Refer Note 11 and Note 22 for further disclosures regarding fair value measurements of financial and non-financial assets.

Equity

The category "Accumulated funds" includes all current and prior period retained funds.

Equity Transfers

The transfer of net assets between agencies as a result of an administrative restructure, transfers of programs/functions and parts thereof between NSW public sector agencies and 'equity appropriations' are designated or required by Australian Accounting Standards to be treated as contributions by owners and recognised as an adjustment to "Accumulated Funds". This treatment is consistent with AASB 1004 *Contributions* and Australian Interpretation 1038 *Contributions by Owners Made to Wholly-Owned Public Sector Entities*.

Transfers arising from an administrative restructure involving not-for profit and for-profit government entities are recognised at the amount at which the assets and liabilities were recognised by the transferor immediately prior to the restructure. Subject to below, in most instances this will approximate fair value.

All other equity transfers are recognised at fair value, except for intangibles. Where an intangible has been recognised at (amortised) cost by the transferor because there is no active market, the entity recognises the asset at the transferor's carrying amount.

Budgeted amounts

The budgeted amounts are drawn from the original budgeted financial statements presented to Parliament in respect of the reporting period, as adjusted for section 24 of the *Public Finance and Audit Act (1983)* where there has been a transfer of functions between departments. Other amendments made to the budget are not reflected in the budgeted amounts.

Notes to the Financial Statements
30 June 2014

Comparative information

Except when an Australian Accounting Standard permits or requires otherwise, comparative information is disclosed in respect of the previous period for all amounts reported in the financial statements.

Comparative information has been adjusted to reflect changes to AASB119 *Employee benefits* issued in September 2011 which came into effect for the 2013-14 financial year. As a result, expenses relating to superannuation entitlements expenses have been recast with offsetting adjustments in Other Comprehensive income.

New standards and interpretations not yet effective

Certain new standards and interpretations have recently been issued or amended but are not yet effective for the annual reporting period ended 30 June 2014. It is considered impracticable to presently determine the impact of adopting those new standards and interpretations issued or amended but not yet effective.

In compliance with NSW Treasury mandates per Treasury Circular NSW TC14/03, the Treasury has not adopted any new accounting standards, amendments and interpretations.

New, revised or amending standards and interpretations

The Treasury has adopted all of the new, revised or amending Standards and Interpretations issued by the Australian Accounting Standards Board ('AASB') that are relevant and effective for the current reporting year.

Any significant impacts on the accounting policies of The Treasury from the adoption of these accounting standards and interpretations are disclosed in the relevant accounting policy and notes.

Notes to the Financial Statements
30 June 2014

2. Expenses Excluding Losses

	2014	2013
	\$'000	\$'000
(a) Employee related expenses		
Salaries and wages (including annual leave)	52 500	57 748
Superannuation – defined benefit plans	1 290	1 566
Superannuation – defined contribution plans	3 290	3 623
Long service leave	1 480	817
Workers' compensation insurance	325	274
Payroll tax and fringe benefits tax	<u>3 228</u>	<u>3 418</u>
	<u>62 113</u>	<u>67 446</u>
Employee related expenses of \$36 518 (2012–2013 \$Nil) have been incurred and are capitalised in Intangibles and therefore excluded from the above. Except as noted, there are no other employee related payments included in asset and expenditure accounts.		
(b) Other operating expenses include the following:		
Auditor's remuneration		
- audit of the financial statements	92	90
Operating lease rental expense		
- minimum lease payments	9 323	5 249
Maintenance (i)	210	380
Insurance	43	29
Consultants	2 607	4 081
Contractors	5 516	2 092
Centralised corporate support charges	4 867	4 803
Training	1 201	819
Staff recruitment	711	715
Information management	1 033	485
Internal audit fees	276	344
Printing and advertising	353	315
Travel	283	273
Minor plant, equipment and stores	290	266
Building maintenance and utilities	352	456
Board remuneration	81	151
Computer maintenance and software licences	223	98
Event management	92	70
Postal charges	37	40
Legal fees	61	23
Other	<u>448</u>	<u>493</u>
	<u>28 099</u>	<u>21 272</u>
Reconciliation – Total maintenance		
(i) Maintenance expense – contracted labour and other (non–employee related), as above	210	380
Employee related maintenance expenses included in Note 2(a)	<u>37</u>	<u>–</u>
Total maintenance expenses included in Note 2(a) + 2(b)	<u>247</u>	<u>380</u>
(c) Depreciation and amortisation expense		
Depreciation (Note 9)		
- Computer hardware	233	135
- Office equipment	21	24
- Office furniture	45	44
- Leasehold Improvements	<u>548</u>	<u>387</u>
	<u>847</u>	<u>590</u>
Amortisation of software intangibles (Note 10)	<u>213</u>	<u>310</u>
Total depreciation and amortisation	<u>1 060</u>	<u>900</u>
(d) Grants and subsidies		
Australian Accounting Standards Board	<u>165</u>	<u>169</u>
Finance costs		
(e) Unwinding of discount rate	<u>264</u>	<u>0</u>

Notes to the Financial Statements
30 June 2014

3. Revenues

	2014 \$'000	2013 \$'000
(a) Appropriations		
Recurrent appropriations		
Total recurrent draw-downs from NSW Treasury (per Summary of compliance)	74 439	69 713
Less: Liability to Consolidated Fund (per Summary of compliance)	<u>—</u>	<u>—</u>
	<u>74 439</u>	<u>69 713</u>
Comprising:		
Recurrent appropriations (per Statement of comprehensive income)	74 439	69 713
Transfer payments	<u>—</u>	<u>—</u>
	<u>74 439</u>	<u>69 713</u>
Capital appropriations		
Total capital draw-downs from NSW Treasury (per Summary of compliance)	3 285	385
Less: Liability to Consolidated Fund (per Summary of compliance)	<u>—</u>	<u>1</u>
	<u>3 285</u>	<u>384</u>
Comprising:		
Capital appropriations (per Statement of comprehensive income)	<u>3 285</u>	<u>384</u>
(b) Sale of goods and services		
Rendering of services		
Recoupment of costs (i)	6 216	13 155
Compliance service to Fair Work Australia	—	3 288
Other	<u>1</u>	<u>1</u>
	<u>6 217</u>	<u>16 444</u>
(c) Personnel services revenue		
Recoupment of Long Service Corporation staff costs	<u>6 779</u>	<u>2 249</u>
(d) Investment revenue		
Interest	<u>522</u>	<u>578</u>
(e) Grants and Contributions		
Grants from Crown Entity for recurrent expenditure	<u>2,790</u>	<u>—</u>
(f) Acceptance by the Crown Entity of employee benefits and other liabilities		
The following liabilities and/or expenses have been assumed by the Crown Entity:		
Long service leave	1 331	667
Superannuation – defined benefit	877	1 148
Payroll tax	<u>44</u>	<u>57</u>
	<u>2 252</u>	<u>1 872</u>
(g) Other revenue		
Other	<u>84</u>	<u>76</u>

- (i) Relates to the recoupment of administrative costs composed mainly of salaries and accommodation relating to the Crown Entity, NSW Self Insurance Corporation and the Building Insurers' Guarantee Corporation.

Notes to the Financial Statements
30 June 2014

4. Gain / (Loss) on Disposal

	2014 \$'000	2013 \$'000
Gain / (loss) on disposal of plant and equipment		
Proceeds from disposal	8	—
Written down value of assets disposed	(9)	(4)
Net gain / (loss) on disposal of plant and equipment	<u>(1)</u>	<u>(4)</u>
Total net gain / (loss) on disposal of non-current assets	<u>(1)</u>	<u>(4)</u>

5. Service Groups of the Treasury

Service Group	State Resource Management
Purpose:	Ensuring state finances support the delivery and long run affordability of services. Implementing policy settings including a robust industrial relations environment that promote a competitive state economy.

6. Current Assets – Cash and Cash Equivalents

	2014 \$'000	2013 \$'000
Petty cash	—	4
Cash at bank	<u>25 054</u>	<u>20 923</u>
	<u>25 054</u>	<u>20 927</u>

For the purposes of the statement of cash flows, cash and cash equivalents include cash at bank and on hand.

Cash and cash equivalent assets recognised in the statement of financial position are reconciled at the end of the financial year to the statement of cash flows as follows:

Cash and cash equivalents (per statement of financial position)	<u>25 054</u>	<u>20 927</u>
Closing cash and cash equivalents (per statement of cash flows)	<u>25 054</u>	<u>20 927</u>

Refer to Note 22 for details regarding credit risk, liquidity risk and market risk arising from financial instruments.

Notes to the Financial Statements
30 June 2014

7. Current / Non-Current - Receivables

	2014 \$'000	2013 \$'000
Current		
Personnel services recoverable from LSCorp	2 929	3 130
Sale of goods and services	695	6 049
Interest	303	302
Prepayments	3	211
GST	608	243
Other	1 757	606
Total	<u>6 295</u>	<u>10 541</u>
Non-Current		
Personnel services recoverable from LSCorp	<u>6 244</u>	6 289
Total	<u>6 244</u>	<u>6 289</u>
Total Receivables	<u>12 539</u>	<u>16 830</u>

Receivables for Sale of goods and services represent administrative services provided to the Crown Entity.

The receivables position for Personnel services, Sale of goods & services and Other is as follows:

	2014 \$'000	2013 \$'000
Receivables – Personnel services, Sale of goods & services and Other		
Current amount	5 381	8 441
Overdue amount	—	1 344
	<u>5 381</u>	<u>9 785</u>
Less: Allowance for impairment	—	—
	<u>5 381</u>	<u>9 785</u>

Overdue Amounts

Receivable	Less than 3 months		3 to 6 months		More than 6 months		Total		Allowance for impairment		Net	
	2014 \$'000	2013 \$'000	2014 \$'000	2013 \$'000	2014 \$'000	2013 \$'000	2014 \$'000	2013 \$'000	2014 \$'000	2013 \$'000	2014 \$'000	2013 \$'000
Sale of goods and services	—	1 282	—	—	—	—	—	1 282	—	—	—	1 282
Other	—	62	—	—	—	—	—	62	—	—	—	62
Total	<u>—</u>	<u>1 344</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>1 344</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>1 344</u>

Refer to Note 22 for details regarding credit risk, liquidity risk and market risk arising from financial instruments.

Notes to the Financial Statements
30 June 2014

8. Current / Non-Current - Other

	2014 \$'000	2013 \$'000
Current		
Lease incentive – fit out	10 049	–
Lease incentive – rent free period remaining	1 351	–
Total	<u>11 400</u>	<u>–</u>

Lease incentives are for new leased premises.

9. Non-Current Assets – Plant and Equipment

	2014 \$'000	2013 \$'000
At 1 July – fair value		
Gross carrying amount	12 734	4 049
Accumulated depreciation and impairment	(3 311)	(2 553)
Net carrying amount at 30 June	<u>9 423</u>	<u>1 496</u>

Reconciliation

A reconciliation of the carrying amount of plant and equipment at the beginning and end of the reporting periods is set out below.

	2014 \$'000	2013 \$'000
Year ended 30 June		
Net carrying amount at start of year	1 496	1 754
Additions	8 783	336
Disposals	(98)	(249)
Depreciation expense	(847)	(590)
Other movements:		
Write back on disposal	89	245
Net carrying amount at end of year	<u>9 423</u>	<u>1 496</u>

10. Intangible Assets

	2014 \$'000	2013 \$'000
At 1 July		
Gross carrying amount	5 788	3 327
Accumulated amortisation and impairment	(3 009)	(2 796)
Net carrying amount at 30 June	<u>2 779</u>	<u>531</u>

Reconciliation

A reconciliation of the carrying amount of intangible assets at the beginning and end of the reporting periods is set out below.

	2014 \$'000	2013 \$'000
Year ended 30 June 2014		
Net carrying amount at start of year	531	674
Additions	2 461	48
Transfer from OFS to Treasury (refer note 1(a))	–	119
Amortisation (recognised in 'depreciation and amortisation')	(213)	(310)
Net carrying amount at end of year	<u>2 779</u>	<u>531</u>

Notes to the Financial Statements
30 June 2014

11. Fair Value Measurement of Non-Financial Assets

(a) Fair value hierarchy

2014

	Level 2 Fair Value \$'000
Plant and Equipment (Note 8)	9 423

There were no transfers between Levels during the period.

(b) Valuation techniques, inputs and processes

All of The Treasury's Plant and Equipment assets are measured at historical cost less accumulated depreciation as a surrogate for fair value because the assets are non-specialised assets and any difference between fair value and depreciated historical cost is unlikely to be material.

The fair value measurement bases for these assets are all categorised as Level 2 as the valuation is based on the observable inputs i.e. transaction price at the date of acquisition.

12. Current / Non-Current Liabilities - Payables

	2014 \$'000	2013 \$'000
Current		
Accrued salaries, wages and on-costs	1 751	1 748
Creditors	<u>3 068</u>	<u>2 985</u>
	<u>4 819</u>	<u>4 733</u>

Details regarding credit risk, liquidity risk and market risk, including a maturity analysis of the above payables are disclosed in Note 22.

Notes to the Financial Statements
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13. Current / Non-Current Liabilities - Provisions

	2014 \$'000	2013 \$'000
Current		
Employee benefits and related on-costs		
Recreation leave	5 288	5 466
Long Service Leave not assumed by the Crown	1 818	1 945
Provision for On-costs on employee benefits	2 801	3 031
Provision for Fringe benefits tax	63	24
Provision for Redundancies	—	3 317
	<u>9 970</u>	<u>13 783</u>
Other		
Restoration costs	1 025	—
Total Current	<u>10 995</u>	<u>—</u>
Non-current		
Employee benefits and related on-costs		
Long Service leave not assumed by the Crown	93	77
Provision for Payroll Tax on Long Service Leave Liability	36	43
Provision for On-costs on Long Service Leave Liability	73	145
	<u>202</u>	<u>265</u>
Superannuation	<u>6 134</u>	<u>6 199</u>
Other		
Restoration costs (i)	1 974	1 025
Total Non-current	<u>8 310</u>	<u>7 489</u>
Aggregate employee benefits and related on-costs		
Provisions – current	9 970	13 783
Provisions – non-current	6 336	6 464
Accrued salaries, wages and on-costs (Note 12)	1 751	1 748
	<u>18 057</u>	<u>21 995</u>
Movements in provisions (other than employee benefits)		
Restoration costs		
Carrying amount at the beginning of financial year	1 025	1 025
Additional provisions recognised (i)	1 974	—
Carrying amount at end of financial year	<u>2 999</u>	<u>1 025</u>

(i) Additional provision for restoration costs of new leased premises

14. Current / Non-Current Liabilities - Other

	2014 \$'000	2013 \$'000
Current		
Lease incentive	1 551	—
Liability to Consolidated Fund	—	1
Total Current	<u>1 551</u>	<u>1</u>
Non-current		
Lease incentive	<u>16 873</u>	<u>—</u>

Non-Current other liabilities relate to the lease incentives for the new premises at 52 Martin Place, Sydney.

Notes to the Financial Statements
30 June 2014

15. Defined Benefit Superannuation Schemes

Under budget arrangements the Treasury is responsible for superannuation payments of the staff that perform the functions of the LSCorp. The defined benefit schemes for other employees are assumed by the Crown Entity.

Nature of the benefits provided by the fund

The Pooled Fund holds in trust the investments of the closed NSW public sector superannuation schemes:

- State Authorities Superannuation Scheme (SASS)
- State Superannuation Scheme (SSS)
- State Authorities Non-contributory Superannuation Scheme (SANCS).

These schemes are all defined benefit schemes – at least a component of the final benefit is derived from a multiple of member salary and years of membership. Members receive lump sum or pension benefits on retirement, death, disablement and withdrawal.

All the schemes are closed to new members.

Description of the regulatory framework

The schemes in the Pooled Fund are established and governed by the following NSW legislation: *Superannuation Act 1916*, *State Authorities Superannuation Act 1987*, *Police Regulation (Superannuation) Act 1906*, *State Authorities Non-Contributory Superannuation Scheme Act 1987*, and their associated regulations.

The schemes in the Pooled Fund are exempt public sector superannuation schemes under the *Commonwealth Superannuation Industry (Supervision) Act 1993* (SIS). The SIS Legislation treats exempt public sector superannuation funds as complying funds for concessional taxation and superannuation guarantee purposes.

Under a Heads of Government agreement, the New South Wales Government undertakes to ensure that the Pooled Fund will conform with the principles of the Commonwealth's retirement incomes policy relating to preservation, vesting and reporting to members and that members' benefits are adequately protected.

The New South Wales Government prudentially monitors and audits the Pooled Fund and the Trustee Board activities in a manner consistent with the prudential controls of the SIS legislation. These provisions are in addition to other legislative obligations on the Trustee Board and internal processes that monitor the Trustee Board's adherence to the principles of the Commonwealth's retirement incomes policy.

An actuarial investigation of the Pooled Fund is performed every three years. The last actuarial investigation was performed as at 30 June 2012.

Description of other entities' responsibilities for the governance of the fund - Para 139(a)(iii)

The Fund's Trustee is responsible for the governance of the Fund. The Trustee has a legal obligation to act solely in the best interests of fund beneficiaries. The Trustee has the following roles:

- Administration of the fund and payment to the beneficiaries from fund assets when required in accordance with the fund rules
- Management and investment of the fund assets
- Compliance with other applicable regulations.

Description of risks

There are a number of risks to which the Fund exposes the Employer. The more significant risks relating to the defined benefits are:

- Investment risk - The risk that investment returns will be lower than assumed and the Employer will need to increase contributions to offset this shortfall
- Longevity risk – The risk that pensioners live longer than assumed, increasing future pensions
- Pension indexation risk – The risk that pensions will increase at a rate greater than assumed, increasing future pensions
- Salary growth risk - The risk that wages or salaries (on which future benefit amounts for active members will be based) will rise more rapidly than assumed, increasing defined benefit amounts and thereby requiring additional employer contributions
- Legislative risk - The risk is that legislative changes could be made which increase the cost of providing the defined benefits.

The defined benefit fund assets are invested with independent fund managers and have a diversified asset mix. The Fund has no significant concentration of investment risk or liquidity risk.

The Treasury

Notes to the Financial Statements 30 June 2014

Description of significant events

There were no fund amendments, curtailments or settlements during the reporting period.

Superannuation position at 30 June 2014

2014	SASS 30 Jun 2014	SANCS 30 Jun 2014	SSS 30 Jun 2014	Total 30 Jun 2014
Member Numbers				
Contributors	7	11	4	
Deferred Benefits	-	-	2	
Pensioners	-	-	15	
Pensions fully commuted	-	-	7	
Superannuation Position for AASB 119 purposes	\$'000	\$'000	\$'000	\$'000
Accrued liability (Note 1)	2 751	596	19 835	23 182
Estimated reserve account balance				
1. Deficit/(surplus)	(3 360)	(714)	(12 974)	(17 048)
	(608)	(119)	6 861	6 134
2. Future Service Liability (Note 2)	318	143	259	720
3. Surplus in excess of recovery available from schemes (-1.-2. and subject to a minimum of zero)	-	-	-	-
4. Net (asset)/liability to be recognised in statement of financial position (1. + 3.)	(608)	(119)	6 861	6 134

Note 1:

The accrued liability includes a contribution tax provision. This is calculated based on grossing up the deficit less the allowance for past service expenses and insurable death and disability liabilities at a contribution tax rate of 15%.

Note 2:

The Future Service Liability (FSL) does not have to be recognised by an employer. It is only used to determine if an asset ceiling limit should be imposed (AASB 119 para 64). Under AASB 119, any prepaid superannuation asset recognised cannot exceed the present value of any economic benefits that may be available in the form of refunds from the plan or reductions in future contributions to the plan. Where the "surplus in excess of recovery" is zero, no asset ceiling limit is imposed. (Note this also includes a contribution tax provision).

Reconciliation of the net defined benefit liability/(asset)

2014	SASS Financial Year to 30 June 2014 \$'000	SANCS Financial Year to 30 June 2014 \$'000	SSS Financial Year to 30 June 2014 \$'000	Total Financial Year to 30 June 2014 \$'000
Net Defined Benefit Liability/(Asset) at start of year	(439)	(79)	6 718	6 200
Current service cost	114	31	38	183
Net Interest on the net defined benefit liability/(asset)	(18)	(4)	252	230
Actual return on Fund assets less Interest income	(346)	(63)	(895)	(1 304)
Actuarial gains/(losses) arising from changes in financial assumptions	57	25	737	819
Actuarial gains/(losses) arising from liability experience	126	(2)	158	282
Employer contributions	(102)	(27)	(147)	(276)
Net Defined Benefit Liability/(Asset) at end of year	(608)	(119)	6 861	6 134

The Treasury

Notes to the Financial Statements 30 June 2014

Reconciliation of the fair value of fund assets

2014	SASS Financial Year to 30 June 2014 \$'000	SANCS Financial Year to 30 June 2014 \$'000	SSS Financial Year to 30 June 2014 \$'000	Total Financial Year to 30 June 2014 \$'000
Fair value of Fund assets at beginning of the year	3 127	756	11 850	15 733
Interest income	112	27	441	580
Actuarial return on Fund assets less Interest income	346	63	895	1 304
Employer contributions	102	26	147	275
Contributions by participants	46	-	76	122
Benefits paid	(357)	(169)	(453)	(979)
Taxes, premiums and expenses paid	(16)	11	18	13
Fair value of fund assets at end of the period	3 360	714	12 974	17 048

Reconciliation of the defined benefit obligation

2014	SASS Financial Year to 30 June 2014 \$'000	SANCS Financial Year to 30 June 2014 \$'000	SSS Financial Year to 30 June 2014 \$'000	Total Financial Year to 30 June 2014 \$'000
Present value of defined benefit obligations at beginning of the year	2 688	677	18 567	21 932
Current service cost	114	31	38	183
Interest cost	93	23	694	810
Contributions by participants	46	-	76	122
Actuarial (gains)/losses arising from changes in financial assumptions	58	25	737	820
Actuarial (gains)/losses arising from liability experience	126	(2)	158	282
Benefits paid	(358)	(169)	(453)	(980)
Taxes, premiums and expenses paid	(16)	11	18	13
Present value of defined benefit obligations at end of the year	2 751	596	19 835	23 182

Reconciliation of the effect of the Asset Ceiling

2014	SASS Financial Year to 30 June 2014 \$'000	SANCS Financial Year to 30 June 2014 \$'000	SSS Financial Year to 30 June 2014 \$'000	Total Financial Year to 30 June 2014 \$'000
Adjustment for effect of asset ceiling at beginning of the year	-	-	-	-
Change in the effect of asset ceiling	-	-	-	-
Adjustment for effect of asset ceiling at end of the year	-	-	-	-

The Treasury

Notes to the Financial Statements 30 June 2014

Fair value of Fund assets

All Pooled Fund assets are invested by STC at arm's length through independent fund managers, assets are not separately invested for each entity and it is not possible or appropriate to disaggregate and attribute fund assets to individual entities. As such, the disclosures below relate to total assets of the Pooled Fund.

As at 30 June 2014

2014	Total \$'000	Quoted prices in active markets for identical assets Level 1 \$'000	Significant observable inputs Level 2 \$'000	Unobservabl e inputs Level 3 \$'000
Short Term Securities	2 452 755	1 572 615	880 140	-
Australian Fixed Interest	2 365 014	10 928	2 354 086	-
International Fixed Interest)	880 529	-	880 529	-
Australian Equities	11 738 636	11 494 549	241 423	2 664
International Equities	10 953 329	8 172 677	2 780 531	121
Property	3 272 986	894 113	692 296	1 686 577
Alternatives	6 329 410	565 401	4 897 152	866 857
Total*	37 992 659	22 710 283	12 726 157	2 556 219

The percentage invested in each asset class at the reporting date is:

As at	30 Jun 2014
Short Term Securities	6.5%
Australian Fixed Interest	6.2%
International Fixed Interest)	2.3%
Australian Equities	30.9%
International Equities	28.8%
Property	8.6%
Alternatives	16.7%
Total*	100.0%

*Additional to the assets disclosed above, at 30 June 2014 Pooled Fund has provisions for receivables/(payables) estimated to be around \$2.2 billion, giving an estimated assets totalling around \$40.2 billion.

Level 1 - quoted prices in active markets for identical assets or liabilities. The assets in this level are listed shares and listed unit trusts.

Level 2 - inputs other than quoted prices observable for the asset or liability either directly or indirectly. The assets in this level are cash; notes; government, semi-government and corporate bonds; unlisted trusts containing where quoted prices are available in active markets for identical assets or liabilities.

Level 3 - inputs for the asset or liability that are not based on observable market data. The assets in this level are unlisted property; unlisted shares; unlisted infrastructure; distressed debt; hedge funds.

Derivatives, including futures and options, can be used by investment managers. However, each manager's investment mandate clearly states that derivatives may only be used to facilitate efficient cash flow management or to hedge the portfolio against market movements and cannot be used for speculative purposes or gearing of the investment portfolio. As such managers make limited use of derivatives.

The Treasury

Notes to the Financial Statements 30 June 2014

Fair value of entity's own financial instruments

The disclosures below relate to total assets of the Pooled Fund.

The fair value of the Pooled Fund assets include \$173.9 million NSW Government Bonds as at 30 June 2014.

Significant Actuarial Assumptions at the Reporting Date

As at

	30 Jun 2014
Discount rate	3.57% pa
Salary increase rate (excluding promotional increases)	2.27% pa to 30 June 2015, then 2.5% pa to 30 June 2018, 3.0% pa from 1 July 2018 to 30 June 2023, and 3.5% pa thereafter
Rate of CPI increase	2.5% pa
Pensioner mortality	As per the 2012 Actuarial Investigation of the Pooled Fund

Sensitivity Analysis

The entity's total defined benefit obligation as at 30 June 2014 under several scenarios is presented below. The total defined benefit obligation disclosed is inclusive of the contribution tax provision which is calculated based on the asset at 30 June 2014.

Scenarios A to F relate to sensitivity of the total defined benefit obligation to economic assumptions, and scenarios G and H relate to sensitivity to demographic assumptions.

2014	Base Case	Scenario A -1.0% discount rate	Scenario B +1.0% discount rate
Discount rate	3.57%	2.57%	4.57%
Rate of CPI increase	as above	as above	as above
Salary inflation rate	as above	as above	as above
Defined benefit obligation (\$'000)	23 182	26 746	20 295
2014	Base Case	Scenario C +0.5% rate of CPI increase	Scenario D -0.5% rate of CPI increase
Discount rate	as above	as above	as above
Rate of CPI increase	2.5%	3.0%	2.0%
Salary inflation rate	as above	as above	as above
Defined benefit obligation (\$'000)	23 182	24 762	21 745
2014	Base Case	Scenario E +0.5% salary increase rate	Scenario F -0.5% salary increase rate
Discount rate	as above	as above	as above
Rate of CPI increase	as above	as above	as above
Salary inflation rate	as above	above rates plus 0.5% pa	above rates less 0.5% pa
Defined benefit obligation (\$'000)	23 182	23 304	23 060
2014	Base Case	Scenario G +0.5% pensioner mortality rates	Scenario H -0.5% pensioner mortality rates
Defined benefit obligation (\$'000)	23 182	22 958	23 418

The defined benefit obligation has been recalculated by changing the assumptions as outlined above, whilst retaining all other assumptions.

The Treasury

Notes to the Financial Statements 30 June 2014

Asset-Liability matching strategies

The Trustee monitors its asset-liability risk continuously in setting its investment strategy. It also monitors cash flows to manage liquidity requirements.

Funding arrangements

Funding arrangements are reviewed at least every three years following the release of the triennial actuarial review and was last reviewed following completion of the triennial review as at 30 June 2012. Contribution rates are set after discussions between the employer, STC and NSW Treasury.

Funding positions are reviewed annually and funding arrangements may be adjusted as required after each annual review.

Surplus/deficit

The following is a summary of the 30 June 2014 financial position of the Fund calculated in accordance with AAS 25 *Financial Reporting by Superannuation Plans*:

2014	SASS 30 June 2014 \$'000	SANCS 30 June 2014 \$'000	SSS 30 June 2014 \$'000	Total 30 June 2014 \$'000
Accrued benefits	2 643	533	10 906	14 082
Net market value of Fund assets	(3 360)	(714)	(12 974)	(17 048)
Net (surplus)/deficit	(717)	(181)	(2 068)	(2 966)

* There is no allowance for a contribution tax provision within the Accrued Benefits figure for AAS 25. Allowance for contributions tax is made when setting the contribution rates.

Contribution recommendations

Recommended contribution rates for the entity are:

2014	SASS multiple of member contributions	SANCS % member salary	SSS multiple of member contributions
	2.1	2.5	2.1

Economic assumptions

The economic assumptions adopted for the 30 June 2012 actuarial investigation of the Pooled Fund are:

Weighted-Average Assumptions	
Expected rate of return on Fund assets backing current pension liabilities	8.3% pa
Expected rate of return on Fund assets backing other liabilities	7.3% pa
Expected salary increase rate (excluding promotional salary increases)	SASS, SANCS, SSS 2.7% to 30 June 2018, then 4.0% pa thereafter
Expected rate of CPI increase	2.5% pa

Expected contributions

2015	SASS Financial Year to 30 June 2015 \$'000	SANCS Financial Year to 30 June 2015 \$'000	SSS Financial Year to 30 June 2015 \$'000	Total Financial Year to 30 June 2015 \$'000
Expected employer contributions	98	27	159	284

The Treasury

Notes to the Financial Statements 30 June 2014

Maturity profile of defined benefit obligation

The weighted average duration of the defined benefit obligation is 13.3 years.

Profit and Loss Impact

	SASS Financial Year to 30 June 2014 \$'000	SANCS Financial Year to 30 June 2014 \$'000	SSS Financial Year to 30 June 2014 \$'000	Total Financial Year to 30 June 2014 \$'000
2014				
Current service cost	114	31	38	183
Net interest	(18)	(4)	253	231
Defined benefit cost	96	27	291	414

Other Comprehensive Income

	SASS Financial Year to 30 June 2014 \$'000	SANCS Financial Year to 30 June 2014 \$'000	SSS Financial Year to 30 June 2014 \$'000	Total Financial Year to 30 June 2014 \$'000
2014				
Actuarial (gains) losses on liabilities	184	23	894	1 101
Actual return on Fund assets less Interest income	(346)	(63)	(895)	(1 304)
Total re-measurement in Other Comprehensive Income	(162)	(40)	(1)	(203)

The comparative superannuation information for 2012-13 is presented below. These have been adjusted in line with the revised version of AASB 119 issued in September 2011 which came into effect for the 2013-14 financial year.

Superannuation position at 30 June 2013

	SASS 30 Jun 2013	SANCS 30 Jun 2013	SSS 30 Jun 2013	Total 30 Jun 2013
2013				
Member Numbers				
Contributors	8	14	6	
Deferred Benefits	-	-	2	
Pensioners	-	-	13	
Pensions fully commuted	-	-	7	
Superannuation Position for AASB 119 purposes	\$'000	\$'000	\$'000	\$'000
Accrued liability (Note 1)	2 688	677	18 567	21 932
Estimated reserve account balance				
1. Deficit/(surplus)	(3 127)	(756)	(11 850)	(15 733)
	(439)	(79)	6 717	6 199
2. Future Service Liability (Note 2)	349	160	304	813
3. Surplus in excess of recovery available from schemes (-1.-2. And subject to a minimum of zero)	-	-	-	-
4. Net (asset)/liability to be recognised in statement of financial position (1. + 3.)	(439)	(79)	6 717	6 199

Note 1:

The accrued liability includes a contribution tax provision. This is calculated based on grossing up the deficit less the allowance for past service expenses and insurable death and disability liabilities at a contribution tax rate of 15%.

The Treasury

Notes to the Financial Statements 30 June 2014

Note 2:

The Future Service Liability (FSL) does not have to be recognised by an employer. It is only used to determine if an asset ceiling limit should be imposed (AASB 119 para 64). Under AASB 119, any prepaid superannuation asset recognised cannot exceed the present value of any economic benefits that may be available in the form of refunds from the plan or reductions in future contributions to the plan. Where the "surplus in excess of recovery" is zero, no asset ceiling limit is imposed. (Note: this also includes a contribution tax provision).

Reconciliation of the net defined benefit liability/(asset)

	SASS 11 Sept 2012 to 30 June 2013 \$'000	SANCS 11 Sept 2012 to 30 June 2013 \$'000	SSS 11 Sept 2012 to 30 June 2013 \$'000	Total 11 Sept 2012 to 30 June 2013 \$'000
2013				
Net Defined Benefit Liability/(Asset) at start of year	(85)	60	9 068	9 043
Current service cost	94	25	76	195
Net Interest on the net defined benefit liability/(asset)	2	2	219	223
Actual return on Fund assets less Interest income	(386)	(69)	(1 199)	(1 654)
Actuarial gains/(losses) arising from changes in demographic assumptions	4	3	679	686
Actuarial gains/(losses) arising from changes in financial assumptions	(97)	(43)	(2 381)	(2 521)
Actuarial gains/(losses) arising from liability experience	116	(32)	386	470
Employer contributions	(87)	(25)	(131)	(243)
Net Defined Benefit Liability/(Asset) at end of year	(439)	(79)	6 717	6 199

Reconciliation of the fair value of fund assets

	SASS 11 Sept 2012 to 30 June 2013 \$'000	SANCS 11 Sept 2012 to 30 June 2013 \$'000	SSS 11 Sept 2012 to 30 June 2013 \$'000	Total 11 Sept 2012 to 30 June 2013 \$'000
2013				
Fair value of Fund assets at beginning of the year	2 712	632	10 727	14 071
Interest income	62	15	257	334
Actuarial return on Fund assets less Interest income	386	69	1 199	1 654
Employer contributions	88	24	129	241
Contributions by Fund participants	42	-	49	91
Benefits paid	(144)	35	(494)	(603)
Taxes, premiums and expenses paid	(19)	(19)	(17)	(55)
Fair value of fund assets at end of the period	3 127	756	11 850	15 733

The Treasury

Notes to the Financial Statements 30 June 2014

Reconciliation of the defined benefit Obligation

	SASS	SANCS	SSS	Total
	11 Sept 2012 to 30 June 2014	11 Sept 2012 to 30 June 2013	11 Sept 2012 to 30 June 2013	11 Sept 2012 to 30 June 2013
	\$'000	\$'000	\$'000	\$'000
2013				
Present value of defined benefit obligations at beginning of the year	2 627	692	19 795	23 114
Current service cost	94	25	76	195
Interest cost	64	16	476	556
Contributions by participants	42	-	49	91
Actuarial (gains)/losses arising from changes in demographic assumptions	4	3	679	686
Actuarial (gains)/losses arising from changes in financial assumptions	(97)	(43)	(2 381)	(2 521)
Actuarial (gains)/losses arising from liability experience	116	(32)	386	470
Benefits paid	(144)	35	(495)	(604)
Taxes, premiums and expenses paid	(18)	(19)	(18)	(55)
Present value of defined benefit obligations at end of the year	2 688	677	18 567	21 932

Reconciliation of the effect of the Asset Ceiling

	SASS	SANCS	SSS	Total
	11 Sept 2012 to 30 June 2013	11 Sept 2012 to 30 June 2013	11 Sept 2012 to 30 June 2013	11 Sept 2012 to 30 June 2013
	\$'000	\$'000	\$'000	\$'000
2013				
Adjustment for effect of asset ceiling at beginning of the year	-	-	-	-
Change in the effect of asset ceiling	-	-	-	-
Adjustment for effect of asset ceiling at end of the year	-	-	-	-

Fair value of Fund assets

As at 30 June 2013

The fair value of fund assets is not provided as it is not available from the custodian.

The percentage invested in each asset class at the reporting date is:

As at

	30 Jun 2013
Australian equities	30.4%
Overseas equities	26.1%
Australian fixed interest securities	6.9%
Overseas fixed interest securities	2.2%
Property	8.3%
Cash	13.1%
Other	13.0%
Total	100.0%

The Treasury

Notes to the Financial Statements 30 June 2014

Significant Actuarial Assumptions at the Reporting Date

As at

	30 Jun 2013
Discount rate	3.80% pa
Salary increase rate (excluding promotional increases)	2.25% for 2013/2014 (2.95% for PSS); 2.25% pa for 2014/2105; 2.00% pa for 2015/2016 to 2019/20120; 2.50% pa thereafter
Rate of CPI increase	2.50% pa
Pensioner mortality	as per the 2012 Actuarial Investigation of the Pooled Fund

Asset-Liability matching strategies

The Trustee monitors its asset-liability risk continuously in setting its investment strategy. It also monitors cash flows to manage liquidity requirements.

Funding arrangements

Funding arrangements are reviewed at least every three years following the release of the triennial actuarial review and was last reviewed following completion of the triennial review as at 30 June 2012. Contribution rates are set after discussions between the employer, STC and NSW Treasury.

Funding positions are reviewed annually and funding arrangements may be adjusted as required after each annual review.

Surplus/deficit

The following is a summary of the 30 June 2013 financial position of the Fund calculated in accordance with AAS 25 *Financial Reporting by Superannuation Plans*:

	SASS 30 June 2013 \$'000	SANCS 30 June 2013 \$'000	SSS 30 June 2013 \$'000	Total 30 June 2013 \$'000
2013				
Accrued benefits	2 584	616	10 459	13 659
Net market value of Fund assets	(3 127)	(756)	(11 850)	(15 733)
Net (surplus)/deficit	(543)	(140)	(1 391)	(2 074)

Contribution recommendations

Recommended contribution rates for the entity are:

	SASS multiple of member contributions	SANCS % member salary	SSS multiple of member contributions
2013			
	2.1	2.5	2.1

**Notes to the Financial Statements
30 June 2014**

Economic assumptions

The economic assumptions adopted for the 30 June 2012 actuarial investigation of the Pooled Fund are:

Weighted-Average Assumptions	
Expected rate of return on Fund assets backing current pension liabilities	8.3% pa
Expected rate of return on Fund assets backing other liabilities	7.3% pa
Expected salary increase rate (excluding promotional salary increases)	SASS, SANCS, SSS 2.7% for 6 years then 4.0% pa
Expected rate of CPI increase	2.5% pa

Expected contributions

	SASS 11 Sept 2012 to 30 June 2014 \$'000	SANCS 11 Sept 2012 to 30 June 2014 \$'000	SSS 11 Sept 2012 to 30 June 2014 \$'000	Total 11 Sept 2012 to 30 June 2014 \$'000
2014				
Expected employer contributions	110	28	129	267

Maturity profile of defined benefit obligation

The weighted average duration of the defined benefit obligation is 13 years.

Profit and Loss Impact

	SASS 11 Sept 2012 to 30 June 2013 \$'000	SANCS 11 Sept 2012 to 30 June 2013 \$'000	SSS 11 Sept 2012 to 30 June 2013 \$'000	Total 11 Sept 2012 to 30 June 2013 \$'000
2013				
Current service cost	94	25	76	195
Net interest	2	2	219	223
Defined benefit cost	96	27	295	418

Other Comprehensive Income

	SASS 11 Sept 2012 to 30 June 2013 \$'000	SANCS 11 Sept 2012 to 30 June 2013 \$'000	SSS 11 Sept 2012 to 30 June 2013 \$'000	Total 11 Sept 2012 to 30 June 2013 \$'000
2013				
Actuarial (gains) losses on liabilities	24	(72)	(1 317)	(1 365)
Actual return on Fund assets less Interest income	(386)	(69)	(1 199)	(1 654)
Total re-measurement in Other Comprehensive Income	(362)	(141)	(2 516)	(3 019)

Notes to the Financial Statements
30 June 2014

16. Commitments for expenditure

	2014 \$'000	2013 \$'000
(a) Operating Lease Commitments		
Future non-cancellable operating lease rentals not provided for and payable:		
Not later than one year	7 901	5 687
Later than one year and not later than five years	27 673	2 548
Later than five years	<u>52 820</u>	<u>—</u>
Total (including GST)	<u>88 394</u>	<u>8 235</u>

Leasing arrangements are generally for rental of premises and equipment to be paid one month in advance. The total commitments for expenditure as at 30 June 2014 include input tax credits of \$8 036 (\$749 000 in 2012–2013) which are recoverable from the Australian Taxation Office.

17. Contingent Liabilities and Contingent Assets

There are no contingent assets or liabilities as at the reporting date (2013 Nil).

18. Budget Review

Net result

The actual net result was a surplus of \$4.7 million compared to a budget surplus of \$2.0 million. This variance was mainly due to the receipt of a grant in relation Financial Management Transformation (FMT) program focussing on a new framework and a new financial information system as recommended by the Commission of Audit for \$2.8 million.

Assets and liabilities

Current assets increased by \$14.1 million mainly due to an increase in receivables. This relates to \$11.4 million in remaining lease incentives for new premises and for the reimbursement of employee services provided to the Crown and other agencies. Cash has increased by \$2.2 million due to general savings mainly across employee related expenses.

Non-Current assets increased by \$12.8 million due to higher receivables relating to personnel services superannuation benefits of \$4.0 million, \$8.8 million of additional Plant and Equipment and Intangibles for the fitting out of the new premises and development costs in relation to the FMT program.

Current liabilities increased by \$3.7 million largely due to \$1.6 million in recognising other liabilities concerning new lease incentives and higher year end accruals. Provisions increased due to existing restoration costs transferring from non-current to current and higher employee related entitlements.

Non-Current liabilities increased by \$21.7 million due to the new leasehold obligations including lease incentives and make-good.

Cash flows

The net cash flows from operating activities increased to \$10.5 million reflecting general savings across employee related and other operating expenses.

The net cash flows from investing activities decreased to \$6.4 million due to additional purchases made in relation to fitting out new leased premises.

Notes to the Financial Statements
30 June 2014

19. Reconciliation of cash flows from operating activities to net result

		2014 \$'000	2013 \$'000
	Notes		
Net cash flows from operating activities		10 494	3 046
Depreciation and amortisation	2(c)	(1 060)	(900)
Decrease / (increase) in provisions		1 097	(3 702)
Increase / (decrease) in receivables		1 244	1 343
Increase / (decrease) in other current assets		11 400	–
Decrease / (increase) in payables		(84)	2 226
Decrease / (increase) in other liabilities		(18 424)	–
Net gain/(loss) on sale of plant and equipment	4	(1)	(4)
Net result		<u>4 666</u>	<u>2 009</u>

20. Trust Funds

The Treasury holds money in Miscellaneous Trust Funds which are used by the Entertainment Industry Bond and Public Trust. These monies have been excluded from the financial statements as The Treasury cannot use them for the achievement of its objectives. The following is a summary of the transactions and purpose of this account:

2014	Entertainment Industry Bond (i) \$'000	Public Trust (ii) \$'000
Opening cash balance	126	47
Receipts	26	42
Expenditure	<u>80</u>	<u>65</u>
Closing cash balance	<u>72</u>	<u>24</u>

Comparative information as at 30 June 2013

2013	Entertainment Industry Bond (i) \$'000	Public Trust (ii) \$'000
Opening cash balance	140	57
Receipts	16	16
Expenditure	<u>30</u>	<u>26</u>
Closing cash balance	<u>126</u>	<u>47</u>

- (i) Entertainment Industry bonds are from provisional licence holders under the *Entertainment Industry Act 1989* which are returned after 12 months on conversion to a full licence or on the person ceasing to hold a licence.
- (ii) The Public Trust account represents amounts collected by industrial inspectors acting as intermediaries in disagreements between employees and employers. The amounts are paid by one party to be forwarded to the other.

Notes to the Financial Statements
30 June 2014

21. Administered Assets

Administered Assets have been excluded from the financial statements as The Treasury cannot use the money for the achievement of its objectives. The following is a summary of the transactions and purposes of this account.

2014	Unclaimed Wages (i) \$'000
Opening cash balance	29
Revenue	18
Expenses	35
Transfers to the Crown	—
Closing cash balance	<u>12</u>

Comparative information as at 30 June 2013:

2013	Unclaimed Wages (i) \$'000
Opening cash balance	56
Revenue	97
Expenses	41
Transfers to the Crown	<u>83</u>
Closing cash balance	<u>29</u>

- (i) Under *Section 122 of the Industrial Relations Act 1996* if an employer is unable to make full payment of remuneration to an employee because that employee cannot be found, the employer must after 30 days send that money to the Consolidated Fund within the Crown Entity. Treasury requires this money to be sent to the Office of Industrial Relations for payment to employees upon application. The balance represents amounts yet to be remitted to the Consolidated Fund.

22. Financial instruments

The Treasury's principal financial instruments are cash deposits held within the NSW Treasury Banking System, short term receivables and payables. These instruments expose The Treasury primarily to interest rate risk on cash balances held within the NSW Treasury Banking System and credit risk on short term receivables. The Treasury does not enter into or trade financial instruments for speculative purposes and does not use financial derivatives.

The Secretary has overall responsibility for the establishment and oversight of risk management and agrees and reviews policies for managing risk.

The Treasury

Notes to the Financial Statements 30 June 2014

(a) Financial instrument categories

Financial assets	Note	Category	Carrying amount 2014 \$'000	Carrying amount 2013 \$'000
Cash and cash equivalents	6	N/A	25 054	20 927
Receivables (i)	7	Receivables (at amortised cost)	11 927	16 377
Financial liabilities	Note	Category	Carrying amount 2014 \$'000	Carrying amount 2013 \$'000
Payables (ii)	11	Financial liabilities measured at amortised cost	3 068	2 985

(i) Excludes statutory receivables and prepayments (i.e. not within the scope of AASB 7).

(ii) Excludes statutory payables and unearned revenue (i.e. not within the scope of AASB 7).

(b) Credit risk

Credit risk arises when there is the possibility of The Treasury's debtors defaulting on their contractual obligations, resulting in a financial loss to The Treasury. The maximum exposure to credit risk is generally represented by the carrying amount of the financial assets (net of any allowance for impairment).

Credit risk arises from the financial assets of The Treasury, including cash and receivables. No collateral is held by The Treasury and it has not granted any financial guarantees.

Cash

Cash comprises bank balances within the NSW Treasury Banking System and cash on hand. Interest is earned on daily bank balances at the monthly average NSW Treasury Corporation (TCORP) 11am unofficial cash rate, adjusted for a management fee to The Treasury.

Receivables

All trade debtors are recognised as amounts receivable at balance date. Collectability of trade debtors is reviewed on an ongoing basis. Procedures, as established in the Treasurer's Directions, are followed to recover outstanding amounts, including letters of demand. Debts which are known to be uncollectible are written off.

An allowance for impairment is raised when there is objective evidence that the entity will not be able to collect all amounts due. This evidence includes past experience, and current and expected changes in economic conditions and debtor credit ratings. No interest is earned on trade debtors. Sales are made on 14 day terms.

The only financial assets that are past due or impaired are sales of goods and services and other receivables disclosed in Note 7.

(c) Liquidity risk

Liquidity risk is the risk that The Treasury will be unable to meet its payment obligations when they fall due. The Treasury continuously manages risk through monitoring future cash flows and commitment maturities. During the current and prior years, there were no defaults of loans payable. No assets have been pledged as collateral and The Treasury's exposure to liquidity risk is deemed insignificant based on prior periods' data and current assessment of risk.

The liabilities are recognised for amounts due to be paid in the future for goods or services received, whether or not invoiced. Amounts owing to suppliers (which are unsecured) are settled in accordance with the policy set out in NSW TC11/12. If trade terms are not specified, payment is made no later than the end of the month following the month in which an invoice or a statement is received. For small business suppliers, where payment is not made within the specified time period, simple interest must be paid automatically unless an existing contract specifies otherwise. For payments to other suppliers, the Head of an authority may automatically pay the supplier simple interest. No interest for late payment was made during the 2013–2014 year (2012–2013 \$nil).

The table below summarises the maturity profile of The Treasury's financial liabilities together with any interest rate exposure.

The Treasury

Notes to the Financial Statements 30 June 2014

Maturity Analysis			\$'000		
	Weighted Average Effective Int. Rate	Nominal Amount	<1 yr	1 – 5 yrs	>5 yrs
2014					
Financial liabilities					
Creditors	–	<u>3 068</u>	<u>3 068</u>	<u>–</u>	<u>–</u>
2013					
Financial liabilities					
Creditors	–	<u>2 985</u>	<u>2 985</u>	<u>–</u>	<u>–</u>

(d) Market risk

Market risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices. The Treasury's exposure to market risk is primarily through interest rates on cash and cash equivalents. The Treasury does not have any exposure to foreign currency risk, does not enter into commodity contracts and does not trade in derivatives of any nature.

The effect on profit and equity due to a reasonably possible change in risk variable is outlined below for interest rate risk. A reasonably possible change of +/- 1 per cent is used, consistent with current trends in interest rates. The basis will be reviewed annually and amended where there is a structural change in the level of interest rate volatility. The Treasury's exposure to interest rate risk follows.

Interest rate risk					
	Carrying amount \$'000	–1% Net Result \$'000	Equity \$'000	+1% Net Result \$'000	Equity \$'000
2014					
Financial assets					
Cash and cash equivalents	25 054	(251)	(251)	251	251
Receivables	11 927	–	–	–	–
Financial liabilities					
Payables	3 068	–	–	–	–
Total increase / (decrease)		<u>(251)</u>	<u>(251)</u>	<u>251</u>	<u>251</u>
2013					
Financial assets					
Cash and cash equivalents	20 927	(209)	(209)	209	209
Receivables	16 377	–	–	–	–
Financial liabilities					
Payables	2 985	–	–	–	–
Total increase / (decrease)		<u>(209)</u>	<u>(209)</u>	<u>209</u>	<u>209</u>

Notes to the Financial Statements
30 June 2014

(e) Fair value

The carrying value of receivables less any impairment provision and payables is a reasonable approximation of their fair value due to their short term nature.

23. Change in Accounting Policy

Except for the changes described below, The Treasury has consistently applied the accounting policies set out at Note 1 to all periods presented in these financial statements.

AASB 119 *Employee Benefits* and AASB 2011-10 *Amendments to Australian Accounting Standards arising from AASB 119*.

The Treasury has adopted the revised AASB 119 *Employee Benefits* with an application date of 1 July 2013.

The main changes to accounting policy as a result of changes to AASB 119 *Employee Benefits* are:

- The interest income component has replaced the expected return on assets. Interest income is calculated using a different discount rate to expected return on assets, which has led to an increase to the expense reported in the Statement of Comprehensive Income
- The standard does not allow investment credits to be netted off against the superannuation contributions tax. This has changed the calculation of the defined benefits liability/asset presented in the statement of financial position. As a result the Defined Benefit liability and the expense related to the Defined Benefit Cost have increased.

Impact of total comprehensive income for the year ended 30 June 2013 as a result of AASB 119

Line Item	30/06/2013 previously reported \$'000	AASB 119 adjustments \$'000	30/06/2013 as restated \$'000
Expenses excluding losses			
Employee related	66 735	711	67 446
Total expenses excluding losses	89 076	711	89 787
Revenue			
Personnel services revenue	2 672	(423)	2 249
Total revenue	91 739	(423)	91 316
Net Result	2 659	1 134	1 525
Other Comprehensive Income			
Superannuation actuarial gains/(losses on defined benefit plans)	1 885	(520)	1 365
Superannuation actual return on fund assets less interest income	—	1 654	1 654
Total other comprehensive income	1 885	1 134	3 019
TOTAL COMPREHENSIVE INCOME	4 544	—	4 544

Notes to the Financial Statements
30 June 2014

Impact of total comprehensive income for the year ended 30 June 2014 as a result of AASB 119

Line Item	AASB 119 adjustments \$'000
Expenses excluding losses	
Employee related	825
Total expenses excluding losses	825
Revenue	
Personnel services revenue	9
Total revenue	9
Net Result	834
Other Comprehensive Income	
Superannuation actuarial gains/(losses on defined benefit plans	116
Superannuation actual return on fund assets less interest income	718
Total other comprehensive income	834

Impact on assets, liabilities and equity as at 30 June 2013 as a result of AASB 119

Line Item	As at 30/06/2013 as previously reported \$'000	AASB 119 adjustments \$'000	As at 30/06/2013 as restated \$'000
Assets			
Non-Current Assets			
Receivables	5 419	870	6 289
Total Non-Current assets	7 446	870	8 316
Total Assets	38 914	870	39 784
Liabilities			
Non-Current Liabilities			
Provisions	6 619	870	7 489
Total Non-Current Liabilities	6 619	870	7 489
Total Liabilities	25 136	870	26 006
Net Assets	13 778	—	13 778

The Treasury

Notes to the Financial Statements 30 June 2014

Impact on assets, liabilities and equity as at 30 June 2014 as a result of AASB 119

Line Item	AASB 119 adjustments \$'000
Assets	
Non-Current Assets	
Receivables	862
Total Non-Current assets	862
Total Assets	862
Liabilities	
Non-Current Liabilities	
Provisions	862
Total Non-Current Liabilities	862
Total Liabilities	862
Net Assets	—

24. Increase / Decrease in Net Assets from Equity Transfers

The staff employed and the management functions of both the NSW Self Insurance Corporation and Building Insurers' Guarantee Corporation were transferred from The Treasury to OFS effective 1 July 2013 as a result of the *Public Sector Employment and Management (NSW Self Insurance corporation) Order 2013*.

This transfer resulted in a transfer of \$0.6 million in employee provisions to payables, and a nil effect on the net result and net equity for The Treasury.

25. Events after the Reporting Period

In accordance with the *Administrative Arrangements (Administrative Changes—Miscellaneous Agencies) Order* the Office of Finance will transfer to the Treasury from the OFS on the 1 July 2014.

The effect of this order cannot currently be reliably measured and is expected to increase employee related expenses in 2014–15.

There were no other events subsequent to reporting date requiring disclosure.

End of audited Financial Statements

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Performance Measurement Framework

Key Performance Measures		Target	2009–10	2010–11	2011–12	2012–13 (Restated) ¹	2013–14 ²
Effective balance sheet management	Maintaining a Triple-A credit rating for NSW	Triple A	Triple A	Triple A	Triple A	Triple A	Triple A
	State superannuation liabilities on track to be fully funded by 30 June 2030	100% by June 2030	57.7%	58.5%	64.7%	41.3%	42.5
Improved financial management and controls	Deviation of underlying actual expenses from Budget ³	≤ +1%	<0%	<0%	<0%	1.4%	0.4%
	Keeping the State Budget in surplus	Budget result	\$283m	\$553m	(\$167m)	(\$1,731m)	\$1,247m
Improved efficiency and effectiveness of expenditure	Maintain expense growth below long-term revenue growth ⁴	Growth below average revenue growth of 5.6%	7.3%	5.9%	5.9%	5.3%	4.7%
Reform revenue	NSW's share of GST revenue relative to an equal per capita share	Improved NSW GST relativity	0.93186	0.95205	0.95776	0.95312	0.96576
	NSW total State General Government revenue ⁵ per capita to be less than the average for the other states	NSW ≤	NSW \$7,910	NSW \$7,927	NSW \$8,112	NSW \$8,166	NSW 8,767
		Other States	Others \$8,542	Others \$8,830	Others \$9,190	Others \$8,782	Others⁶ 9,165
Improve PTE performance	Commercial government business agencies achieving an appropriate rate of return on equity ⁷	Increased number of agencies	4	3	3	2	5

¹ The 2012-13 Results have been restated to take account of changes to accounting standards and corrections of prior period errors (if applicable)

² 2013-14 Results as published in the 2013-14 Total State Sector Accounts.

³ Underlying expenses are 'Traditional' GGS expenses excluding the Commonwealth fiscal stimulus impacts.

⁴ The target of 5.6 per cent is as prescribed in the Fiscal Responsibility Regulation 2013.

⁵ Commonwealth-specific purpose payments through the states to local government and other bodies are excluded from state revenue for all states.

⁶ State revenues are based on revised estimates published in 2014–15 Budgets.

⁷ Prior to 2011–12 this performance measure was 'Achieving an appropriate rate of return on equity in commercial government businesses'.

Performance Measurement Framework

Other Measures of Effectiveness		Target	2009–10	2010–11	2011–12	2012–13	2013–14
Advice on economic and fiscal strategies	Treasury's tax revenue estimation variation compared with that of other Treasuries	NSW ≤	NSW 5.8%	NSW 1.0%	NSW 0.5%	NSW -0.6%	NSW 2.8%
		Other states	Others 5.2%	Others 1.2%	Others -1.9%	Others 2.0%	Others 1.7%
	Treasury's economic forecasting variation compared with that of other Treasuries	NSW ≤	NSW 1.7% ¹	NSW 0.5%	NSW 0.2% ¹	NSW 0.4% ¹	NSW nya ²
		Other states	Others 1.4% ¹	Others 0.9%	Others 1.1% ¹	Others 0.8%	Others ² nya
Advice on the efficiency and effectiveness of public sector agencies	Percentage of required government businesses with a signed Statement of Corporate or Business Intent	100%	SOCs 100%	SOCs 100%	SOCs 100%	SOCs 100%	SOCs 100%
	Deviation of actual government business dividend and tax equivalent payments from budget estimate	≤ ±10%	All 79%	All 50%	All 84%	All 79%	All 68% ³
Budget management	Treasury's general government expenses estimation variation compared with other Treasuries (ABS basis)	NSW ≤	NSW 2.6%	NSW 1.9%	NSW -2.3%	NSW 2.2%	NSW 0.5%
		Other states	Others 3.4%	Others 1.2%	Others 0.7%	Others 1.0%	Others ⁶ 0.0%
Infrastructure, asset management, and procurement	Percentage of state physical assets covered by a Total Asset Management Plan submission for nominated agencies	100%	98%	100%	100%	100%	100%
Financial asset and liability management	Deviation of actual net financial liabilities from the Budget estimate	≤ ±10%	-	-	-	12.3%	3.3%
Note: This measure was introduced in 2012–13 and includes superannuation, debt and insurance liabilities.							
Project management	Treasury's actual net cost of services to be less than or equal to its budget allocation	≤ 100%	94.8%	97.8%	99%	91.4%	96.7%
	Registered correspondence completed by due date	≥ 80%	81%	71%	80%	75%	79%

¹ Revised due to historical revisions to actual outcomes by the ABS.

² GSP data was not available at the statutory deadline for this annual report.

³ Lower percentage driven by a recent increase in the number of businesses required to undertake SBIs as Treasury seeks to include further government businesses under the Commercial Policy Framework reporting regime.

⁴ Excludes variances due to non-cash notional payments.

⁵ Excludes variances due to non-cash notional payments and one-off tax effects.

⁶ Other state expenditures are based 2013–14 revised estimates published in 2014–15 Budgets for all States.

Senior Executive bands and remuneration¹

Senior Executives

Band	2013–14	
	Female	Male
Band 4	-	1
Band 3	3	7
Band 2	5	7
Band 1	39	61
Totals	47	76
	123	

Band	Average Remuneration	
	Range \$	2013–14 \$
Band 4	422,501 - 488,100	\$488,100
Band 3	299,751 - 422,500	\$360,736
Band 2	238,301 - 299,750	\$260,878
Band 1	167,100 - 238,300	\$167,225

In 2013–14 senior executives' monetary remuneration and the value of employment benefits paid represented 39.68 per cent of the NSW Treasury's employee related expenditure.

¹ The senior executive remuneration incorporates Treasury Technical Officers. In line with public sector policy there were no performance-related incentive payments.

Staff Statistics¹

In June 2014 Treasury had 398.03 full-time equivalent (FTE) staff. This equates to a headcount of 430 officers, some who worked part-time throughout the year.

Table 2 shows the number of FTE staff working in each of Treasury's Groups during 2013–14. Graduates and indigenous cadet numbers are incorporated within the Groups. These staff numbers are from Treasury's Annual Workforce Profile and include all staff on the NSW Treasury payroll. It excludes staff on unpaid leave or secondments within the NSW public sector.

Table 1: Staff Profile

	June 2013	Sep 2013	Feb 2013	June 2014
FTE and count	462.7	373.1	382.4	398.03
Total EEO respondent to Ethnicity	361	289	294	296
Total EEO respondent to Language	383	312	317	318
Total EEO respondent to Disability	367	295	300	303

Note: Data at Census Date

Table 2: Full-time equivalent staff by Group

Group	Full-time equivalent (FTE)
Commercial	43.54
Corporate (includes Office of the Secretary)	42.66
Fiscal and Economic	151.39
Resource Allocation	100.80
NSW Industrial Relations	59.63
Total	398.03

Note: Data at Census Date

Table 3: Actual number of staff by age

Age range	Staff numbers	
	2012–13	2013–14
20 – 24 years	23	21
25 – 29 years	57	67
30 – 34 years	71	52
35 – 39 years	66	47
40 – 44 years	68	47
45 – 49 years	72	52
50 – 54 years	95	66
55 – 59 years	72	45
60 + years	44	33

¹ Staff statistics as at 30 June 2014.

Table 5: Non-executive part-time staff by classification and grade

Grade	Actual Staff Numbers	Full-time equivalent
Clerk Grade 1-2	1	0.71
Clerk Grade 3-4	2	1.40
Clerk Grade 5-6	4	3.00
Clerk Grade 7-8	4	1.80
Clerk Grade 9-10	11	6.50
Clerk Grade 11-12	8	4.49
Total	30	17.90

Table 6a: Trends in the representation of Workforce Diversity Groups

EEO Group	Benchmark/ Target	2012	2013	2014
Women	50.0%	51.2	52.2	52.9%
Aboriginal people and Torres Strait Islanders	2.6%	1.6	1.1	1.1%
People whose first language was not English	19.0%	24.3	23.4	28.0%
People with a disability	NA	5.2	4.6	2.6%
People with a disability requiring work-related adjustment	1.5%	2.2	2.2	0.6%

Table 6b: Trends in the distribution of Workforce Diversity Groups

EEO Group	Benchmark/ Target	2012	2013	2014
Women	100	92	93	94
Aboriginal people and Torres Strait Islanders	100	NA	NA	NA
People whose first language was not English	100	94	94	91
People with a disability	100	97	93	NA
People with a disability requiring work-related adjustment	100	NA	NA	NA

Note: The statistics are based on staff numbers as at 30 June and do not include casual staff.

In Table 6b above, a Distribution Index of 100 indicates that the centre of the distribution of the EEO group across salary levels is the same as other staff. Values less than 100 indicate that the EEO group tends to be more concentrated at lower salary levels compared with other staff. The lower the index, the more pronounced this tendency. Values greater than 100 indicate that the EEO group is less concentrated at lower salary levels.

The Distribution Index is not calculated when the EEO group or the non-EEO group comprises less than 20 staff.

Access and Equity

Treasury has begun working with the Office of Finance and Services to develop and implement a Diversity and Inclusion Strategy for 2015–2017 for the newly formed Treasury and Finance Cluster.

Workforce Diversity

NSW Treasury is committed to upholding the principles of cultural diversity and the equal participation of all communities in a cohesive and multicultural NSW. In 2013–14 approximately 28 per cent of Treasury's workforce, up from approximately 23 per cent in 2012–13, is from a non-English speaking background.

Although NSW Treasury does not provide direct services to the public, we serve the community indirectly via the policy advice we provide to government on state resource allocation, financial management and economic issues.

Proactive Work Health and Safety Risk Management

NSW Treasury recognises a safe and healthy workplace is essential for its employees. Treasury is able to provide this through senior management and employees working together to identify and solve workplace health and safety problems.

Key initiatives achieved in 2013–14 include:

- ≈ election of new Health and Safety Representatives to monitor workplace risks, develop preventive safety strategies and promote workplace safety.
- ≈ implementation of the Work Health and Safety Action Plan. The Action Plan expands on Government set targets/actions by outlining Treasury initiatives designed to meet the targets.
- ≈ development of a Workplace Health and Safety Inspection policy which details regular inspections of Treasury's workplaces to ensure they reflect Treasury's commitment to maintaining a working environment which is free of actual or potential risks to the health and safety of staff, guest and visitors.

Table 7: Workplace health and safety incidents and assessments

	2009–10	2011–12	2012–13	2013–14
Reported workplace incidents	15	14	27	12
WH&S assessments conducted	21	9	13	8
Note: Figures do not include journey claims.				

The decrease in reported workplace incidents shown in table 7 above, can be attributed to implementing better risk management practices, the implementation of the Action Plan, and better WHS training resources available to staff.

Health and wellbeing

Treasury provided a range of initiatives to promote positive and sustainable health and lifestyle practices for employees. In 2013 – 14 these include:

- ≈ The opportunity for employees to receive free flu vaccinations
- ≈ Continued access to an Employee Assistance Program (EAP) to all staff and their immediate family members.
- ≈ Access to a range of health and fitness activities including cycling, running, team sports and walking.

Table 8: Staff participation in the flu vaccination program

	2009–10	2011–12	2012–13	2013–14
Actual number of staff	153	139	250	255

Protecting Privacy and Personal Information

NSW Treasury respects the privacy of members of the public who use our services and of our employees. As a NSW government agency, NSW Treasury must comply with the requirements of the *Privacy and Personal Information Protection Act 1998* (PPIP Act) and the *Health Records and Information Privacy Act 2002*.

In compliance with the provisions of the PPIP Act, NSW Treasury has a Privacy Management Plan which was updated in 2014. The updated Privacy Management Plan is published on the Treasury intranet and website.

Treasury employees are made aware of the privacy legislation and its requirements through training and information sessions, advice provided through the Executive and Ministerial team, messages from the Secretary and information on Treasury's intranet.

Employees are also made aware of privacy requirements through the Privacy Guidelines on Treasury's Privacy intranet page, Online Privacy Training and targeted communications during Privacy Week in April 2014. New employees are briefed when joining Treasury on their obligations under the PPIP Act in relation to the handling of personal information.

The Privacy Officer can be contacted at:
Information & Parliamentary Coordinator NSW Treasury, contact@treasury.nsw.gov.au;
Tel: (02) 9228 4611; Fax: (02) 9221 7029.

Applications for internal reviews

One application for internal review was received and completed by Treasury under Part 5 of the PPIP Act during 2013—2014. The internal review found no breach of the Act. A subsequent appeal by the applicant was made to the NSW Civil & Administrative Tribunal and a judgement has yet to be delivered.

Government Information (Public Access)

Accessing information held by NSW Treasury

In compliance with the *Government Information (Public Access) Act 2009*, the Department makes information it holds available in several ways.

Treasury's Agency Information Guide is updated regularly and published on Treasury's website. It describes the structure and functions of Treasury, how these functions affect the public, information that is freely available and how to access other information which is available, but not published on the website.

Treasury's website contains open-access information, as required by section 18 of the Act and clause 5 of the *Government Information (Public Access) Regulation 2009*.

Details about how to apply for access to information, with links to relevant legislation and forms, can be found on Treasury's website. Further assistance can be provided by contacting:

Information & Parliamentary Coordinator NSW Treasury,
Tel: (02) 9228 4611; Fax: (02) 9221 7029,
Email: gipa@treasury.nsw.gov.au

Proactive release of government information

Under Section 7 of the GIPA Act, agencies must review their programs for the release of government information to identify the kinds of information that can be made publicly available. This review must be undertaken at least once every 12 months.

Treasury's program for the proactive release of information involves:

- ≈ Treasury's Open Government Committee (OGC) reviewing documents published on Treasury's intranet and request branches to submit information that is suitable for proactive release to the OGC.
- ≈ Reviewing the information sought and released pursuant to GIPA applications received over the financial year;
- ≈ Considering the kinds of government information held by Treasury that may be suitable for proactive release, and asking groups and branches to submit information that is suitable for proactive release to the Open Government Committee.

During the reporting period, Treasury proactively released the following items:

Date of proactive release	Document title/topic	Document type*
June 2014	NSW Government submission to the Competition Policy Review. The submission highlights NSW's commitment to improving competition across the economy as a critical driver of productivity and economic growth.	Submission
January 2014	KPMG Evaluation of the Joint Development Phase of the NSW Social Benefit Bonds Trial	Report
December 2013	Treasury's Privacy Guidelines	Policy
September 2013	Presentation by Executive Director, Joshua Shrubbs to the Australia and New Zealand School of Government	PowerPoint
August 2013	Presentation by Associate Secretary, Maryanne Mrakovcic, to the Australia and New Zealand School of Government	PowerPoint
August 2013	Presentation by Senior Director, Peter Horn, to the Australia and New Zealand School of Government: Balancing the bottom line in NSW: On-going issues in Fiscal Management	PowerPoint

Date of proactive release	Document title/topic	Document type*
From 1 August 2013 (ongoing weekly release)	Weekly Economic Calendar	Briefing
From 1 August 2013 (ongoing weekly release)	Weekly Market Economic Roundup	Briefing
July 2013	Presentation by former A/Associate Secretary Kevin Cosgriff: What is Public Expenditure Management?	PowerPoint

* Document type examples include briefing, PowerPoint or spread sheet.

Number of access applications received

During the reporting period, Treasury received 29 formal access applications under the GIPA Act (including withdrawn applications but not invalid applications).

Number of refused applications for Schedule 1 information

During the reporting period a total of seven formal access applications were refused because the information requested was information referred to in Schedule 1 of the GIPA Act (Information for which there is conclusive presumption of overriding public interest against disclosure). Of those applications, one was refused in full and six were refused in part.

Statistical information about access applications

The tables following are set out according to Schedule 2 of the Government Information (Public Access) Regulation 2009.

Table A: Number of applications by type of applicant and outcome

	Access granted in full	Access granted in part	Access refused in full	Information not held	Information already available	Refuse to deal with application	Refuse to confirm/deny whether information is held	Application withdrawn
Media	3	5	1	2	0	0	0	2
Members of Parliament	0	1	0	2	0	0	0	0
Private sector business	1	1	0	0	0	0	0	0
Not for profit organisations or community groups	1	1	0	0	0	0	0	0
Members of the public (application by legal representative)	0	0	0	1	0	0	0	0
Members of the public (other)	1	1	0	0	1	0	0	0

More than one decision can be made in respect of a particular access application. If so, a record must be made in relation to each such decision. This also applies to Table B.

Table B: Number of applications by type of application and outcome

	Access granted in full	Access granted in part	Access refused in full	Information not held	Information already available	Refuse to deal with application	Refuse to confirm/deny whether information is held	Application withdrawn
Personal information applications	1	1	0	0	1	0	0	0
Access applications (other than personal information applications)	5	8	1	5	1	0	0	2
Access applications that are partly personal information applications and partly other	0	0	0	0	0	0	0	0

A personal information application is an access application for personal information (as defined in Clause 4 of Schedule 4 to the Act) about the applicant (the applicant being an individual).

Table C: Invalid applications

Reason for invalidity	Number of applications
Application does not comply with formal requirements (section 41 of the Act)	0
Application is for excluded information of the agency (section 43 of the Act)	0
Application contravenes restraint order (section 110 of the Act)	0
Total number of invalid applications received	0
Invalid applications that subsequently became valid applications	0

Table D: Conclusive presumption of overriding public interest against disclosure

Matters listed in Schedule 1 of the Act	Number of times consideration used
Overriding secrecy laws	0
Cabinet information	6
Executive Council information	0
Contempt	0
Legal professional privilege	1
Excluded information	0
Documents affecting law enforcement and public safety	0
Transport safety	0
Adoption	0
Care and protection of children	0
Ministerial code of conduct	0
Aboriginal and environmental heritage	0

More than one public interest consideration may apply in relation to a particular access application and, if so, each such consideration is to be recorded (but only once per application). This also applies in relation to Table E.

Table E: Other public interest considerations against disclosure

Matters listed in table to section 14 of the Act	Number of occasions when application not successful
Responsible and effective government	5
Law enforcement and security	0
Individual rights, judicial processes and natural justice	2
Business interests of agencies and other persons	3
Environment, culture, economy and general matters	0
Secrecy provisions	0
Exempt documents under interstate Freedom of Information legislation	0

Table F: Timeliness

	Number of applications
Decided within the statutory timeframe (20 days plus any extensions)	21
Decided after 35 days (by agreement with applicant)	6
Not decided within time (deemed refusal)	0
Total	27

Table G: Number of applications reviewed under Part 5 of the Act (by type of review and outcome)

	Decision varied	Decision upheld	Total
Internal review	1	1	2
Review by Information Commissioner	0	0	0
Internal review following recommendation under section 93 of Act	0	0	0
Review by NCAT (formerly ADT)	0	1	1
Total	1	2	3

Table H: Applications for review under Part 5 of the Act (by type of applicant)

	Number of applications for review
Applications by access applicants	2
Applications by persons to whom information the subject of access application relates (see section 54 of the Act)	1

Public Interest Disclosures

All Treasury employees have a responsibility to report suspected wrongdoing, including corruption; maladministration; serious and substantial waste of public money; and breaches of the GIPA Act.

The *Public Interest Disclosures Act 1994* (PID Act) is aimed at encouraging and facilitating the disclosure, in the public interest, of wrongdoing in the public sector. The reporting of suspected wrongdoing is vital to the integrity of the public sector and its ability to provide the services the NSW public deserves. NSW Treasury is committed to protecting staff that make public interest disclosures.

NSW Treasury has a Public Interest Disclosures Internal Reporting Policy for the Management of Public Interest Disclosures in line with recent changes to the *Public Interest Disclosures Act 1994*. The policy sets out the manner in which Treasury meets its obligations under the PID Act and the roles and responsibilities of staff in making and receiving public interest disclosures. The policy is available to all staff via Treasury's intranet and has also been published on Treasury's website.

The Secretary of NSW Treasury has ensured that employees are made aware of their responsibilities under the PID Act by:

- ≈ Written endorsement of internal reporting policy and commitment to the objectives of the PID Act
- ≈ Public Interest Disclosures Guidelines have been uploaded on the intranet
- ≈ Links on the intranet to the Public Interest Disclosures Policy and Procedures
- ≈ Training provided to new staff as part of the induction program
- ≈ Online training program made available to all staff
- ≈ Plain English brochure advising staff how to make a public interest disclosure available on the intranet
- ≈ Creation and placement of "Reporting Wrongdoing in Treasury" posters throughout Treasury.

In accordance with Section 4 of the Public Interest Disclosures Regulation 2011, the following information is provided on public interest disclosures for the period 1 July 2013 to 30 June 2014.

Table 9: Public Interest Disclosures Report: Section 4 of the Public Interest Disclosures Regulation

No of public officials who made public interest disclosures to NSW Treasury	1*
No of public interest disclosures received by NSW Treasury	1*
Of public interest disclosures received, how many were primarily about:	
- Corrupt conduct	1
- Maladministration	0
- Serious and substantial waste	0
- Government information contravention	0
- Local government pecuniary interest contravention	0
No of public interest disclosures (received since 1 Jan 2012) that have been finalised in this reporting period	2

* Public interest disclosures made by public officials in performing their day-to-day functions as public officials.

Waste Reduction and Purchasing Policy

Treasury supports the principles of waste reduction, reuse and recycling through its disposal and purchasing policies conforming to the NSW Government's Sustainability Policy. This policy sets out targets for sustainable resource use, disposal and procurement encouraging better waste management practices and waste friendly purchases.

To reduce waste Treasury reduced the number of printers replacing these with multi-functional devices (MFDs). The MFDs replace office equipment that has only one or two functions as it is used to photocopy, print and scan to email. Staff are encouraged to minimise printing, reduce the need to print in colour with double sided printing used as a default. Majority of staff utilise dual monitors that results in the reduction of printing.

In 2013–14 Treasury commenced with implementation of electronic document and records management system (EDRM) transforming Treasury from managing hardcopy papers and files to a digital organisation supporting electronic workflows and approvals.

Early in 2014–15 Treasury will be completing the roll out of the EDRMS program and will be establishing managed print services with a follow me print functionality where a print job will run when a printer is activated by the user's swipe card. This will deliver cost savings reducing paper and toner usage and is environmentally responsible.

e-disposal

In 2013–14, Treasury carried out e-disposal of assets in an environmentally-friendly way as part of the Asset Replacement Program.

Treasury continues to purchase items with recycled content including paper and some stationary. Empty toner cartridges are collected by The Cartridge Recycler which specialises in collecting and distributing empty printer and fax toner cartridges for recycling. For every original toner cartridge that can be remanufactured The Cartridge Recycler donates \$1.00 to the Breast Cancer Institute of Australia.

Credit Card Certification

Treasury's Credit Card policy and procedures is available on the Treasury intranet to guide staff in the appropriate use of cards. The document reflects the requirements of Government policy.

In accordance with Treasurer's Direction 205.01, it is certified that credit card usage by Treasury credit card holders has been in line with Government requirements.

Accounts Payable Performance

Treasury contracts ServiceFirst (a business unit of the Office of Finance and Services) to provide financial services. Treasury's service agreement with ServiceFirst is to process for payment Treasury's tax invoices after these have been certified and approved for payment by delegated Treasury officers.

During 2013–14, there were no instances where penalty interest was paid (as per Section 13 of the Public Finance and Audit Regulation 2010).

There were no significant events that affected payment performance during the reporting period.

There were a small number of instances where Treasury did not pay the tax invoices on time. The reasons for these delays included incorrectly rendered tax invoices and part delivery of goods where it is necessary to wait for full delivery before full payment could be made.

Table 10: Outstanding invoices by timeframe at the end of each quarter

Quarter	Less than 30 days overdue \$	Between 30 days and 60 days overdue \$	Between 61 days and 90 days overdue \$	More than 90 days overdue \$
September 2013	6,754	-	3,485	-
December 2013	5,385	4,128	1,008	-
March 2014	391	309	341	-
June 2014	60	574	2,768	-

Table 11: Accounts paid on time at the end of each quarter

Quarter	Target %	Actual by Number %	Value \$	Total Amount Paid \$
September 2013	88	99.8	4,824,749	4,814,510
December 2013	88	99.7	3,492,875	3,482,354
March 2014	88	99.9	4,001,876	4,000,835
June 2014	88	99.9	4,001,783	3,998,381

Expenditure on Consultants

Table 12: NSW Treasury expenditure on consultants

Consultants	Project	Amount (ex. GST) \$
Consultants costing \$50,000 or more		
<i>Finance and Accounting/Tax</i>		
Deloitte Touche Tohmatsu	Support in resolving agency level audit qualifications and errors reported upon by NSW Auditor General in the 2011–12 financial year	168,650
PricewaterhouseCoopers	Age-related expenditure across NSW Agencies	204,196
PricewaterhouseCoopers	Development of a financial reporting compliance framework to enhance the operation of the annual Chief Financial Officer (CFO) attestation process	59,132
KPMG	Accounting services for the preparation of the 2012–13 Total State Sector Accounts and General Government Accounts	50,109
PricewaterhouseCoopers	Police force resource allocation principles review for ERC	126,417
PricewaterhouseCoopers	Information on medical misadventure and general accidents for the National Injury Insurance Scheme in NSW	68,182
KPMG	Options for Corrective Services NSW efficiency review for ERC	136,363
Deloitte Touche Tohmatsu	Collaborative review with Transport NSW to identify the drivers and challenges in relation to the RailCorp and rail entities budgets for 2013–14 and forward estimates period, and agree to a sustainable capital structure for the rail entities in order to effectively operate, consistent with the overall State Fiscal Strategy	169,163
PricewaterhouseCoopers	Provided specialist advice, review and facilitation on output based information	164,167
KPMG	Developed complex business cases and provided high level strategic advisory services on the Financial Management Transformation program	597,413
<i>Organisational Review</i>		
KPMG	Development of Strategically aligned implementable plans to deliver on key strategic initiatives for Treasury	351,165
CS Technology (Australia) P/L	Study of desk and meeting room utilisation using electronic sensors to gauge occupancy as part of planning to move to an activity based fit-out	65,680
Subtotal		\$2,160,637
Consultants costing less than \$50,000		
Finance and Accounting/Tax	14 Projects	277,301
Economic Services	1 Project	12,833
Information Technology	2 Projects	50,219
Environmental Services	1 Project	3,705
Organisational Review	4 Projects	102,101
Sub total	22 Projects	\$446,159
Total expenditure on consultants		\$2,606,796

Treasury Circulars

Table 13: NSW Treasury Circulars

NSWTC13/06	29/08/2013
Crown Employees Wages Staff (Rates of Pay) Award 2011	
NSWTC13/07	25/09/2013
Review of Meal, Travelling and other Allowances	
NSWTC13/08	15/10/2013
Total Asset Management (TAM) Submission Requirement	
NSWTC13-09	11/12/2013
Small Agency Annual Reporting	
NSW TC14/01	24/01/2014
Acceptance of Performance Bonds or Unconditional Undertakings by Government Agencies	
NSW TC14/02	07/02/2014
Mandatory Early Close Procedures for 2014	
NSW TC14-03	17/03/2014
Mandates of Options and Major Policy Decisions under Australian Accounting Standards	
NSW TC14-04	19/03/2014
Accounting for Long Service Leave and Annual Leave	
NSW TC14/05	21/03/2014
Accounting for Superannuation	
NSW TC14-06	04/04/2014
Funding Arrangements for Long Service Leave	
NSW TC14-07	01/05/2014
Financial Accounting Arrangements for the Crown Entity	
NSW TC14-08	20/05/2014
Government Guarantee Fee Policy	
NSWTC14-09	27/05/2014
Financial Distribution Policy for Government Businesses	

Overseas Visits

Taxation reform issues

Bruce Freeland, Director, Revenue Analysis Branch, Fiscal and Economic Group, travelled to Beijing, China from 23 to 28 February 2014 as a participant in the Australian delegation to China led by the Commonwealth Treasury.

Mr Freeland met with officials from the National Development and Reform Commission, the Ministry of Finance and the Australian Embassy in Beijing for bilateral conversations with the National Development and Reform Commission. At the meeting Mr Freeland lead discussions and make a presentation on Australia's perspective on state and local taxation issues.

Mr Freeland's travel was funded by AUS Aid and the Commonwealth Treasury.

Australia and New Zealand School of Government China Reciprocal Program

Philip Gaetjens, Secretary NSW Treasury travelled to China from 22 June 2013 to 6 July 2013. The Secretary was nominated to participate in this Australia and New Zealand School of Government (ANZSOG) China Reciprocal Program delegation by the NSW Senior Management Council. Participants in the program included 16 delegates from Federal and State Australian Government jurisdictions and three delegates from the New Zealand Government.

The delegation met with senior officials in China including the Development Research Centre of the State Council, State-owned Assets Supervision and Administration Commission of the State Council and the Chinese Academy of Governance as the host organisation.

The delegation also participated in site visits to Volkswagen, Baosteel Group, Alibaba.com, China Radio International, People's Daily Online, State Grid Corporation, Hangzhou Administrative Service Centre and Hangzhou Public Resource Transaction Centre.

The ANZSOG Program discussed general matters such as Chinese system of government and politics, the economy and key contemporary issues such as the environment, social and industry policy.

The Secretary was nominated to participate in the program by the NSW Senior Management Council. The cost of accommodation, meals, internal air travel and transfers was covered by the Chinese Academy of Governance. The Secretary's costs for overseas travel were covered by NSW Treasury.

Treasurer's Legislation - List of Legislation¹

Treasury administers the following primary pieces of legislation on behalf of the Treasurer:

- *Annual Reports (Departments) Act 1985 No 156*
- *Annual Reports (Statutory Bodies) Act 1984 No 87*
- *Appropriation Act 2012 No 44*
- *Appropriation Act 2013 No 48*
- *Appropriation (Budget Variations) Act 2012 No 50*
- *- Appropriation (Parliament) Act 2012 No 45*
- *Appropriation (Parliament) Act 2013 No 49*
- *Australia and New Zealand Banking Group Limited (NMRB) Act 1991 No 35*
- *Bank Integration Act 1992 No 80*
- *Bank Mergers Act 1996 No 130*
- *Bank Mergers (Application of Laws) Act 1996 No 64*
- *Canberra Advance Bank Limited (Merger) Act 1992 No 17*
- *Capital Debt Charges Act 1957 No 1*
- *Commonwealth Powers (State Banking) Act 1992 No 104*
- *Conversions of Securities Adjustment Act 1931 No 63*
- *Decimal Currency Act 1965 No 33*
- *Electricity Generator Assets (Authorised Transactions) Act 2012 No 35*
- *Finances Adjustment Act 1932 No 27*
- *Financial Agreement Act 1944 No 29*
- *Financial Agreement Act 1994 No 71*
- *Financial Agreement (Amendment) Act 1976 No 35*
- *Financial Agreement (Decimal Currency) Act 1966 No 39*
- *Financial Agreement Ratification Act 1928 No 14*
- *Financial Sector Reform (New South Wales) Act 1999 No 1*
- *Fiscal Responsibility Act 2012 No 58*
- *Freight Rail Corporation (Sale) Act 2001 No 35*
- *General Government Liability Management Fund Act 2002 No 60*
- *Government Guarantees Act 1934 No 57*
- *Government Insurance Office (Privatisation) Act 1991 No 38 (except sections 26 and 27, jointly with the Minister for Finance and Services)*
- *Inscribed Stock Act 1902 No 79*
- *Inscribed Stock (Issue and Renewals) Act 1912 No 51*
- *Intergovernmental Agreement Implementation (GST) Act 2000 No 44*
- *Internal Audit Bureau Act 1992 No 20, jointly with the Minister for Finance and Services*
- *NSW Grain Corporation Holdings Limited Act 1992 No 31*
- *NSW Lotteries (Authorised Transaction) Act 2009 No 60*
- *Pacific Power (Dissolution) Act 2003 No 17*
- *Parliamentary Budget Officer Act 2010 No 83*
- *Ports Assets (Authorised Transactions) Act 2012 No 101*
- *Public Authorities (Financial Arrangements) Act 1987 No 33*
- *Public Finance and Audit Act 1983 No 152 (except parts, the Premier)*
- *Public Loans Act 1902 No 81*
- *Restart NSW Fund Act 2011 No 32*
- *Road Improvement (Special Funding) Act 1989 No 95*

¹ The list of legislation is correct as at 30 June 2014

- *Secondary Mortgage Market (State Equity Participation) Act 1985 No 131*
- *State Bank (Corporatisation) Act 1989 No 195*
- *State Bank of South Australia (Transfer of Undertaking) Act 1994 No 47*
- *State Bank (Privatisation) Act 1994 No 73*
- *Totalizator Act 1997 No 45, section 76 (remainder, the Minister for Hospitality, Gaming and Racing)*
- *Totalizator Agency Board Privatisation Act 1997 No 43*
- *Treasury Corporation Act 1983 No 75*
- *Waste Recycling and Processing Corporation (Authorised Transaction) Act 2010 No 8*

Minister for Industrial Relations

- *Annual Holidays Act 1944*
- *Broken Hill Trades Hall Site Act 1898 No 31*
- *Building and Construction Industry Long Service Payments Act 1986*
- *Coal Industry (Industrial Matters) Act 1946 No 44*
- *Contract Cleaning Industry (Portable Long Service Leave scheme) Act 2010*
- *Employment Protection Act 1982 No 122*
- *Entertainment Industry Act 2013 No 73*
- *Essential Services Act 1988 No 41*
- *Government Sector Employment Act 2013 (Part 4, Division 6, jointly with the Premier)*
- *Hairdressers Act 2003 No 62*
- *Industrial Relations (Child Employment) Act 2006 No 96*
- *Industrial Relations (Commonwealth Powers) Act 2009 No 115*
- *Industrial Relations (Ethical Clothing Trades) Act 2001 No 128*
- *Industrial Relations Act 1996*
- *Industrial Relations Advisory Council Act 2010 No 76*
- *Long Service Corporation Act 2010*
- *Long Service Leave (Metalliferous Mining Industry) Act 1963 No 48*
- *Long Service Leave Act 1955*
- *Public Holidays Act 2010.*
- *Retail Trading Act 2008*

¹ The list of legislation is correct as at 30 June 2014.

Treasurer's Legislation - Changes During 2013–14

New Acts

Entertainment Industry Act 2013 No 73

The objects of this Act are to regulate the entertainment Industry and to provide protections for performers. The Act provides for the capping of fees or other remuneration payable by a performer to a performer representative, subject to the performer representative entering into a managerial agreement with the performer. The Act also introduces a number of new enforcement measures including acceptance of enforceable undertakings by inspectors; the making of prohibition orders by the Supreme Court; the establishment of a public register relating to breaches of the Act and the issue of penalty notices. Transparency has been enhanced under the Act through the provision of prescribed information to performers and the requirement to keep of records and trust accounts.

Assented to on 1 October 2013.

State Revenue and Other Legislation Amendment (Budget Measures) Act 2014 No 37

An Act to make amendments to certain State revenue legislation to implement policy decisions in the 2014–15 Budget and other measures. Schedule 5.1 of the Act amended the Industrial Relations Act 1996 to give effect to the Industrial Relations (Public Sector Conditions of Employment) Regulation 2014 as a regulation validly made under the Industrial Relations Act.

Assented to on 24 June 2014.

Public Finance and Audit Act 1983

During 2013–14, minor amendments to the *Public Finance and Audit Act 1983* were made due to enactment of the *Government Sector Employment Act 2013*.

In addition, the *Public Finance and Audit Act 1983* was amended to keep the schedules of applicable departments and statutory bodies current.

Appropriation Act 2014

An Act to appropriate from the Consolidated Fund sums various sums of money required during the 2014–15 financial year for the recurrent services and capital works and services of the Government, including:

- a. the principal departments
- b. various special offices.

The Consolidated Fund largely comprises receipts from, and payments out of, taxes, fines, some regulatory fees, Commonwealth grants and income from Crown assets. The Bill for the 2014–15 financial year contains an additional appropriation which allocates revenue raised in connection with gaming machine taxes to the Minister for Health and Minister for Medical Research for spending on health related services.

The amounts appropriated for the Departments for the recurrent services and capital works and services for the financial year 2014–15 are:

- a. \$50,891,952,000 for recurrent services
- b. \$5,563,281,000 for capital works and services.

Additional appropriation for the Minister for Health and Minister for Medical Research amounts to \$267,100,000 with this being part of the revenue raised from gaming machine taxes.

The amounts appropriated for the Special Offices for the recurrent services and capital works and services for the financial year 2014–15 are:

- a. \$330,432,000 for recurrent services
- b. \$19,190,000 for capital works and services.

Assented to on 26 June 2014.

Appropriation (Parliament) Act 2014

An Act to appropriate out of the Consolidated Fund sums for the recurrent services and capital works and services of the Legislature for the year 2014–15.

The amounts appropriated for the 2014–15 are:

- a. \$123,233,000 for recurrent services
- b. \$22,650,000 for capital works and services.

Assented to on 26 June 2014

Appropriation (Budget Variations) Act 2014

The Act appropriates additional amounts from the Consolidated Fund for recurrent services and capital works and services for 2012–13 for the purpose of giving effect to certain budget variations required by exigencies of government.

The additional amounts appropriated for 2012–13 are:

- a. \$40,397,000 in adjustment of the vote 'Advance to the Treasurer'
- b. \$2,140,500,000 for recurrent services, and capital works and services in accordance with section 22(1) of the Public Finance and Audit Act 1983

Assented to on 26 June 2014

New Regulations

Industrial Relations (Public Sector Conditions of Employment) Amendment Regulation 2013

This Regulation amended the Industrial Relations (Public Sector Conditions of Employment) Regulation 2011 to re-declare the Government's public sector policies for the purposes of section 146C of the Industrial Relations Act 1996. The re-declaration clarified the application of those policies in relation to the impact of increases in superannuation employment benefits.

This Regulation commenced 23 December 2013 and was disallowed in the Legislative Council 5 March 2014.

Entertainment Industry Regulation 2014

This Regulation prescribes the capped amounts that may be charged or demanded by a performer representative from a performer as fees or other remuneration in the absence of a managerial agreement. The Regulation also prescribes the documents and information that a performer representative is required to provide to performers, and prescribes those offences under the Entertainment Industry Act 2013 which are penalty notice offences. The Regulation also contains transitional provisions to facilitate the commencement of *Entertainment Industry Act 2013*.

This Regulation commenced 1 March 2014.

Industrial Relations (Public Sector Conditions of Employment) Regulation 2014

This Regulation remade, with some changes for clarification, the Industrial Relations (Public Sector Conditions of Employment) Regulation 2011. The Regulation confirms the validity of the Government policies that are required to be given effect to by the Industrial Relations Commission. In particular, it confirms the Government's policies regarding the management of excess public sector employees and the 2.5% cap on increases in remuneration or other conditions of employment, including superannuation.

This Regulation commenced 24 June 2014.

Public Finance and Audit Regulation 2010

The Public Finance and Audit Regulation 2010 was amended to keep the schedules of applicable departments and statutory bodies current. The Regulation was also amended to prescribe State Water Corporation as a statutory authority required to pay dividends as directed by the Treasurer.

Financial and Annual Reporting Legislation

The Treasurer administers the Annual Reports legislation governing departments and statutory bodies. Since the end of 1991, as part of this responsibility, the Treasury has conducted an annual reports review program. The annual reports review program is part of Treasury's strategy aimed at enhancing statutory compliance and the overall quality and relevance of agencies' annual reports.

The general objectives of the program are two-fold:

- ≈ to monitor compliance with annual reporting legislation
- ≈ to promote best practice in public sector annual reporting.

Table 14: Exemptions and Variations from Reporting Requirements under Acts and Regulations

Agency	Applicable Financial Year(s)	Exemption / Variation	Reason(s) for Approval
Metro Transport Sydney Pty Ltd	2011–12	Exempt Metro Transport Sydney Pty Ltd (MPL) and each company controlled by MPL that controls another company from the NSWTC 13/02 requirement to prepare a consolidated financial report	Consolidated financial report prepared for the MTS Holdings group.
MU Hospital Pty Ltd; MUPH Hospital Pty Ltd; Macquarie University Property Investment Company No 3 Pty Ltd; COH Property Trust; MUPH Clinic Pty Ltd; MUH Operations Pty Ltd; Macquarie Graduate School of Management Pty Ltd	2011–13	Extended final financial year and exemption from requirement for preparation and audit of final financial reports	Entities to be wound up
The Legislature	2012–13 and subsequent years	Minor variation to fixed format of the Financial Reporting Code for General Government Sector Entities	To better reflect the nature of the Legislature's operations
ACN 159 272 992 Pty Ltd and ACN 159 268 041 Pty Ltd	2012–13	Extended final financial year and exemption from requirement for preparation and audit of final financial reports	Entities to be deregistered
Pacific Industry Services Corporation Pty Limited	2012–13	Extended final financial year and exemption from requirement for preparation and audit of final financial report	Entity to be deregistered
MTS Holding Pty Ltd subsidiaries	2012–13	Extended final financial year and exemption from requirement for preparation and audit of final financial reports	Entities to be deregistered
AGSM Limited	2013	Extended final financial year and exemption from requirement for preparation and audit of final financial report	
GraduateSchool.com Pty Limited	2013	Exemption from requirement for preparation and audit of final financial report	Entity deregistered
NorthPower Energy Services Pty Ltd	2013–14	Exemption from requirement for preparation and audit of final financial report	Entity deregistered
Green State Power Pty Ltd	2013–14	Extended first financial year	First financial year
Forestry Commission Division	2013–15	Financial year determined as 1 July 2013 to 30 June 2015	Dormant entity

Table 14: Exemptions and Variations from Reporting Requirements under Acts and Regulations

Agency	Applicable Financial Year(s)	Exemption / Variation	Reason(s) for Approval
MTS Holdings Pty Ltd	2014–15	Exemption from requirement for preparation and audit of final financial report	Entity to be deregistered

Table 15: Extensions of Time Granted to Reporting Dates under Acts and Regulations

1. To Submit Financial Statements

Agency	Applicable Financial Year(s)	Exemption/Variation	Reason(s) for Approval
Aboriginal Boards of Management	2012–13	Extension of time for submission of financial reports to 31 October 2013	Additional time to disaggregate activities of Boards of Management from Department, to allow separate financial reporting for the first time
State Records Authority	2012–13	Extension of time for submission of financial report to 12 August 2013	Additional time to resolve archives asset valuation issues
Sydney Ferries	2012–13	Determination that requirement to issue independent audit report within 8 weeks does not apply	Additional time to resolve an accounting issue
Department of Trade and Investment, Regional Infrastructure and Services	2012–13	Determination that requirement to issue independent audit report within 8 weeks does not apply and extension of time for submission of financial report to 12 August 2013	Additional time to resolve an accounting issue
Corporation Sole – Minister administering the <i>Environmental Planning and Assessment Act 1979</i>	2012–13	Determination that requirement to issue independent audit report within 8 weeks does not apply	Additional time to resolve an accounting issue
Cobbora Holding Company Pty Ltd	2012–13	Extension of time for submission of financial report to 12 August 2013	
Electricity Assets Ministerial Holding Corporation	2013–14	Extension of time to 3 June 2014 for submission of results of early close procedures	Limited staff resources and legal issues surrounding assets and liabilities transferred
Local Land Services	2013–14	Extension of time to 17 June 2014 for submission of results of early close procedures	Valuation and opening balance issues
MTS Holdings Pty Ltd	2013–14	Variation of early close procedures to period ended 6 May 2014 and extension of time for submission of results of early close procedures to 2 June 2014	To align with transfer out of assets and liabilities

Agency	Applicable Financial Year(s)	Exemption/Variation	Reason(s) for Approval
Residual Business Management Corporation	2013–14	Extension of time to 16 June 2014 for submission of results of early close procedures	Prior year audits are not complete
NSW Institute of Teachers	2013–14	Extension of time for submission of financial report to 5 March 2014	Final financial report
NSW Board of Vocational Education and Training	2013–14	Extension of time for submission of financial report to 28 February 2014	NSW Board of Vocational Education and Training

2. To Submit Annual Reports

Agency	Applicable Financial Year(s)	Exemption/Variation	Reason(s) for Approval
Murray Catchment Management Authority	2012–13	Extension to submit annual report to 2 December 2013	Difficulties in obtaining information from service provider
Murrumbidgee Catchment Management Authority	2012–13	Extension to submit annual report to 2 December 2013	Staffing issues and difficulties in obtaining information from service provider
State Records Authority	2012–13	Extension to submit annual report to 13 December 2013	Additional time to resolve archives asset valuation issues
Catchment Management Authorities	2013–14	Extension to submit final annual report to 30 June 2014	Final annual report

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Abbreviations and acronyms

AASB	Australian Accounting Standards Board
ABS	Australian Bureau of Statistics
BAFFAC	Budget and Financial Framework Advisory Committee
CGC	Commonwealth Grants Commission
COAG	Council of Australian Governments
DFS	Department of Finance and Services
DPC	Department of Premier and Cabinet
EAP	Employee Assistance Program
EEO	Equal Employment Opportunity
ERC	Expenditure Review Committee
FTE	Full-Time Equivalent
GIPA	Government Information (Public Access) Act 2009
GSE	Government Sector Employment Act 2013
GSP	Gross State Product
GST	Goods and Services Tax
HoTs	Heads of Treasuries
HWIF	Home Warranty Insurance Fund
ICT	Information and Communication Technology
IMS	Information management systems
IPART	Independent Pricing and Regulatory Tribunal
NCOS	Net Cost of Services
NDRRA	Natural Disaster Relief and Recovery Arrangements
NHRA	National Health Reform Agreement
OFS	Office of Finance and Services
OH&S	Occupational Health and Safety
PAFA	Public Authorities (Financial Arrangements) Act 1987
PEP	Performance Excellence program
PF&A	Public Finance and Audit Act 1983
PIIP	Privacy and Personal Information Protection Act 1998
PPP	Public-Private Partnership
PTE	Public Trading Enterprise
S&P	Standard and Poor's
SAP	Treasury's Corporate Accounting / HR System
SCI	Statement of Corporate Intent
SiCorp	NSW Self Insurance Corporation
SOC	State Owned Corporation
TCorp	NSW Treasury Corporation
TMF	Treasury Managed Fund
TOES	Treasury Online Entry System
WHS	Work Health and Safety

<http://www.treasury.nsw.gov.au>

