



The Treasury



ANNUAL REPORT 2015-16

Building a world class Treasury

NSW Treasury

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LETTER OF SUBMISSION TO THE NSW TREASURER



The Hon. Gladys Berejiklian MP
NSW Treasurer
GPO Box 5341
SYDNEY NSW 2001

Dear Treasurer

It is my pleasure to submit the Annual Report of NSW Treasury for the financial year ended 30 June 2016, for presentation to the NSW Parliament in accordance with the *Annual Reports (Departments) Act 1985*.

This volume reports on the operations and performance of NSW Treasury, together with the financial statements for NSW Treasury for the period 1 July 2015 to 30 June 2016.

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

A handwritten signature in black ink, appearing to read 'Rob Whitfield', with a long horizontal flourish extending to the right.

Rob Whitfield
Secretary

31 October 2016

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SECRETARY'S REVIEW



Implementing a **CLEAR** **STRATEGY** **AND VISION** for Treasury set the tone for the 2015-16 year.

In July 2015 I was appointed as the Secretary of NSW Treasury. It continues to be a great privilege for me to be the Secretary of Australia's oldest continuing government agency.

The key achievement for my first full year as Secretary has been the revitalisation of Treasury through the development of a clear and compelling Treasury strategy and four goals driving outcomes.

At the core of our new strategy is our vision, *building a world class Treasury*, which enables the government of the day to deliver on its promises that the State will always be a great place to live and work. This compelling vision has our customers – the people of NSW – at its heart.

Our strategy was formed by taking a truly whole-of-government perspective with success measured through our ability to deliver positive outcomes for our key stakeholders:

- that the State has great infrastructure, project delivery and services
- that our partners seek our counsel before making material decisions.

Our strategy and goals were developed in collaboration with the Premier and Treasurer and the Treasury team, and extensively 'road-showed' both internally and externally. This has resulted in deep understanding and engagement with the strategy and alignment behind the goals across both the public sector and other key private sector stakeholders.

Strategy in action

In order to deliver on this compelling vision, we have embarked upon a comprehensive program of organisation and cultural change and employee engagement.

The year began with a refreshment of the Treasury Leadership Team and senior executive cohort, with the changes ensuring Treasury now has a fit-for-purpose organisational structure to deliver on its strategy. The calibre of our extended leadership team puts Treasury in a strong position to achieve its ambitious change agenda.

We have also invested heavily in our people including a significant uplift in learning and development; a new employee recognition program and the introduction of a new Diversity and Inclusion Council, jointly with the Department of Premier and Cabinet.

These initiatives have already delivered results, with a huge upswing in participation in the People Matter survey from 52 per cent to 96 per cent across the Treasury Cluster and a pleasing increase of six percentage points in engagement.

SECRETARY'S REVIEW

This increase in engagement is already delivering results for the people of NSW with outstanding performance in a number of key projects this year.

Performance highlights

- Launch of the 2016 *NSW Intergenerational Report: Future State 2056*. This report provides a unique insight into what NSW might look like in the next 40 years and provides suggestions as to how the State can manage pressing issues including an ageing population and growing health costs.
- Moving into implementation phase of the Financial Management Transformation program — which will create a world class financial management framework for NSW, supporting high quality performance and resource management.
- Successful lease of TransGrid for \$10.3 billion, a multiple of 1.6 times the regulated value — freeing up capital to invest in vital infrastructure projects.
- Establishment of the first ever NSW Treasury Asset and Liability Committee drawing on the expertise of external members including Mr Alden Toevs and Ms Vanessa Wallace.
- Working with key service delivery partners across a number of critical issues including out-of-home care, criminal justice reform and domestic violence, to ensure better outcomes for the most vulnerable in our society.

The fiscal and economic position of NSW is strong, evidenced by the 2016-17 Budget. The Government's control over expenditure growth and continued focus on driving efficiency, allows for targeted new spending guided by the Premier's and State priorities.

In the Budget, the Government has continued to manage the pressures from declining revenue growth, while still investing in key initiatives. Budget surpluses are expected over the forward estimates, even as revenue pressures emerge in the mid years of the forward estimates.

As a consequence of strong financial management, net worth is projected to grow from an estimated \$181.8 billion at the end of June 2016, to \$246.9 billion by the end of June 2020.

The State's above-trend economic growth is expected to continue over the next two years, with gross state product (GSP) forecast to rise by three per cent in 2016-17 and 2.75 per cent in 2017-18.

Both Standard and Poor's and Moodys have confirmed the NSW triple-A credit rating.

The future

The achievements highlighted in this annual report are a testament to the focus, diligence, dedication and professionalism of Treasury's employees. In the second year of our world class Treasury transformation, our attention will turn to leveraging the twin platforms of our financial management transformation and our growing financial risk management capability. Our objective is to move to a risk, investment and performance-informed allocation of resources, driving multi-year strategic outcomes with greater transparency and accountability across the sector.

Over 2016-17 our objective is to continue to transform capability, culture, policy and systems across Treasury and the broader sector in order to deliver even better outcomes for the people of NSW.



Rob Whitfield
Secretary

ABOUT NSW TREASURY

NSW Treasury was established in April 1824 and is the oldest continuing government agency in Australia. It is a department within the meaning of Schedule 1 of the *Government Sector Employment Act 2013*.

NSW Treasury's vision is to enable the Government to deliver on its promises to the people of NSW that the State will always be a great place to live and work.

Through our highly skilled and professional team, we manage the State's finances and assets, monitor the performance of its commercial agencies and develop its financial and industrial relations policies. With over 500 analysts, economists and specialists from all backgrounds, we are known for the provision of quality advice and influence, excellence in delivery, and strong and transparent risk management.

NSW TREASURY'S VISION

To enable the Government to deliver on its promises to the people of NSW that the State will always be a great place to live and work.

Treasury's main activities include:

Management of NSW finances

- consistent collection and consolidation of financial information from public entities
- strong financial management through accurate data and advice
- effective delivery of the Budget and other financial reports, on behalf of the Treasurer.

Analysis, advice and delivery

- informed fiscal, economic, commercial and financial policy advice
- innovative reforms which support a strong and competitive economy
- providing fair and productive industrial relations and public sector wages policies
- robust risk management and governance frameworks.

Management of NSW assets

- value-creating commercial and financial transactions
- respected commercial, financial and service delivery reforms
- market-leading analysis and advice on private financing of public infrastructure
- managing, monitoring and advising on the efficiency and effectiveness of public sector commercial agencies.

As a department in the NSW Public Sector, Treasury has administrative responsibility for the following entities:

- Long Service Corporation
- State Rail Authority Residual Holding Corporation
- Liability Management Ministerial Corporation
- Lotteries Assets Ministerial Holding Corporation
- Ports Assets Ministerial Holding Corporation
- Electricity Assets Ministerial Holding Corporation
- Electricity Transmission Ministerial Holding Corporation

ABOUT NSW TREASURY

The following entities fall within the Treasury Cluster, but do not report to the Treasurer through Treasury itself:

- Treasury Corporation (TCorp)
- Long Service Corporation (LSC)
- SAS Trustee Corporation
- Port Newcastle, Port Botany and Port Kembla Lessor Companies (Pty Ltd)
- Cobbora Holding Company Pty Ltd
- Hunter Valley Training Company Pty Ltd

Treasury also administers the Crown Entity which manages assets, liabilities and transactions that cover matters relevant to the Government as a whole rather than any individual agency.

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.



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)
- Appropriation Act 2014
- Appropriation (Budget Variations) Act 2014
- Appropriation (Parliament) Act 2014
- Restart NSW Fund Act 2011
- Annual Holidays Act 1944
- Long Service Leave Act 1955
- Public Holidays Act 2010
- Retail Trading Act 2008
- Building and Construction Industry Long Service Payments Act 1986
- Contract Cleaning Industry (Portable Long Service Leave Scheme) Act 2010
- Entertainment Industry Act 2013

NSW TREASURY'S STRUCTURE

The Treasury Leadership Team* comprises the Secretary of Treasury, four Deputy Secretaries, three Executive Directors and the Chief of Staff.



*As at August 2016

STRUCTURE AND RESPONSIBILITIES

NSW Treasury's structure incorporates the following groups:

Fiscal and Economic Group

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

FEG is responsible for the preparation of the State Budget, Half-Yearly Review and annual Total State Sector Accounts.

Core responsibilities:

- economic forecasting, modelling and microeconomic reform
- fiscal policy and credit rating advice
- revenue and expenditure strategy, analysis and advice
- intergovernmental financial relations
- public sector financial framework reforms and accounting policy.

Agency Budget and Policy Group

The Agency Budget and Policy (ABP) Group is the primary agency relationship manager at Treasury. ABP partners with agencies and other non-government delivery partners to create a strong and sustainable NSW economy.

The role of ABP is to work collaboratively with government agencies to provide high quality advice on financial management, policy reform and resource allocation. The goal is to improve services to the community and increase living standards both now and into the future.

ABP plays a key role in preparing the State Budget and monitoring agency financial and policy performance.

Core responsibilities:

- coordination of agency content for core Treasury publications, including Budget Papers, Total State Sector Accounts, Half-Yearly Review
- economic and financial advice on resource allocation, service delivery, policy and funding reforms
- robust financial monitoring through accurate and quality data analysis
- advising on how to use balance sheets more effectively to improve services and economic outcomes
- advising on agency business cases, asset plans and budget proposals
- monitoring agency asset management and delivery.

Financial Risk Management and Transformation

The Financial Risk Management and Transformation (FRMT) Group was established in June 2016 and tasked with delivering the Financial Management Transformation program. The Group will also establish a new financial risk management capability in Treasury.

The vision of the Financial Management Transformation program is to create a world class financial management framework for NSW that will support high quality performance and resource management.

STRUCTURE AND RESPONSIBILITIES

The program has three pillars:

1. New legislation which will establish a single framework for public sector financial management and replace numerous outdated legislative requirements.
2. New policies that support program based budgeting and reporting. These policies represent a significant shift in how Treasury manages the Budget process and they will ensure greater alignment to the Government's policy objectives for the State.
3. A new financial management system called Prime. This will replace five older, manual and inefficient financial management systems.

Together, the financial management transformation and new public sector financial risk framework will move the focus from incremental, year-to-year management of finances, to risk, investment and performance-informed allocation of resources, driving multi-year strategic outcomes. This will allow for greater transparency and accountability across the sector.

Commercial Group

The Commercial Group is responsible for commercial policy development, infrastructure and structured finance. It manages the State's shareholding in its commercial businesses and the delivery of major asset transactions. The Group also includes a new commissioning and contestability unit.

Core responsibilities:

- specialist commercial and financial advice to Government to facilitate private sector involvement in major capital projects and related services
- managing the Government's shareholding in State owned corporations which includes assessing and monitoring their commercial strategies
- partnering with NSW Government agencies to improve the quality of government services
- major asset transactions and their relationship with public policy and regulation.



Industrial Relations

NSW Industrial Relations' (NSW IR) primary responsibilities are to monitor wages, employment rights, obligations and employment conditions in NSW.

Workplace advisors at NSW IR engage directly with employers, employees and vulnerable workers through a comprehensive education program which includes face-to-face workshops and online webinars.

Core responsibilities:

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

STRUCTURE AND RESPONSIBILITIES

Corporate

The Corporate Group provides a diverse range of business enabling services and critical support for Treasury. The Group is focused on strengthening the monitoring and reporting of business performance, driving continuous improvement across the organisation as well as providing proactive advice on all aspects of the business.

Core responsibilities:

- communications
- executive and ministerial services
- finance and business performance management
- facilities management
- information management systems
- procurement
- project management
- risk
- audit.

Human Resources

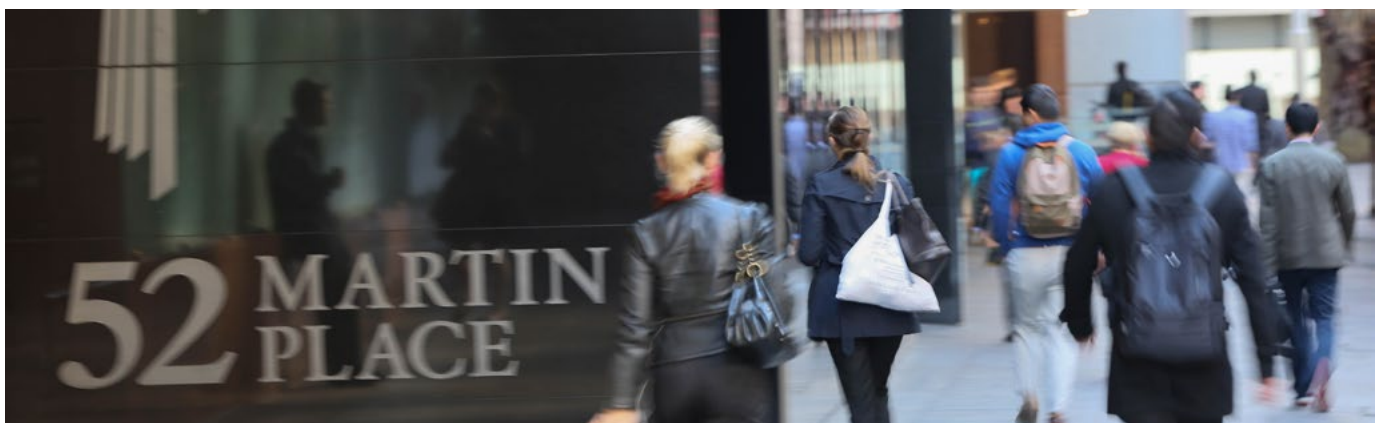
The role of Treasury's Human Resources (HR) team is to maximise the potential of our greatest asset — our people — to ensure that Treasury can deliver on its strategy. The priority of the HR team is to build on the skills and innovation of our people to create a high performing results-driven workforce.

Core responsibilities:

- implementing best practice policies, programs and solutions across recruitment, development, reward and engagement
- developing leadership capability and shaping a culture of collaboration and accountability
- driving efficiency and productivity through the careful design of work, the operating model and the organisation
- improving the quality of work life balance for all our people.

Office of the Secretary

The Office of the Secretary coordinates direct support services to the Secretary of Treasury and is the primary point of contact managing the flow of information to the Secretary.



ORGANISATIONAL CHANGE

Over the past year, Treasury has refreshed the Leadership Team as well as the extended senior executive cohort. These changes were aimed at ensuring Treasury has a fit-for-purpose organisation structure to deliver on its strategy, as well as providing a leaner, flatter and more mobile executive workforce for the Public Service.

New Leadership Team bench strength

The Treasury Leadership Team has been refreshed through a mixture of mobility opportunities, new recruits and promotions. These changes include:

- mobilising the previous Deputy Secretary, Agency Budget and Policy into the role of Deputy Secretary, Fiscal and Economic Group
- recruiting externally for the role of Deputy Secretary, Agency Budget and Policy — to drive a new customer relationship management approach
- creating a new role — Deputy Secretary, Financial Risk Management and Transformation — and appointing to the role the former Chief of Staff and Deputy Secretary of Financial Risk
- promoting our Chief Financial Officer to a new role – Executive Director, Corporate Services — as well as refreshing the Corporate leadership team across Communications, Information Management, Finance, Executive and Ministerial Services, Audit and Risk
- elevating Human Resources to the leadership table and recruiting a new Executive Director, Human Resources — with capability to also contribute to whole-of-government and cross-jurisdictional opportunities
- appointing a new Chief Executive of TCorp — a high calibre private sector recruit with extensive funds management experience.



Enhanced executive cohort with demonstrated leadership skills

The Senior Executive reforms (required under the *Government Sector Employment Act 2013*) provided Treasury the opportunity to refresh its Band 1 and Band 2 executive cohort. The focus was on recruiting those with demonstrated leadership skills, as well as technical skills, reflecting the objective of the Public Service Commission to create a modern, more professional and more mobile executive group.

Treasury has committed to significant investment in capability uplift to support the new cohort.

NSW ECONOMIC AND FISCAL ENVIRONMENT

The fiscal and economic position of NSW is strong, evidenced by the 2016-17 Budget. The Government's control over expenditure growth and continued focus on driving efficiency, enabled new investment in service delivery guided by the Premier's and State priorities.

In the 2016-17 Budget, the Government continued to invest in key initiatives. Budget surpluses are expected over the forward estimates, even as revenue pressures emerge in the mid years of the forward estimates in part from a decline in NSW's share of the GST.

As a consequence of strong financial management, net worth is projected to grow from an estimated \$181.8 billion at the end of June 2016, to \$246.9 billion by the end of June 2020.

NSW achieved negative net debt for the first time on record at June 2016. This will rise in the coming years as the Government meets its investments in its major infrastructure program. The use of modest debt and asset recycling proceeds to fund productive infrastructure reflects responsible financial management, particularly in current economic conditions.

The State's strong economic and fiscal performance has resulted in the State's triple-A rating being reaffirmed by the two major credit rating agencies (Moody's and Standard & Poor's). Standard & Poor's has, however, placed the State on negative outlook as a direct consequence of having taken the same action with respect to the Australian Government.

The State's above-trend economic growth is expected to continue over the next two years, with gross state product (GSP) forecast to rise by three per cent in 2016-17 and 2.75 per cent in 2017-18.

A key driver of growth has been the State's sizeable infrastructure investment program. Low interest rates also continue to support the State's economy and underpin strength in household consumption and dwelling investment, while the lower Australian dollar has led to a surge in overseas service exports (such as tourism, education and financial services).

The State's labour market has performed strongly in 2015-16, with employment growing by 3.8 per cent, while the unemployment rate has declined by 0.5 of a percentage point to 5.4 per cent compared to the year before. Forward indicators (such as job vacancies and hiring intentions) and strong domestic demand growth point to solid momentum in labour demand being maintained. Employment is forecast to grow by an above-trend rate of 1.75 per cent in 2016-17 and 1.5 per cent in 2017-18.

The relative strength of the NSW economy is drawing in labour and capital, particularly as resources are freed up from the mining investment boom. As a result, net outward migration to other states is near its lowest level since the late 1970's and the State's share of net overseas migration has picked up to its highest level since the early 2000's. Population growth of 1.5 per cent per annum is expected to continue over the next two years, supporting growth in consumption, dwelling investment and employment.

While the unemployment rate has continued to trend lower into 2016 17, the combination of record high workforce participation (approximately) and solid population growth is expected to limit further falls in the unemployment rate.

The outlook for economic growth remains solid, continuing to be led by dwelling investment and household consumption, while forward indicators suggest non-mining business investment will grow solidly. Economic growth will also be supported by record expenditure on public infrastructure projects.

The State's strong economic and fiscal performance has resulted in the State's triple-A rating being reaffirmed by the two major credit rating agencies.

Dwelling investment has grown rapidly over the last three years. This strength is expected to continue over 2016-17, supported by low interest rates and the large pipeline of work yet to be done (as shown by record high residential building approvals). The majority of this recent growth has been driven by new dwelling construction, while alterations and additions have been subdued. In 2017-18, the level of new dwelling construction is also expected to remain high, with ongoing strong demand from solid population growth and an anticipated pickup in alterations and additions.

This current dwelling investment cycle is expected to be longer than some previous cycles given the degree of undersupply and the concentration of activity in high density dwellings. This building type has longer lead and construction times compared to detached housing and will help drive a sustained period of high construction activity.

The robust housing market, low interest rates and a declining savings rate have supported strong household consumption, helping to offset soft wage growth.

Business investment grew by 2.4 per cent over 2015-16, and is expected to contribute an increasing amount to economic activity over the next two years as the recovery in non-mining business investment gathers pace.

One of the key headwinds for the NSW economy is the still challenging economic conditions elsewhere around the country. This suggests that interstate trade will remain a significant drag on NSW economic growth in the near term. Weaker global and national economic conditions are also impacting business confidence and investment intentions, weighing on the non-mining business investment recovery.

The risks to the State's economic outlook are broadly balanced. Risks to the downside include a more drawn out recovery in the global and national economies and a more protracted recovery in non-mining business investment. There is also a chance of a larger than anticipated slowdown in the established housing market.

Upside risks include the possibility that low interest rates may lead to stronger housing construction and consumer spending. Similarly, there is also a possibility that national economic activity will be stronger than expected, especially if the recovery in non-mining business investment comes sooner, or is larger than currently anticipated.

NSW TREASURY'S STRATEGY AND GOALS

Clarity of strategy and reorientation of Treasury around four outcome-focused goals

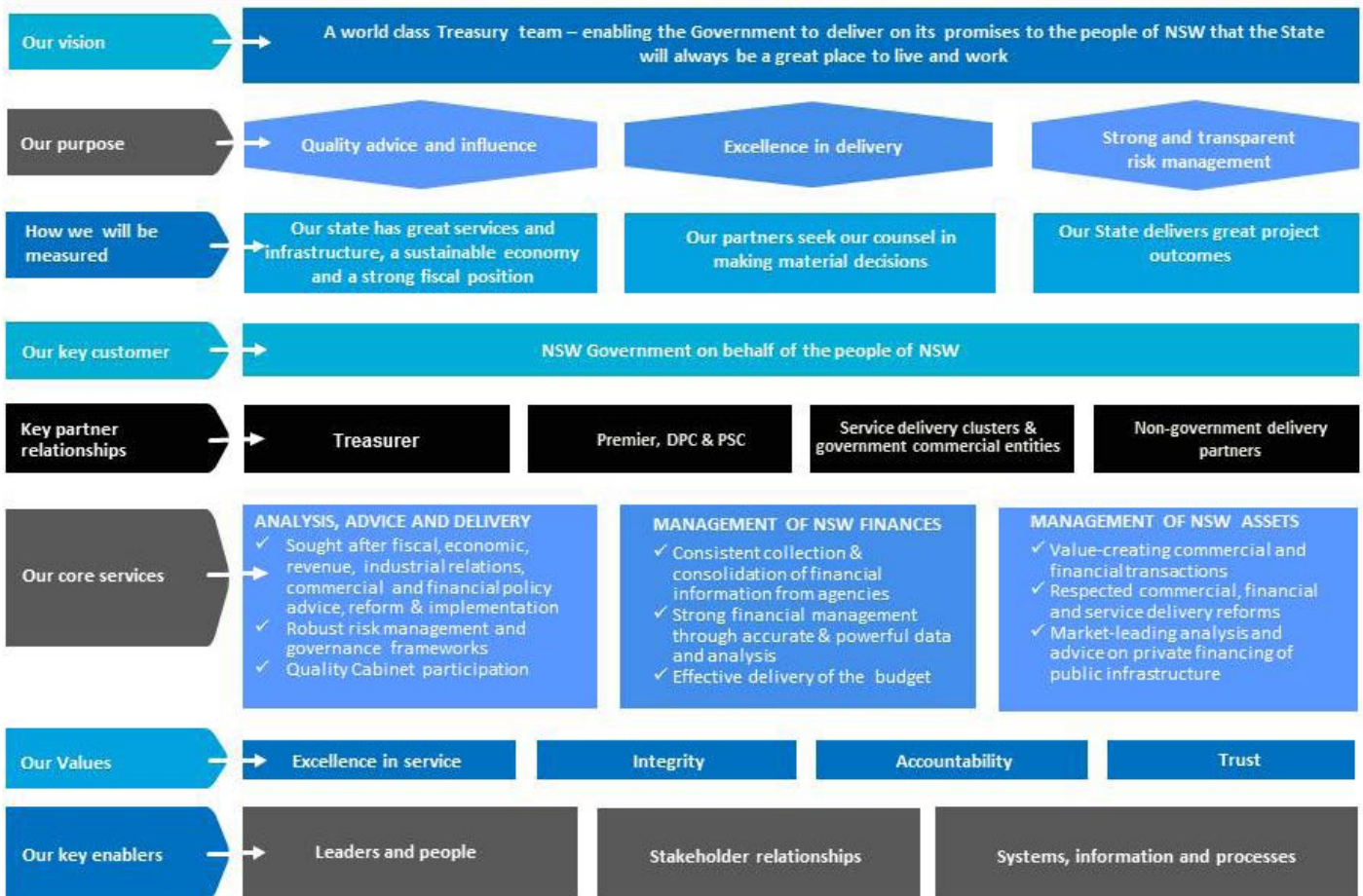
A key achievement for 2015-16 has been the revitalisation of Treasury through the development of a clear and compelling Treasury strategy and four goals driving measurable outcomes. The strategy was formed by taking a whole-of-government perspective with success measured through our ability to deliver positive outcomes for our key stakeholders:

- that the State has great infrastructure, project delivery and services
- that our partners seek our counsel before making material decisions.

Building a world class Treasury

After first seeking the Premier and Treasurer's priorities, our strategy and goals were developed in collaboration with our leaders and extensively 'road showed'. This has resulted in a deep understanding and engagement with the strategy and alignment behind the goals, both internally to Treasury and externally, including across other stakeholders including the Secretaries Board and senior leadership teams across clusters.

NSW Treasury's Strategy on a Page



Key elements of the strategy

Our customers

Our key customer is the NSW Government on behalf of the people of NSW.

Our partners

To achieve our key vision of enabling the NSW Government to deliver on its priorities and promises to the people of NSW, we work closely with our principal partner, the Treasurer and Minister for Industrial Relations. At the same time we also have strong partner relationships with the Premier, central agencies, service delivery clusters and government commercial entities and non-government delivery partners.

We have introduced new language around the concept of working with partners cooperatively and collaboratively to deliver on our vision. We also created a customer charter which commits us to working more efficiently and effectively with them.

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

Our goals

To support the delivery of our strategy, NSW Treasury has identified four goals with supporting actions. Each Group within Treasury then developed their own actions to ensure alignment with and delivery of Treasury's goals.

NSW Treasury's Customer Promise



OUR PERFORMANCE



GOAL ONE

Be sought after for the quality of our people and our advice

How

Build a culture of highly engaged and talented people who deliver great outcomes for our partners.

Key actions

1. Deliver a Communication and Engagement Plan including workforce planning, employee recognition, mobility, talent and succession, recruitment, leadership development, diversity and inclusion.
2. Implement stakeholder relationship plans with agreed quality and delivery metrics.

As a central agency, the value we add is delivered through the quality of our people and advice. We therefore started with a focus on Goal One: *Be sought after for the quality of our people and our advice*. We have focused on enhancing the skills and capability of our leaders and our people, as well as driving engagement to make the cultural shift required to deliver our new strategy.

Implementing Goal One

Recruitment, mobility and leadership development

A significant number of new appointments were made this year. This included a new Deputy Secretary of Agency Budget and Policy, and a number of new executive appointments. These appointments have enhanced skills and capabilities across Treasury. Similarly, the new Chief Executive of the Treasury Corporation (TCorp) was engaged — a high calibre recruit with extensive funds management experience.

In addition to new appointment processes, Treasury provided existing employees increased opportunities for internal mobility, career and leadership development. This included mobilising the previous Deputy Secretary, Agency Budget and Policy to the position of Deputy Secretary, Fiscal and Economic Group.

Similarly, Treasury appointed a new Deputy Secretary, Financial Risk Management and Transformation and promoted the Chief Financial Officer to a new role of Executive Director, Corporate. The Corporate team has significantly boosted its capability across Communications, Information Management Systems (IMS), Finance, and Executive and Ministerial Services (EMS).

Talent Framework

In 2015-16 NSW Treasury established a talent framework to better manage the development and progression of our talent across Treasury. We also introduced a new recruitment management process to increase diversity in our recruitment pools.

OUR PERFORMANCE — GOAL ONE

Throughout 2017 and beyond, NSW Treasury will embed diversity and inclusion within its core operations through the implementation of key talent initiatives, including:

- **Talent infrastructure** — Embed talent practices into strategic and operational planning cycles.
- **Leadership** — Build the capability of our leaders with a key focus on drawing on and enabling diversity.
- **Employee experience** — Enhance our reputation externally and cement Treasury as an employer of choice to attract and retain a diverse workforce.
- **Capability** — Embed diversity awareness and interpersonal skills training as a key development focus.

Communication, engagement and recognition

NSW Treasury has made a significant investment in new communication, engagement, recognition and development programs, resulting in substantial enhancement in people engagement. Already we have seen dramatic improvements with the Treasury Cluster recording the highest level of participation in the Public Service Commission's People Matter survey in May 2016. We achieved a participation rate of 96 per cent — the highest participation rate across the sector, with an increase in engagement of six points to 68 per cent.

A tailored employee culture and engagement program was also rolled-out in the Long Service Corporation (LSC). The highlight was an all team Positive Organisation seminar in May 2016 along with a number of workshops and training events held throughout the year. LSC showed a strong commitment to revitalising its culture and building the capabilities of its staff in an effort to strengthen the quality of its people and advice.

In 2015-16 we also introduced the 'Beyond Awards', our new employee reward and recognition program, and introduced a greater focus on employees' performance and development plans (PDPs) as a tool for concentrating on future performance and career development.

Diversity and Inclusion Council

With the overall objective of embedding inclusion and accessibility into our core operations, NSW Treasury is working towards breaking down the barriers which prevent segments of our population from enjoying the same opportunities and choices as everyone else.

Throughout 2015-16 we established a strong, sustained commitment from senior leaders to lift diversity and inclusion, nominating a member of the Leadership Team to sponsor diversity and inclusion. NSW Treasury also led the establishment of a joint agency Diversity and Inclusion Council, co-chaired by the Secretaries of NSW Treasury and the Department of Premier and Cabinet. The Council will work through Employee Engagement Groups to deliver three key objectives:

1. All leaders value diversity to deliver the best results for government.
2. Increase representation and engagement of diverse employee groups.
3. Embed a sustainable culture of diversity and inclusion across Treasury and the Department of Premier and Cabinet.

Progress is well underway with the successful recruitment of Graduates into targeted positions and the launch of the Aboriginal and Torres Strait Islander network within NSW Treasury.

We also held a number of events to increase awareness of diversity issues and promoted communication and collaboration on many levels within Treasury and the Department of Premier and Cabinet. The events included Diversity and Inclusion morning teas and an International Women's Day breakfast.

Our people are highly regarded in the sector and are frequently sought after by other agencies for their expertise.

Delivering Goal One

Senior Treasury colleagues recognised

In June 2016 NSW Treasury's Deputy Secretary Commercial was named as a recipient of the Public Service Medal in the Queen's Birthday 2016 Honours List. Tim Spencer was recognised for outstanding public service to the commercial management and economic reform of major infrastructure projects in New South Wales. This award was a well-deserved recognition for Mr Spencer and a proud moment for NSW Treasury. After his successful career with NSW Treasury and with key achievements including delivery of the \$10.3 billion lease of TransGrid, Mr Spencer announced his retirement, leaving on 5 August 2016.

A senior Treasury executive represented Treasury as part of the Sydney Metro and Southwest International Delegation Inspection. The invitation to join the delegation was issued by the Sydney Metro Delivery Office of Transport for NSW and involved travel to France and the United Kingdom to meet with executives of large-scale infrastructure projects seeking-out key information to apply in our State projects.

Another senior Treasury executive was appointed as the Australian representative on the new International Public Sector Accounting Standards Consultative Advisory Group. This position will support the development of public sector financial reporting and develop broader networks in pursuit of our world class Treasury.

Also, in recognition of Treasury's innovative work applying economic approaches to policy and resource allocation, Treasury was invited to contribute to the July 2016 Australian Conference of Economists.

Building public sector capability across NSW

Our people are highly regarded in the sector and are frequently sought after by other agencies for their expertise. This has a double benefit — it extends Treasury's knowledge and skills to agencies and our people benefit through direct operational experience in a line agency.

During 2015-16 a variety of our people have worked with other agencies and been involved in interdepartmental working groups. Some of the agencies involved included TAFE NSW, Infrastructure NSW, Department of Family and Community Services, Department of Education, Department of Justice, the new Law Enforcement Conduct Commission, the Department of Premier and Cabinet, and NSW Refugee Resettlement Coordination.

OUR PERFORMANCE — GOAL ONE

Providing great advice to our partners

NSW Treasury is already delivering on its goal to be sought after for the quality of our advice and thought leadership.

Treasury advised on infrastructure projects valued at close to \$10 billion over 2015-16 as a part of Restart NSW, and more than \$70 billion worth of capital spending to 2020. This involved providing advice and managing the financing for a number of infrastructure projects, including the Sydney Metro City and Southwest — with delivery expected in 2024.

Throughout 2015-16 Treasury advised, collaborated and worked with a wide range of agencies including:

- partnering with the Greater Sydney Commission in establishing their planning agenda for jobs, housing and greater quality of life in Sydney
- assisting Transport for NSW with the introduction of significant changes to the Opal fare structure to increase revenue from services and reduce the demand for taxpayer funding.
- partnering with the Department of Family and Community Services to present a reform plan and funding options for out-of-home care services. Treasury's work was informed by the Independent Expert Review
- providing analytical resources to support the Criminal Justice Reform Strategy for the Department of Justice
- advising on the \$3.8 billion Prison Bed Capacity Program resulting in additional prison capacity to meet both the short-term needs and longer term goals of a sustainable and effective prison system

At the 2016 National Applied Research in Crime and Justice Conference, Treasury was recognised for thought leadership for our work to adapt the Washington State impact assessment tool to NSW.

Local government reform

Treasury supported the Fit for the Future Local Council Reforms by developing grant guidelines to manage the State's financial risk of the Stronger Communities Fund associated with the future council reforms.

Treasury provided advice to the Cabinet Expenditure Review Committee (ERC) on water projects to minimise Budget impacts. The projects included the Hawkesbury Nepean Valley Flood Risk Management Strategy and Broken Hill long term water security projects.

Treasury also conducted a site visit to the Campbelltown Opportunity Hub to gain greater understanding of the service delivery model as a component of our work on Aboriginal policy reforms.

Advising on intergovernmental matters

Treasury advised the NSW Government in its negotiations with the Commonwealth on new health funding arrangements. At a meeting in April 2016, the Council of Australian Governments (COAG) reaffirmed that providing universal health care for all Australians is a shared priority. Leaders endorsed a Heads of Agreement for public hospitals funding from 1 July 2017 to 30 June 2020 ahead of consideration of longer-term arrangements. This will see the Commonwealth providing additional funding for public hospital services in NSW, with growth in Commonwealth funding capped at 6.5 per cent a year.

OUR PERFORMANCE – GOAL ONE

Competition policy reform

NSW Treasury played a lead role in developing a new competition reform agenda for consideration by the Council of Australian Governments (COAG).

The Competition Policy Review Panel, chaired by Prof Ian Harper, released the final report on 31 March 2015. NSW Treasury is currently contributing to COAG's response to the Harper Report.

Advising on State policy

Treasury advice was also influential in informing the decision by Government to deregulate gas prices as of 1 July 2017. Under the proposed legislation, gas prices will be deregulated from 1 July 2017, on the condition that there is a considerable increase in the level of competitive offers available to customers in regional NSW. Removing retail gas price regulation will promote greater competition in the market, encourage more retailers to operate in NSW and offer a range of gas deals.

Global knowledge sharing

NSW Treasury is focused on developing and sharing best practice methods in procuring public private partnerships. With our vision to be world class, NSW Treasury has hosted overseas delegations with the aim of sharing knowledge, opportunities and best practices for procuring infrastructure. The delegations represented included Uganda, Korea, and China.

Treasury also participated in knowledge sharing workshops with Treasuries across Australia and New Zealand. Treasury officers also made presentations at infrastructure events including those hosted by Council of Economic Development Australia, Infrastructure Partnerships Australia, International Project Finance Association, the University of Melbourne and FinanceAsia Infrastructure.

Web-based information and electronic services

NSW Treasury website

NSW Treasury continued to enjoy a high volume of traffic to its website throughout 2015-16, averaging 42,000 page views per month.

The Treasury home page received the highest number of hits – a total of 524,034 hits over the 12-month period. The home page has been excluded from the following table in its function as a 'landing page'. Publications continued to attract the highest volume of traffic to the site with Treasury Circulars and Policy Papers being the most searched for items. This information allows Treasury's Groups to focus improvement efforts on high-value information.



The top 10 most visited pages on Treasury website in 2015-16

2015-16 ranking	Web page name	Overview of page contents
1	Treasury 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 2009 to 2016, including Circulars that have been withdrawn
3	Treasury Policy Papers index	Index to Treasury Policy and Guidelines papers
4	2015 Treasury Circulars index	Index to Treasury Circulars from 2015
5	Budget Papers index page	Index to the State Budget Papers from 1988-89 to 2015-16
6	About Us	Treasury information including structure, organisation chart, Corporate Plan and Guarantee of Service
7	Treasurer's News	NSW Treasurer media releases from 2013 to 2016
8	NSW Treasurer	Webpage for the NSW Treasurer with links to the Treasurer's current and archived media releases
9	Contact Us	How to Contact NSW Treasury
10	A Career with Treasury	Treasury's recruitment process and guidance about how to apply for a job with us

The NSW Budget Papers for 2016-17 are published on the Budget website — www.budget.nsw.gov.au.

In 2016 Treasury commenced a website redevelopment project to upgrade the Treasury website. This project included communication and consultation with key stakeholders. The new website is scheduled to launch in early 2017.

The NSW Industrial Relations (NSWIR) website is also a significant NSW Government presence online, achieving over one million visits between January and June 2016.

The NSWIR website lists industrial relations information and related legislation including:

- public holidays
- industry specific rights and requirements in the building and construction, entertainment, retail, taxi, transport and clothing industries
- conditions of employment for public sector workers in NSW including links to information on the Commonwealth's Fair Work system for private sector employees in NSW.

OUR PERFORMANCE – GOAL ONE

The NSWIR website contains publications, lists all upcoming events such as webinars and seminars covering a comprehensive range of workplace related issues. Many of these events are recorded and posted on the NSW Industrial Relations website for the general public to download and view. The website also has a section covering frequently asked questions (FAQs), a long service leave calculator, a complaints and enquiries portal as well as subscription service to 'What's New' which automatically notifies subscribers of all major NSW Industrial Relations website updates. The site also hosts dedicated subsites for young people at work and Indigenous employees and employers.

NSW Industrial Relations has maintained a Twitter account since 2009 (www.twitter.com/NSW_IR) which currently has 2,359 followers. Twitter is used to announce and link followers to NSW Industrial Relations' latest news and updated publications.

NSW Industrial Relations' Building Industrial Relations Capability program regularly holds seminars and webinars which aim to improve industrial relations expertise in the NSW public sector. These seminars and webinars are recorded and made available to NSW public sector employees through GovDex.

The Long Service Corporation (LSC) has also introduced Facebook and YouTube to communicate with stakeholders, in line with its marketing and communications strategy.

The Long Service Corporation Leave provides on-line services to employers and workers within the Contract Cleaning Industry and Building Construction Industry (BCI). Building construction industry employers can complete all requirements online, workers can access records and update contact details online. BCI Levy payers can also pay levies up to \$21,000 online.

OUR PERFORMANCE



How

Provide high quality advice and procurement support to inform government decision making – to deliver services and infrastructure valued by the community.

Key actions

1. Develop a clear and compelling Treasury product offering for infrastructure and service delivery.
2. Allocate appropriate resources and accountability to projects where Treasury can make a difference.

We have made steady progress against Goal Two in the first year of our world class Treasury strategy, taking significant steps to make NSW a world leader in the delivery of infrastructure and services.

Treasury provided advice to the Cabinet Expenditure Review Committee (ERC) on resource allocation decisions for the 2016-17 Budget that supported value for money infrastructure and service provision.

Major infrastructure project and service reform undertakings

WestConnex

WestConnex is Australia's largest transport project, linking Sydney's west and south-west with the CBD, Sydney Airport and Port Botany – generating over \$20 billion in economic benefits.

During 2015-16, Treasury advised the Roads and Maritime Services (RMS) in its negotiations with the Sydney Motorway Corporation on the concession deed for the new M5 toll road. NSW Treasury advised RMS on the risk allocation and key commercial positions of the concession. RMS granted the concession to Sydney Motorway Corporation in November 2015.

In 2016 Treasury continued to advise RMS on amendments to the M4 concession deed and the development of the M4-M5 deed, Stage 3 of WestConnex. Treasury's team advised the Shareholders of Sydney Motorway Corporation on the performance of the company and its subsidiaries as well as the appointments of new directors to the board of Sydney Motorway Corporation.

Pacific Highway duplication

NSW Treasury participated on the Pacific Highway Project Executive Steering Committee which oversees the procurement and delivery of one of the largest road program in NSW. The current focus is on ensuring the delivery of the 155 kilometre Woolgoolga to Ballina section by 2020, which is estimated to cost \$4.36 billion. The project will be delivered using the innovative delivery partner model which combines government expertise with private sector innovation.

OUR PERFORMANCE — GOAL TWO

NorthConnex

NSW Treasury is a member of the NorthConnex Project Steering Committee which is overseeing the delivery of the nine kilometre motorway tunnel linking the M1 Pacific Motorway to the Hills M2 Motorway. The project cost is estimated at \$3 billion including construction, land and project delivery costs and is expected to open to traffic in 2019. To assist in funding the project, NSW Treasury worked with Roads and Maritime Services to monetise the M7 base rent payables by WestLink M7 for \$174.2 million through a competitive sale process.

Sydney Metro City and Southwest Rail

The Sydney Metro City and Southwest is a major public transport project creating new capacity for the whole Sydney rail network, delivering more trains and faster services for customers. This project will deliver a new 30 kilometre metro line, commencing from Chatswood and extending under Sydney Harbour, through new CBD stations and then south-west to Bankstown. Treasury finalised investment arrangements for the \$13 billion project, positioning the project for delivery on time and on budget.

Review of school asset strategic plan

Treasury established a steering committee to partner with Department of Education and undertake a review of their School Asset Strategic Plan.

Criminal justice reform

Treasury worked with the Department of Justice to ensure an efficient response to the increasing prison population through an effective corrections infrastructure strategy. Treasury supported the Department of Justice in developing and implementing a criminal justice reform strategy, addressing one of the Government's biggest challenges — managing the cost of the criminal justice system, while maintaining or increasing service quality and delivering key State priorities, such as reducing the rate of reoffending.

Work focused on the key areas of developing our analytical capacity, working collaboratively with the Department of Justice to support their priority work and promoting the importance of tracking reoffending rates as well as the cost of the criminal justice system across other central agencies and supporting Cabinet decisions.

Grafton Correctional Centre

As a great demonstration of industry engagement, Treasury was the commercial lead on the new Grafton Correctional Centre public private partnership project. This new state-of-the-art Correctional Centre is a 1,000 bed correctional centre in Grafton which will address service needs in Northern NSW. The team held industry briefings and engagement sessions and released the 'Call for Expressions of Interest' for the project.

Improving quality government services

Commissioning and Contestability Unit established

In 2015-16 the Commissioning and Contestability Unit (CCU) was approved by Cabinet and established within Treasury to improve the quality of government services by leveraging innovative delivery and funding models to improve outcomes. The CCU will be run by Treasury in conjunction with the Department of Finance, Services and Innovation. Commissioning and contestability are key tools towards meeting one of the Premier's 12 key priorities 'Improving Government Services'.

Launched in June, this unit recognises the need for a whole-of-government approach and illustrates the strength of the capabilities NSW Treasury can provide. The unit will partner with our service delivery agencies to find ways for the Government to improve the delivery of services for to the people of NSW, by exploring delivery models that include a mix of government, private and not-for-profit service providers.

The CCU will work with government agencies to test the efficiency and effectiveness of current service delivery, and identify opportunities for improvement. The CCU will then partner with agencies to design, source and deliver services that are better and more accessible for customers.

Best practice learnings and principles will be applied consistently by the CCU across government to ensure outcomes are positive and that service delivery is of the highest quality.

The CCU will offer expertise for government agencies to draw on at each stage of a project — from scoping to execution.

Social Impact Investment Policy

NSW Treasury continues to deliver new and innovative ways to develop the area of social impact investment. This advice has assisted the Government to make significant inroads into its 2015 policy of facilitating growth in the social impact investment market.

The NSW Office of Social Impact Investment (OSII) is a joint initiative of the NSW Treasury and the NSW Department of Premier and Cabinet (DPC). Substantial progress was made to deliver on this policy in 2015-16 including:

- releasing two requests for social impact investment proposals. The first focused on improving outcomes for vulnerable young people and offenders on parole, while the second resolved to improve outcomes for people with chronic or mental health conditions. These processes resulted in negotiations for four new social impact investments.
- Publishing the 2016 Statement of Opportunities and the Technical Guide: Outcomes Measurement in Social Impact Investment, proposals to the NSW Government to help the market prepare for future transactions.



OUR PERFORMANCE — GOAL TWO

- Presenting market sounding sessions attended by service providers, intermediaries and potential investors to discuss and seek feedback on priorities for social impact investment.
- Conducting two rounds of applications to the Expert Advice Exchange (EAX) which connects non-government organisations (NGOs) with pro bono expert advice from leading legal, professional services, and financial firms in NSW.
- Publishing the 2015 Statement of Progress, to advise the market on delivery of actions in the Policy and lessons learnt from 2015 activities.
- launching a new and improved Social Impact Investment Knowledge Hub to promote understanding of the market, publish resources and information, and keep interested parties informed about the NSW Office of Social Impact Investment's work.
- leading social impact investment negotiations to reduce parolee reoffending and re-incarceration. Shortly after the financial year end, the NSW Government signed a contract with the Australian Community Support Organisation to implement Australia's first social impact investment to reduce parolee reoffending and re-incarceration, which will support up to 3,900 parolees successfully reintegrate into the community following their release from prison over five years.

Social and Affordable Housing Fund launched

The Social and Affordable Housing Fund (SAHF) is a new approach to the way social and affordable housing is delivered in NSW. The NSW Government launched Phase 1 of the Social and Affordable Housing Fund with an industry briefing in December 2015, while the fund itself was launched in January 2016. This fund is to be administered by NSW Treasury and the Government has set aside \$1.1 billion in cash reserves.

In Phase 1, proposals were sought from entities interested in contributing to the delivery of up to 3,000 additional social and affordable homes in metropolitan and regional NSW, together with integrated support services. Phase 1 will establish service agreements of up to 25 years that include access to accommodation, tenancy and asset management, coordinating access to social support programs and services and data collection. In May 2016, the Government announced that nine parties had been shortlisted to develop proposals tapping into the SAHF.

Transfer of Home Care Service NSW

The rollout of the National Disability Insurance Scheme (NDIS) reached a major milestone in August 2015, with the NSW Government announcing Australian Unity as the future operator for Home Care Service NSW. Home Care Service NSW has a 70 per cent market share in NSW, helping older people and people with disability to live independently in their own homes, as well as providing support to carers. The \$100 million unlocked by this transaction will be reinvested in the disability sector to help with the transition to the NDIS.

During 2015-16, cross-functional teams within Treasury worked with key stakeholder agencies to ensure that Home Care Service staff are successfully transferred to the new provider.

New intercity fleet of trains

NSW Treasury worked in partnership with Transport for NSW to secure the contract for the new intercity fleet of trains. Treasury's work throughout the project has demonstrated great collaboration; customer focus and our critical role in helping Transport for NSW run the procurement process, evaluation and commercial negotiations. After two years in the making, the New Intercity Fleet contract of \$2.3 billion was announced in August 2016.

Strengthening our processes and approaches

Construction monitoring and assessment

Over 2015-16, Treasury's NSWIR Construction Compliance Unit inspected, monitored and advised on over \$17 billion worth of construction projects. The unit monitored 925 projects including 493 public infrastructure and 432 privately funded developments. Of those projects, 350 are completed, 355 are under construction, 33 are at post-tender stage and 97 at tender or pre-tender stage.

In addition, the unit assessed 72 Workplace Relations Management Plans, conducted 185 site inspections and completed four audits with a total project value of \$1.3 billion. The Construction Compliance Unit also assisted a number of principal contractors regarding the Implementation Guidelines to the New South Wales Code of Practice for Procurement: Building and Construction.

Revised guidelines

NSW Treasury contributed to the 2016 revision of the NSW Public Private Partnerships (PPP) Guidelines which will be issued later in 2016 to replace the previous 2012 version. The revised NSW PPP Guidelines reflect current NSW best practice in procuring PPPs and outcomes of various policy projects undertaken by Treasury's Infrastructure and Structured Finance Unit, which took into account the views of a number of private sector and agency organisations. The guidelines remain largely consistent with the National PPP Guidelines and contain a new chapter with more detailed guidance on contract management.

Infrastructure Procurement Bid Cost Review

NSW Treasury consulted with more than 45 private sector entities across disciplines and with agencies to identify opportunities to reduce procurement bid costs. The review identified 15 recommendations which was presented to participants in December 2015 and resulted in updates to the NSW PPP Guidelines. Recommendations focused on improving the skills and experience of the Government procurement teams and standardisation of documentation and processes.

Project template and toolbox

Using the results from the Infrastructure Procurement Bid Cost Review and market engagement in relation to recent PPP Project Deeds, NSW Treasury developed a new template PPP Project Deed incorporating the State's desired risk allocation. The Project Deed was tested by many market participants and advisers. The overall result of this consultation was that the template was a valuable tool. NSW Treasury also developed a PPP Project Toolbox which includes templates for a wide range of the documents required throughout the procurement process. The new Toolbox provides guidance and greater consistency across new major PPP projects.

Construction Working Leadership Group

NSW Treasury is a member of the Construction Working Leadership Group which is a cross-agency committee that considers relevance and improvements in procurement policy. Treasury contributed to consideration of the recommendations of the Infrastructure Procurement Bid Cost Review project and largely adopted the recommendations in traditional procurement.

OUR PERFORMANCE – GOAL TWO

Infrastructure Investor Assurance Committee

The NSW Government established a performance management framework which monitors and manages the performance of projects through planning, procurement and development. The framework is administered by Infrastructure NSW (INSW) through the Infrastructure Investor Assurance Committee (IIAF), and NSW Treasury participates through representation on the IIAF and retains responsibility for Gateway Policy.

Restart NSW water and waste water program assessments

Treasury was involved in the Restart NSW water and waste water program assessments in which the Industry and Service Divisions coordinated cross divisional assessment of local government bids under the \$110 million Restart NSW backlog water and waste-water program.



Value Sharing Framework implementation

Together with Infrastructure NSW and other agencies, Treasury implemented the Value Sharing Framework for major infrastructure projects, and provided related advice to Infrastructure Australia on key implementation and assessment issues.

Long Service Corporation customer engagement

The Long Service Corporation (LSC) continued to drive improved customer engagement. Improvements were made to the LSC website and to the use of social media such as Facebook, and other electronic communication methods such as email and SMS messaging. This has led to significant service enhancements, improved compliance and the capturing of more accurate data.

OUR PERFORMANCE



How

Build and implement a best practice project delivery methodology which delivers projects aligned with Government's goals.

Key actions

1. Develop a prioritisation framework which includes level of involvement, role articulation, risk tolerance and resource allocation.
2. Develop a shared project delivery methodology including accountabilities, relationship management with key partners and performance monitoring.

NSW Treasury has consistently demonstrated excellence in the planning and delivery of priority projects which will assist the Government in fulfilling its key goals of improving the lives of the people of NSW through investing in infrastructure and service delivery.

Transactions

Poles and wires

The long term lease of 49 percent of the NSW electricity network will fund a once-in-a-generation opportunity to transform NSW, unlocking \$20 billion for critically needed infrastructure projects across the State.

One of the key achievements in 2015-16 included the \$10.3 billion lease of TransGrid, which was completed to help fund \$6.6 billion in infrastructure projects across the State while retiring over \$3 billion in State debt. The lease price represented a multiple 1.6 times the regulated value of TransGrid's assets.

The long-term partial leases of both Ausgrid and Endeavour Energy are in progress with significant interest in these important assets.

Land and Property Information

During 2015-16 a scoping study was approved to enable the transaction of Land and Property Information's (LPI) titling and registry division under a 35-year concession. The land title register is a public register. The integrity of the titling system will be protected by a strong regulatory framework, including oversight of any private operator and the continuation of the State's guarantee of the Torrens titling system backed by the Torrens Assurance Fund.

A newly created regulator will monitor and enforce the operator's performance in respect of defined service levels, key performance indicators and the security of the data. Under the concession the operator will only be permitted to increase prices for regulated services by a maximum of CPI each year.

OUR PERFORMANCE — GOAL THREE

Pillar Administration

Pillar Administration is a superannuation administrator that provides services to a range of public and private sector clients including State Super and First State Super. Over the course of 2015-16 a scoping study led by Treasury was approved, and legislation passed which allows the sale of the superannuation administrator to private owners who are better placed to run the business. The legislation included a guarantee that any new owner will have to maintain its existing member services operations in the Illawarra region for at least 10 years. It also included a two-year employment guarantee for Pillar's existing award employees.

ANZ Stadium

NSW Treasury led the Government team that negotiated for the return the ANZ Stadium to public ownership. The return of the stadium to public ownership clears the way for the NSW Government to begin the process of redeveloping the stadium into a world class rectangular venue.

Major NSW Treasury projects

2016 Intergenerational Report

In May, Treasury released the 2016 *Intergenerational Report: Future State 2056*. The 2016 Intergenerational Report is published every five years and projects demographic, workforce and housing trends across NSW over the next four decades. It also provides a long-term projection of the State's economic and fiscal position. The report provided an insight into what NSW might look like in the next 40 years with suggestions on how the country's number one economy might become an even more attractive place to live and work.

The 2016 Intergenerational Report involved the collaboration of Treasury Divisions and external experts, who were brought together as a team in producing the report. The report was an outstanding example of the modelling capability and thought leadership Treasury deploys to solve the long-range issues facing the people of NSW.

NSW State Budget

Producing the State Budget and the Half-Yearly Budget Review are two significant and high quality achievements delivered for the Government of NSW. These large and complex projects modelled best practice methodology, performance monitoring and collaboration among the various divisions within Treasury, the Treasurer's Office, government agencies and key stakeholders.

The Budget delivers a strong fiscal position and sustainable levels of debt. This is in order to support the maintenance of the State's triple-A credit rating, consistent with the requirements of the *Fiscal Responsibility Act 2012*.

NSW Treasury assisted the Government to deliver on this strategy by providing valuable advice to help ensure that:

- another Budget surplus was delivered
- annual expense growth was below long-term average revenue growth
- expense growth was sustainable while improving the delivery of frontline services to the community
- unprecedented levels of infrastructure could be delivered
- a fiscal position is maintained that does not shift the State's fiscal burden to future generations.



OUR PERFORMANCE — GOAL THREE

Total State Sector Accounts

The Total State Sector Accounts were published on the 6 October 2016, almost one month ahead of the statutory requirement of 31 October.

NSW Treasury has continued to achieve an unqualified audit opinion on the Total State Sector Accounts since 2012-13. The Audit Office noted that the Government's improved financial statement preparation processes had helped to identify and resolve accounting issues, reduce the number of reported misstatements and achieve earlier reporting timeframes.

Contributing to the productivity and reform agenda

Treasury made significant contributions to the Government's productivity and reform agenda.

Fairer way to fund NSW's fire and emergency services

Treasury is leading NSW's largest tax reform in decades, working on a fairer way for NSW to fund its fire and emergency services.

The Government announced in December 2015 that it would abolish the insurance-based Emergency Services Levy (ESL) from 1 July 2017 and replace it with a fairer Emergency Services Property Levy (ESPL), to be paid alongside council rates. Legislation setting up the Office of the Insurance Monitor passed in May 2016. The Monitor will ensure the savings from removing the ESL from insurance policies are passed onto consumers.

The ESPL reform will mean the burden of funding NSW's fire and emergency services will no longer fall only on those with property insurance, but all property owners. It will also make insurance more affordable. Currently NSW is Australia's most underinsured state.

NSW Treasury is preparing legislation to abolish the ESL and establish the ESPL with effect from 1 July 2017.

Point-to-point transport inquiry reform

NSW Treasury played a major role in the point-to-point transport inquiry reform. This reform reduces barriers to competition by placing Uber on the same legal footing as traditional taxi services.

Treasury collaborated with Transport for NSW (TfNSW) on reforms for the point-to-point transport industry. Treasury contributed to and assisted in the development of the *Point-to-Point Transport (Taxis and Hire Vehicles) Act 2016*. The legislation addresses the future sustainability of taxis, hire cars and other emerging point-to-point transport providers and makes amendments to the *Industrial Relations Act 1996*.

Industrial Relations, again working with TfNSW, supported the appearance of the Executive Director, NSW Industrial Relations, Ms Vicki Telfer, and the Director, Point-to-Point Implementation TfNSW, Ms Barbara Wise, in their appearance before the Parliamentary inquiry into workplace arrangements in the point-to-point industry. The appearance before the inquiry occurred on 28 July, with a submission provided from NSW Industrial Relations and Transport for NSW prior to appearing before the inquiry.

OUR PERFORMANCE — GOAL THREE

Boxing Day retail trading legislation

The NSW Government committed at the March 2015 election to amend retail trading laws to allow all shops to trade on Boxing Day. This came into effect in November 2015, in time for Boxing Day 2015.

Boxing Day retail trading legislation was introduced to ensure consistency in trading hours across shopping districts. Under the legislation, no employee can be forced to work and no shop can be forced to open. NSW joined Victoria, Western Australia, Tasmania, the ACT, the Northern Territory and many parts of Queensland to deregulate retail trading laws on Boxing Day.

Boxing Day trading by shops and banks is permitted throughout the State, as long as staff had elected to work on that day. The amendment to the *Retail Trading Act 2008* now ensures a consistent approach to Boxing Day trading across the State. This achievement is due to work completed by Treasury's teams in NSW Industrial Relations (Policy) and the Economic Policy Division who worked on this legislation and the parliamentary materials.

Eliminating duplication

The NSW Government made an election commitment of eliminating unnecessary duplication across the Government. Treasury has supported the independent panel established to identify opportunities to streamline processes, ensuring resources are utilised in the best and most effective way.

Rebuilding NSW

During 2015-16, Treasury assisted the Government in delivering its Rebuilding NSW commitment, with record infrastructure investment throughout the State. The program will provide a strong foundation for economic growth, and maintain and improve the standard of services provided to the people of NSW.

Transport Asset Holding Entity

The implementation of the Transport Asset Holding entity (TAHE) commenced on 1 July 2015, as a single dedicated asset manager to manage transport assets instead of paying recurring grants to Rail Corporation. Under the TAHE, capital grants for rail infrastructure will no longer be paid by way of recurrent grants from the operating budget and will be recognised as capital expenditure. TAHE will eventually hold all public transport assets for the State and over time, transport assets will be managed on a portfolio basis, generating greater efficiencies and synergies.

Long Service Corporation projects

The Long Service Corporation progressed some key priority projects including the New Integrated Leave System (NILS) and the GovDC information technology. Request for tender were released for both projects and work commenced in earnest in order to set the foundation for a productive year ahead with these projects.

OUR PERFORMANCE



GOAL FOUR

Develop a new approach to financial risk and balance sheet management

How

Build and implement a framework to drive value and manage risk for the State's assets and liabilities.

Key actions

1. Grow the Asset and Liability Committee's role in managing the State's assets and liabilities.
2. Establish financial risk management framework to prioritise opportunities and manage risk across the sector.

Goal Four will be sharply in focus in 2016-17 as we use the twin platforms of our financial management transformation and development of public sector financial risk management to maintain a strong fiscal position. Our aim is to meet the needs of the community as well as ensuring our economy's resilience to deal with future challenges.

Asset and Liability Committee established

In 2015-16 Treasury established an Asset and Liability Committee (ALCO) to help the Government ensure the appropriate forums are established to facilitate financial management reform.

The ALCO draws on the technical and financial market expertise of Treasury Corporation (TCorp) and the private sector by including representatives from these groups as members. Mr Alden Toevs was appointed as an independent member of the ALCO and was more recently joined by Ms Vanessa Wallace.

Independent members provide expertise on the management of market, credit and operations risk. With this expertise, and that of other members of the ALCO, the Government will receive advice on key decisions regarding the State's assets and liabilities. This is a first for a government agency but is considered best practice in other organisations.

The Government will continue to draw upon commercial best practice where appropriate, to ensure a strong, disciplined and whole-of-government approach to the management of balance sheet and fiscal risks.

A whole-of-government approach to financial and risk management

Financial Management Transformation

The Financial Management Transformation (FMT) Program is a multi-year program designed to deliver a world class financial management framework for NSW. The key areas of the FMT program include: policy (program budgeting reporting and risk based performance monitoring), legislative reform, a new information technology solution (Prime), and a capability and culture shift across the NSW Public Sector.

OUR PERFORMANCE — GOAL FOUR

FMT will be underpinned by a new system for whole-of-government budgeting and reporting. The single system will provide Government with improved data to support spending decisions, as well as better insight into how programs are performing against stated goals.

The purpose of FMT is to create a framework that will support high quality resource management and performance now, and into the future. As a single platform for consolidating and handling financial information, it will help us to get better insights to more effectively manage and deliver value on the \$70 billion Treasury currently manages for the people of NSW.

The FMT implementation phase commenced in February 2016, with functional specifications for Release 1 signed off and now in build phase. A new FMT leadership team was established to manage implementation with strong change and engagement capabilities.

Financial Risk Management and Transformation Group established

In this year's Budget the Government announced the establishment of a Financial Risk Management and Transformation (FRMT) Group within Treasury. FRMT will include experts in the fields of financial risk management, governance and portfolio analytics to implement and enhance Government's financial management reforms.

Drawing upon the expertise of the ALCO and FRMT, the Government will implement public sector financial asset and liability management by weighing risk and return objectives at a whole-of-government level through the development of a whole-of-state risk appetite statement. This will articulate the Government's risk tolerance limits in key areas and will underpin the State's risk management strategy.

Making better use of State resources

Cash Management Strategy

During 2015-16, Treasury advice facilitated the Government successfully implementing reforms to centralise and improve management of the State's cash resources.

Firstly, Treasury developed a new Cash Management Strategy that defines liquidity and other financial targets to measure performance. This reform frees up resources available to re-invest into productive infrastructure assets while continuing to protect the NSW triple-A credit rating.

The new strategy will be sufficiently flexible to respond to Government decisions, changing market conditions and other sensitivities. This will help deliver high quality services through economic cycles by achieving:

- better use and active management of the State's financial balance sheet
- enhanced investment returns for the State within acceptable risk parameters
- a greater ability for the State to absorb any future adverse fiscal shocks reduced net interest costs that produce an improved Budget result.

These reforms were developed in consultation with independent experts and leading banking institutions who endorsed the strategy.

For the first time, Treasury has integrated performance and risk dashboards into the regular monitoring cycle for Principal Departments.

Infrastructure Future Fund

Secondly, Treasury has taken steps to establish an investment vehicle to provide for more effective management of proceeds of asset and lease transactions that are earmarked for new infrastructure. Separately investing these monies enables the funds to be more efficiently managed by matching investment horizons with future spending commitments.

This investment vehicle will be known as the New South Wales Infrastructure Future Fund. The investment strategy for the vehicle involves a diverse range of cash and growth assets, targeting investment returns with minimal levels of risk.

Wages Policy

During 2015-16, Treasury worked with public sector agencies to achieve responsible fiscal management of labour costs by ensuring wage proposals were consistent with Wages Policy.

The revised Wages Policy arrangements have supported a moderation of NSW public sector wage outcomes. It is estimated the revised arrangements have avoided costs of around \$2,749 million since the new policy came into effect in June 2011.

Agency performance and risk

For the first time, Treasury has integrated performance and risk dashboards into the regular monitoring cycle for Principal Departments. This facilitates information provided to the Cabinet Expenditure Review Committee (ERC).

Early warning indicators also strengthen agency monitoring, with new indicators for external, financial performance and financial management risks embedded in periodic reporting.

Treasury also developed and issued to NSW agencies, new proposal costing guidance for agencies. The new guidance promotes consistency of assumptions and methodologies across the sector.

Long Service Corporation enhances future operational requirements

The Long Service Corporation continues to have strong financial risk and balance sheet management with the support of external reviews and guidance of key asset and liabilities.

Policies around risk management of these areas will be further developed by the introduction of Accrued Benefit Reserve Index (ARBI). This will set benchmark coverage of Long Term Investments over Scheme Liabilities. In addition information technology systems and processes are changing to meet the future operational requirements and the needs of our client base.

GOVERNANCE

Risk management and insurance activities within Treasury

Business Continuity management and planning

Treasury's new Business Continuity Plan (BCP) framework was developed during the year, following consultation with all business areas. The BCP will improve our readiness in the event of a disruptive incident. In August 2015, the first rehearsal was conducted with a further major exercise taking place in March 2016. This second exercise simulated a major incident involving Treasury's Damage Assessment Team, Crisis Management Team and BCP facilitators, and required our BCP to be activated with a trial of offsite crisis management facilities.

In May 2016, NSW Treasury's current Business Continuity Management (BCM) plan and processes were assessed against the International Organisation for Standardisation ISO22301:2012 — Business Continuity Management. The aim of this assessment was to identify gaps and it was conducted by an external business continuity expert. The assessment involved reviewing eight high level BCM compliance aspects in accordance with the Australian National Audit Office and the international standard.

This international standard specifies requirements to plan, establish, implement, operate, monitor, review, maintain and continually improve a documented management system to support an organisation when a disruptive incident occurs. Treasury's BCM system received six Mature compliance levels (highest) and two Basic compliance levels (medium). This is a great outcome for Treasury and we are continue to improve our systems and protocols.

Compliance, Risk, Assurance Management System

In April 2016, Treasury implemented the PROTECHT ERM Compliance, Risk, Assurance Management Software system (CRAMS). The system integrates Treasury's compliance, risk and assurance frameworks and automates the reporting and approval processes. CRAMS will also provide a standardised mechanism for analysing and reporting risks across Treasury. The new system includes an automated internal audit issue tracker; gifts and benefits register and private/conflict of interests disclosures register — replacing the current manually compiled systems. It also has capacity to distribute, compile and report on the Treasury's new compliance framework's obligations' attestation process.

Risk Assessment

During the first half of 2016, Treasury presented risk workshops for the Leadership Team, executive directors, directors and functional heads.

Insurance

Treasury's insurance premiums for 2015-16 totalled \$239,095. Treasury's effective management of risk over previous periods resulted in better performance than originally anticipated. This led to retrospective adjustments being made in the amount of \$98,928. Consequently, in total, Treasury's actual insurance costs decreased in 2015-16 to \$140,167.

Internal Audit and Risk Management Attestation Statement for the 2015-16 Financial Year

I, Robert Whitfield, am of the opinion that the NSW Treasury has internal audit and risk management processes in operation that are compliant with the eight core requirements set out in the *Internal Audit and Risk Management Policy for the NSW Public Sector*, specifically:

Core requirements	For each requirement please specify whether compliant, non-compliant, or in transition
<p>Risk Management Framework</p> <p>1.1 The agency head is ultimately responsible and accountable for risk management in the agency</p> <p>1.2 A risk management framework that is appropriate to the agency has been established and maintained and the framework is consistent with AS/NZS ISO 31000:2009</p>	<p>Compliant</p> <p>Compliant</p>
<p>Internal Audit Function</p> <p>2.1 An internal audit function has been established and maintained</p> <p>2.2 The operation of the internal audit function is consistent with the International Standards for the Professional Practice of Internal Auditing</p> <p>2.3 The agency has an Internal Audit Charter that is consistent with the content of the 'model charter'</p>	<p>Compliant</p> <p>Compliant</p> <p>Compliant</p>
<p>Audit and Risk Committee</p> <p>3.1 An independent Audit and Risk Committee with appropriate expertise has been established</p> <p>3.2 The Audit and Risk Committee is an advisory committee providing assistance to the agency head on the agency's governance processes, risk management and control frameworks, and its external accountability obligations</p> <p>3.3 The Audit and Risk Committee has a Charter that is consistent with the content of the 'model charter'</p>	<p>Compliant</p> <p>Compliant</p> <p>Compliant</p>

Membership

The chair and members of the Audit and Risk Committee are:

- Independent Chair, Peter Lucas, appointed April 2012, extended in March 2015 to 17 April 2017
- Independent member, Jon Tyers, appointed August 2012, first term August 2012 to October 2015, second term extended from November 2015 to October 2018
- Independent member, Garry Dinnie, appointed June 2013, first term expires June 2017
- Independent member, Patricia Azarias, appointed November 2015, first term expires November 2018
- Independent member, Caroline Burlew, appointed October 2009, term expired in October 2015



Robert Whitfield, Secretary
 Date: 23 August 2016



Virginia Tinson, Director of Risk
 Telephone: 02 9228 3783



Aman Chand, Chief Audit Executive
 Telephone: 02 9228 3621

Digital Information Security Policy Annual Attestation Statement for the 2015-16 Financial Year for NSW Treasury

I, Rob Whitfield, am of the opinion that NSW Treasury had an Information Security Management System (ISMS) in place during the 2015-2016 financial year that is consistent with the Core Requirements set out in the NSW Government Digital Information Security Policy.

Risks to the digital information and digital information systems of NSW Treasury were assessed against the ISMS being developed in accordance with the NSW Government Digital Information Security Policy.

The controls in place to mitigate identified risks to the digital information and digital information systems of NSW Treasury are adequate, subject to the deficiencies in the internal controls and procedures of new ICT shared service providers identified by an independent control assessment. Actions to improve the control environment have largely been completed with remaining issues to be closed by 30 September 2016.

Yours sincerely

A handwritten signature in black ink, appearing to read 'Rob Whitfield', with a long, sweeping horizontal stroke extending to the right.

Rob Whitfield
Secretary, NSW Treasury

FINANCIAL STATEMENTS

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INDEPENDENT AUDITOR'S REPORT

The Treasury

To Members of the New South Wales Parliament

Opinion

I have audited the accompanying financial statements of The Treasury (the Department), which comprise the statement of financial position as at 30 June 2016, the statement of comprehensive income, statement of changes in equity, statement of cash flows, service group statements and summary of compliance with financial directives for the year then ended, notes comprising a summary of significant accounting policies and other explanatory information.

In my opinion the financial statements:

- give a true and fair view of the financial position of the Department as at 30 June 2016, 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* (PF&A Act) and the Public Finance and Audit Regulation 2015.

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

Basis for Opinion

I conducted my audit in accordance with Australian Auditing Standards. My responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Statements* section of my report.

I am independent of the Department in accordance with the auditor independence requirements of:

- Australian Auditing Standards
- ethical requirements of the Accounting Professional and Ethical Standards Board's APES 110 'Code of Ethics for Professional Accountants' (the Code).

I have also fulfilled my other ethical responsibilities in accordance with the Code.

The PF&A Act further promotes independence by ensuring the Auditor-General and the Audit Office of New South Wales are not compromised in their roles 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.

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

Secretary's Responsibility for the Financial Statements

The Secretary is responsible for preparing 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 financial statements that give a true and fair view and are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the Secretary must assess the Department's ability to continue as a going concern unless the Department's operations will cease as a result of an administrative restructure. The assessment must include, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting'.

Auditor's Responsibility for the Audit of the Financial Statements

My objectives are to:

- obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and
- issue an Independent Auditor's Report including my opinion.

Reasonable assurance is a high level of assurance, but does not guarantee an audit conducted in accordance with Australian Auditing Standards will always detect material misstatements. Misstatements can arise from fraud or error. Misstatements are considered material if, individually or in aggregate, they could reasonably be expected to influence the economic decisions users take based on the financial statements.

I conducted my audit in accordance with the Australian Auditing Standards, which require me to exercise professional judgement and maintain professional scepticism throughout the audit. I must also:

- identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures to respond to those risks, and obtain sufficient and appropriate audit evidence to provide a basis for my opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control
- obtain an understanding of internal control relevant to the audit 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
- evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Secretary
- conclude on the appropriateness of the Secretary's use of the going concern basis of accounting by obtaining audit evidence to identify whether material uncertainty exists. Events or conditions may cast significant doubt on the Department's ability to continue as a going concern. If I conclude material uncertainty exists, I must draw attention to the relevant financial statement disclosures in my Independent Auditor's Report. If the disclosures are inadequate, I must modify my opinion. My conclusions are based on audit evidence obtained up to the date of my Independent Auditor's Report. However, future events or conditions may cause the Department to cease to continue as a going concern
- evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the transactions and events are fairly presented in the financial statements.

I communicate with the Secretary about:

- the planned scope and timing of the audit
- significant audit findings including significant internal control deficiencies identified during my audit.

My opinion does *not* provide assurance:

- that the Department carried out its activities effectively, efficiently and economically
- 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.



Margaret Crawford
Auditor-General of NSW

15 August 2016
SYDNEY

The Treasury

Statement by the Department 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 2016 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 2015*, 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 2016 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.



Department Head

12 August 2016

The Treasury

Statement of comprehensive income for the year ended 30 June 2016

	Notes	Actual 2016 \$'000	Budget 2016 \$'000	Actual 2015 \$'000
Expenses excluding losses				
Operating expenses				
Employee related	2(a)	78,905	84,516	75,835
Other operating expenses	2(b)	35,335	36,949	32,455
Depreciation and amortisation	2(c)	3,303	2,875	2,727
Grants and subsidies	2(d)	192	169	699,671
Finance costs	2(e)	292	90	(101)
Total expenses excluding losses		118,027	124,599	810,587
Revenue				
Recurrent appropriation	3(a)	93,194	105,694	767,607
Capital appropriation	3(a)	17,124	46,805	4,982
Sale of goods and services	3(b)	10,869	17,022	8,116
Personnel services revenue	3(c)	12,132	-	7,515
Investment revenue	3(d)	-	-	650
Acceptance by the Crown Entity of employee benefits and other liabilities	3(e)	3,697	1,552	3,599
Other revenue	3(f)	202	-	1,101
Total Revenue		137,218	171,073	793,570
Gain / (loss) on disposal	4	(6)	-	(368)
Net result	18	19,185	46,474	(17,385)
Other comprehensive income				
<i>Items that will not be reclassified to net result</i>				
Superannuation actuarial gains / (losses) on defined benefit plans	14	(4,151)	-	(1,375)
Superannuation actual return on fund assets less interest income	14	16	-	1,335
Total other comprehensive income		(4,135)	-	(40)
TOTAL COMPREHENSIVE INCOME		15,050	46,474	(17,425)

The accompanying notes form part of these financial statements.

The Treasury

Statement of financial position as at 30 June 2016

	Notes	Actual 2016 \$'000	Budget 2016 \$'000	Actual 2015 \$'000
ASSETS				
Current Assets				
Cash and cash equivalents	6	14,152	5,113	5,590
Receivables	7	7,791	5,047	7,547
Total Current Assets		21,943	10,160	13,137
Non-Current Assets				
Receivables	7	10,632	6,452	6,382
Plant and equipment	8	18,665	18,554	21,065
Intangible assets	9	22,069	51,789	5,848
Total non-Current Assets		51,366	76,795	33,295
Total Assets		73,309	86,955	46,432
LIABILITIES				
Current Liabilities				
Payables	11	13,213	4,164	6,365
Provisions	12	14,610	10,134	13,740
Other	13	1,383	1,552	1,383
Total current Liabilities		29,206	15,850	21,488
Non-Current Liabilities				
Payables	11	3,060	-	2,125
Provisions	12	13,369	8,854	8,812
Other	13	11,402	11,574	12,785
Total non-Current Liabilities		27,831	20,428	23,722
Total Liabilities		57,037	36,278	45,210
Net Assets		16,272	50,677	1,222
EQUITY				
Accumulated funds		16,272	50,677	1,222
Total Equity		16,272	50,677	1,222

The accompanying notes form part of these financial statements.

The Treasury

Statement of changes in equity for the year ended 30 June 2016

	Notes	Accumulated Funds \$'000
Balance at 1 July 2015		1,222
Net result for the year		19,185
Other comprehensive income		
Superannuation actuarial gains / (losses) on defined benefit plans	14	(4,151)
Superannuation actual return on fund assets less interest income	14	16
Total other comprehensive income		(4,135)
Total comprehensive income for the year		15,050
Balance at 30 June 2016		16,272
Balance at 1 July 2014		18,647
Net result for the year		(17,385)
Other comprehensive income		
Superannuation actuarial gains / (losses) on defined benefit plans	14	(1,375)
Superannuation actual return on fund assets less interest income	14	1,335
Total other comprehensive income		(40)
Total comprehensive income for the year		(17,425)
Balance at 30 June 2015		1,222

The accompanying notes form part of these financial statements.

The Treasury

Statement of cash flows for the year ended 30 June 2016

	Notes	Actual 2016 \$'000	Budget 2016 \$'000	Actual 2015 \$'000
CASH FLOWS FROM OPERATING ACTIVITIES				
Payments				
Employee related		(67,580)	(84,176)	(61,050)
Grants and subsidies		(192)	(169)	(614,627)
Other		(28,338)	(42,043)	(30,830)
Total Payments		(96,110)	(126,388)	(706,507)
Receipts				
Recurrent appropriation		93,194	105,694	682,563
Capital appropriation (excluding equity appropriations)	3(a)	17,955	46,805	4,982
Sale of goods and services		11,091	16,794	8,113
Interest received		312	315	641
Grants and contributions		-	-	-
Other		(750)	4,102	182
Total Receipts		121,802	173,710	696,481
NET CASH FLOWS FROM OPERATING ACTIVITIES	18	25,692	47,322	(10,026)
CASH FLOWS FROM INVESTING ACTIVITIES				
Proceeds from sale of plant and equipment		-	-	18
Purchases of plant and equipment		(396)	(454)	(6,024)
Purchases of Intangibles		(16,734)	(46,351)	(3,493)
NET CASH FLOWS FROM INVESTING ACTIVITIES		(17,130)	(46,805)	(9,499)
NET INCREASE / (DECREASE) IN CASH		8,562	517	(19,525)
Opening cash and cash equivalents		5,590	4,596	25,054
Cash transferred in / (out) as a result of administrative restructuring		-	-	61
CLOSING CASH AND CASH EQUIVALENTS	6	14,152	5,113	5,590

The accompanying notes form part of these financial statements.

The Treasury

Supplementary Financial Statements

Service Group Statements for the year ended 30 June 2016

ENTITY'S EXPENSES & INCOME	State Resource Management*		Cluster Grant Funding**		Not Attributable***		Total	
	2016 \$'000	2015 \$'000	2016 \$'000	2015 \$'000	2016 \$'000	2015 \$'000	2016 \$'000	2015 \$'000
Expenses excluding losses								
Operating expenses								
Employee related	78,905	75,835	-	-	-	-	78,905	75,835
Other operating expenses	35,335	32,455	-	-	-	-	35,335	32,455
Depreciation and amortisation	3,303	2,727	-	-	-	-	3,303	2,727
Grants and subsidies	192	215	-	699,456	-	-	192	699,671
Finance costs	292	(101)	-	-	-	-	292	(101)
Total expenses excluding losses	118,027	111,131	-	699,456	-	-	118,027	810,587
Revenue								
Recurrent appropriation	-	-	-	-	93,194	767,607	93,194	767,607
Capital appropriation	-	-	-	-	17,124	4,982	17,124	4,982
Sale of goods and services	10,869	8,116	-	-	-	-	10,869	8,116
Personnel services revenue	12,132	7,515	-	-	-	-	12,132	7,515
Investment revenue	-	650	-	-	-	-	-	650
Acceptance by the Crown								
Entity of employee benefits and other liabilities	3,697	3,599	-	-	-	-	3,697	3,599
Other revenue	202	1,101	-	-	-	-	202	1,101
Total Revenue	26,900	20,981	-	-	110,318	772,589	137,218	793,570
Gain / (loss) on disposal	(6)	(368)	-	-	-	-	(6)	(368)
Net result	(91,133)	(90,518)	-	(699,456)	110,318	772,589	19,185	(17,385)
Other comprehensive income								
<i>Items that will not be reclassified to net result</i>								
Superannuation actuarial gains / (losses) on defined benefit plans	(4,151)	(1,375)	-	-	-	-	(4,151)	(1,375)
Superannuation actual return on fund assets less interest income	16	1,335	-	-	-	-	16	1,335
Total other comprehensive income	(4,135)	(40)	-	-	-	-	(4,135)	(40)
TOTAL COMPREHENSIVE INCOME	(95,268)	(90,558)	-	(699,456)	110,318	772,589	15,050	(17,425)

* The name and purpose of each service group is summarised in Note 5.

** The Cluster Grant Funding service group managed the grant funding to agencies within the Treasury and Finance cluster. As at 30 June 2016, the service group has no assets or liabilities to disclose.

***Appropriations are made on an entity basis and not to individual service groups. Consequently, appropriations are included in the "Not Attributable" column.

The Treasury

Summary of compliance with financial directives

	2016				2015			
	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	105,694	93,194	46,805	17,124	567,073	17,982	4,982	
Other Appropriation/Expenditure								
* s 24 <i>Public Finance and Audit Act 1983</i> - transfers of functions between entities	-	-	-	-	324,197	-	-	
* s 32 Appropriation Act - transfers from another agency	-	-	-	-	69	-	-	
* Treasurers Advance	-	-	-	-	-	-	-	
Total Appropriations/Expenditure/ Net Claim on Consolidated Fund (includes transfer payments)	105,694	93,194	46,805	17,124	891,339	17,982	4,982	
Amount drawn down against Appropriation		93,194		17,955			4,982	
Liability to Consolidated Fund				831				

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'.

The Treasury

Notes to the Financial Statements 30 June 2016

1. Summary of Significant Accounting Policies

(a) 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.

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. Long Service Corporation (LSCorp) administers long service payments to building and construction workers and cleaners.

These financial statements for the year ended 30 June 2016 have been authorised for issue by the Secretary on 12 August 2016.

(b) 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 2015*
- 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.

(c) Statement of compliance

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

(d) 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 20.

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

(e) 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.

The Treasury

Notes to the Financial Statements
30 June 2016

1. Summary of Significant Accounting Policies (continued)

(f) 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.

(g) 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 or by reference to the stage of completion (based on labour hours incurred at the reporting date).

(iv) Investment revenue

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

(h) 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 over the period of credit.

(ii) Capitalisation thresholds

Intangibles (software), plant and equipment (excluding leasehold improvements), costing at least \$5,000 individually 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.

The Treasury

Notes to the Financial Statements
30 June 2016

1. Summary of Significant Accounting Policies (continued)

(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 10 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 an approximation of fair value. The entity has assessed that any difference between fair value and depreciated historical cost is unlikely to be material.

(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 or an amount that approximates fair value, impairment can only arise in the rare circumstances such as 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 recognised as an expense on a straight-line basis over the lease term.

(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.

The Treasury

Notes to the Financial Statements
30 June 2016**1. Summary of Significant Accounting Policies (continued)**

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 and impaired losses.

The Treasury's intangible assets are amortised using the straight line method over a period ranging from 2 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. 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 19. 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.

The Treasury

Notes to the Financial Statements
30 June 2016

1. Summary of Significant Accounting Policies (continued)

(i) 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. 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 using the nominal annual leave balance plus the annual leave entitlements accrued while taking annual leave (calculated using 7.9% of the nominal value of annual leave) can be used to approximate the present value of the annual leave liability. The entity has assessed the actuarial advice based on the entity'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'.

Long service leave is measured at present value in accordance with AASB 119. This is based on the application of certain factors (specified in NSW Treasury Circular TC 15/09) 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 and 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.

The Treasury

Notes to the Financial Statements
30 June 2016**1. Summary of Significant Accounting Policies (continued)**

superannuation schemes outside of the net result in the 'other comprehensive income' in the year in which they occur.

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.

Any provisions for restructuring are recognised only when an entity has a detailed formal plan and the entity has raised a valid expectation in those affected by the restructuring that it will carry out the restructuring by starting to implement the plan or announcing its main features to those affected.

If the effect of the time value of money is material, provisions are discounted at 3.59%, which is a pre-tax rate that reflects the current market assessments of the time value of money and the risks specific to the liability.

(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 10 and Note 21 for further disclosures regarding fair value measurements of financial and non-financial assets.

(j) Grants and subsidies expense

Grants and subsidies to third parties are recognised as an expense in the reporting period in which they are paid or payable.

(k) Equity

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

(l) 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 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.

The Treasury

Notes to the Financial Statements
30 June 2016**1. Summary of Significant Accounting Policies (continued)**

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.

(m) Budgeted amounts

The budgeted amounts are drawn from the original budgeted financial statements presented to Parliament in respect of the reporting period. Subsequent amendments to the original budget (e.g. adjustment for transfers of functions between entities as a result of Administrative Arrangement Orders) are not reflected in the budgeted amounts. Major variances between the original budgeted amounts and the actual amounts disclosed on the primary financial statements is explained in Note 17.

(n) Comparative information

Non-current other liabilities are only in relation to Straight lining of Rent Expense payable for 52 Martin Place. This has been reclassified to non-current payable because this account relates to rent expense payable as the result of the fixed rental increase of 4% p.a., rather than the lease incentive. Hence it is more appropriate to be classified as payables. The 2014-15 comparative has also been reclassified for consistency purposes.

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.

(o) New standards and interpretations issued but not yet effective

The following new standards and interpretations have recently been issued or amended but are not yet effective for the annual reporting period ended 30 June 2016.

AASB 9 Financial Instruments (2014) (Operative from 1 July 2018)

AASB 15 Revenue from Contracts with Customers (Operative from 1 July 2018)

AASB 16 Leases (Operative from 1 July 2019)

AASB 1057 Application of Australian Accounting Standards (Operative from 1 July 2016)

AASB 2014-4 Amendments to Australian Accounting Standards – Clarification of Acceptable Methods of Depreciation and Amortisation (Operative from 1 July 2016)

AASB 2014-5 Amendments to Australian Accounting Standards arising from AASB 15 (Operative from 1 July 2018)

AASB 2014-7 Amendments to Australian Accounting Standards arising from AASB 9 (December 2014) (Operative from 1 July 2018)

AASB 2015-1 Amendments to Australian Accounting Standards – Annual Improvements to Australian Accounting Standards 2012–2014 Cycle (Operative from 1 July 2016)

AASB 2015-2 Amendments to Australian Accounting Standards – Disclosure Initiative: Amendments to AASB 101 (Operative from 1 July 2016)

AASB 2015-6 Amendments to Australian Accounting Standards – Extending Related Party Disclosures to Not-for-Profit Public Sector Entities (Operative from 1 July 2016)

AASB 2015-7 Amendments to Australian Accounting Standards – Fair Value Disclosures of Not-for-Profit Public Sector Entities (Operative from 1 July 2016)

AASB 2015-8 Amendments to Australian Accounting Standards – Effective Date of AASB 15 (Operative from 1 July 2017)

AASB 2015-9 Amendments to Australian Accounting Standards – Scope and Application Paragraphs (Operative from 1 July 2016)

AASB 2016-2 Amendments to Australian Accounting Standards – Disclosure Initiative: Amendments to AASB 107 (Operative from 1 July 2017)

The Treasury

Notes to the Financial Statements
30 June 2016

1. Summary of Significant Accounting Policies (continued)

AASB 2016-3 Amendments to Australian Accounting Standards – Clarifications to AASB 15 (Operative from 1 July 2018)

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 TC16/02, the Treasury has not adopted any new accounting standards, amendments and interpretations.

(p) *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.

The Treasury

Notes to the Financial Statements
30 June 2016

2. Expenses Excluding Losses

	2016	2015
	\$'000	\$'000
(a) Employee related expenses		
Salaries and wages (including annual leave)	65,820	63,238
Superannuation - defined benefit plans	1,324	1,260
Superannuation - defined contribution plans	4,256	4,090
Long service leave	3,450	3,383
Workers compensation insurance	112	145
Payroll tax and fringe benefits tax	3,943	3,719
	78,905	75,835

No employee related expenses have been capitalised in Intangibles and therefore excluded from the above (2015: \$Nil). 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	97	95
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Operating lease rental expense

Minimum lease payments	7,886	9,884
Contractors	8,359	7,328
Centralised corporate support charges	4,396	5,209
Consultants	6,385	3,052
Training	1,536	1,558
Information management	1,446	1,252
Building management maintenance and utilities	553	653
Staff recruitment	1,539	534
Computer maintenance and software licences	373	407
Internal audit fees	384	359
Maintenance ⁽ⁱ⁾	249	248
Printing and advertising	410	241
Travel	314	261
Minor plant, equipment and stores	218	251
Management Fee - Port Lessor	(112)	345
Board remuneration	63	82
Insurance	47	34
Event management	159	109
Postal charges	95	82
Legal fees	323	118
Other	615	353
	35,335	32,455

Reconciliation - Total maintenance

(i) Maintenance expense - contracted labour and other (non-employee related), as above

	249	248
Total maintenance expenses included in Note 2(a) and 2(b)	249	248

The Treasury

Notes to the Financial Statements
30 June 2016

2. Expenses Excluding Losses (continued)

	2016	2015
	\$'000	\$'000
(c) Depreciation and amortisation expense		
Depreciation (Note 8)		
Computer hardware	1,039	881
Office equipment	-	7
Office furniture	14	21
Leasehold improvements	1,737	1,416
	<u>2,790</u>	<u>2,325</u>
Amortisation of software intangibles (Note 9)	513	402
Total depreciation and amortisation	<u>3,303</u>	<u>2,727</u>
(d) Grants and subsidies		
Grants & subsidies	<u>192</u>	<u>699,671</u>
(e) Finance costs		
Unwinding of discount rate	<u>292</u>	<u>(101)</u>

The Treasury

Notes to the Financial Statements
30 June 2016

3. Revenues

	2016	2015
	\$'000	\$'000
(a) Appropriations		
Recurrent appropriations		
Total recurrent draw-downs from NSW Treasury (per Summary of compliance)	93,194	767,607
Less: Liability to Consolidated Fund (per Summary of compliance)	-	-
	<u>93,194</u>	<u>767,607</u>
Comprising:		
Recurrent appropriations (per Statement of comprehensive income)	93,194	767,607
	<u>93,194</u>	<u>767,607</u>
Capital appropriations		
Total capital draw-downs from NSW Treasury (per Summary of compliance)	17,955	4,982
Less: Liability to Consolidated Fund (per Summary of compliance)	(831)	-
	<u>17,124</u>	<u>4,982</u>
Comprising:		
Capital appropriations (per Statement of comprehensive income)	17,124	4,982
	<u>17,124</u>	<u>4,982</u>
(b) Sale of goods and services		
Rendering of services		
Recoupment of costs ⁽ⁱ⁾	10,869	8,115
Other	-	1
	<u>10,869</u>	<u>8,116</u>
(i) Relates to the recoupment of administrative costs composed mainly of salaries and accommodation relating to the Crown Entity.		
(c) Personnel services revenue		
Recoupment of Long Service Corporation staff costs	<u>12,132</u>	<u>7,515</u>
(d) Investment revenue		
Interest	<u>-</u>	<u>650</u>
(e) 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	2,911	2,731
Superannuation - defined benefit	749	826
Payroll tax	37	42
	<u>3,697</u>	<u>3,599</u>
(f) Other revenue		
Other	<u>202</u>	<u>1,101</u>

The Treasury

Notes to the Financial Statements
30 June 2016

4. Gain / (loss) on Disposal

	2016	2015
	\$'000	\$'000
Gain / (loss) on disposal of plant and equipment		
Proceeds from disposal	-	18
Written down value of assets disposed	(6)	(386)
Net gain / (loss) on disposal of plant and equipment	(6)	(368)
Total net gain / (loss) on disposal of non-current assets	(6)	(368)

5. Service Groups of the Treasury

Service Group

Purpose:

State Resource Management

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.

Cluster Grant Funding

Provision of grant funding to agencies within the Treasury and Finance cluster including, OFS, Government Property NSW (GPNSW), State records Authority, Teacher housing Authority, NSW Government Telecommunications Authority, and Service NSW.

Treasury is a principal agency and is therefore required to provide funding within the Treasury cluster by way of grants.

This Service Group was transferred to the Department of Finance and Innovation on the 1 July 2015. However, this was a Service Group of Treasury in 2014-15.

6. Current Assets – Cash and Cash Equivalents

	2016	2015
	\$'000	\$'000
Cash at bank	14,152	5,590
	14,152	5,590

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

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.

Cash and cash equivalents (per statement of financial position)	14,152	5,590
Closing cash and cash equivalents (per statement of cash flows)	14,152	5,590

Refer to Note 21 for details regarding credit risk, liquidity risk and market risk arising from financial instruments.

The Treasury

Notes to the Financial Statements
30 June 2016

7. Current / Non-Current – Receivables

	2016 \$'000	2015 \$'000
Current		
Personnel services recoverable from LSCorp	3,246	3,315
Sale of goods and services	57	280
Interest	-	312
Prepayments	1,111	79
GST	1,266	963
Other	2,111	2,598
Total	7,791	7,547
Non-Current		
Personnel services recoverable from LSCorp	10,632	6,382
Total	10,632	6,382
Total Receivables	18,423	13,929

Refer to Note 21 for details regarding credit risk, liquidity risk and market risk arising from financial instruments.

8. Non-Current Assets – Plant and Equipment

	Plant and Equipment \$'000	Leasehold improvements \$'000	Total \$'000
At 1 July 2015 - fair value			
Gross carrying amount	4,395	19,139	23,534
Accumulated depreciation and impairment	(1,126)	(1,343)	(2,469)
Net carrying amount	3,269	17,796	21,065
At 30 June 2016 - fair value			
Gross carrying amount	4,733	19,144	23,877
Accumulated depreciation and impairment	(2,132)	(3,080)	(5,212)
Net carrying amount	2,601	16,064	18,665

Reconciliation

A reconciliation of the carrying amount of each class of property, plant and equipment at the beginning and end of the current reporting period is set out below:

	Plant and Equipment \$'000	Leasehold improvements \$'000	Total \$'000
Year ended 30 June 2016			
Net carrying amount at start of year	3,269	17,796	21,065
Additions	391	5	396
Disposals	(53)	-	(53)
Depreciation expense	(1,053)	(1,737)	(2,790)
Other movements:			
Write back on disposal	47	-	47
Net carrying amount at end of year	2,601	16,064	18,665

The Treasury

Notes to the Financial Statements
30 June 2016

8. Non-Current Assets – Plant and Equipment (continued)

	Plant and Equipment \$'000	Leasehold improvements \$'000	Total \$'000
At 1 July 2014 - fair value			
Gross carrying amount	4,392	8,342	12,734
Accumulated depreciation and impairment	(1,606)	(1,705)	(3,311)
Net carrying amount	2,786	6,637	9,423
At 30 June 2015 - fair value			
Gross carrying amount	4,395	19,139	23,534
Accumulated depreciation and impairment	(1,126)	(1,343)	(2,469)
Net carrying amount	3,269	17,796	21,065

Reconciliation

A reconciliation of the carrying amount of each class of property, plant and equipment at the beginning and end of the prior reporting period is set out below:

	Plant and Equipment \$'000	Leasehold improvements \$'000	Total \$'000
Year ended 30 June 2015			
Net carrying amount at start of year	2,786	6,637	9,423
Additions	1,740	12,592	14,332
Disposals	(1,735)	(1,795)	(3,530)
Depreciation expense	(909)	(1,416)	(2,325)
Other movements:			
Write back on disposal	1,387	1,778	3,165
Net carrying amount at end of year	3,269	17,796	21,065

9. Intangible Assets

	Software \$'000	Capital Works in Progress \$'000	Total \$'000
At 1 July 2015 - fair value			
Gross carrying amount	2,916	4,568	7,484
Accumulated amortisation and impairment	(1,636)	-	(1,636)
Net carrying amount	1,280	4,568	5,848
At 30 June 2016 - fair value			
Gross carrying amount	3,825	20,392	24,217
Accumulated amortisation and impairment	(2,148)	-	(2,148)
Net carrying amount	1,677	20,392	22,069

The Treasury

Notes to the Financial Statements
30 June 2016

9. Intangible Assets (continued)

Reconciliation

A reconciliation of the carrying amount of each class of intangible assets at the beginning and end of the current reporting period is set out below:

	Software \$'000	Capital Works in Progress \$'000	Total \$'000
Year ended 30 June 2016			
Net carrying amount at start of year	1,280	4,568	5,848
Additions	360	16,374	16,734
Disposals	-	-	-
Transfer	550	(550)	-
Amortisation	(513)	-	(513)
Net carrying amount at end of year	1,677	20,392	22,069
At 1 July 2014 - fair value			
Gross carrying amount	4,713	1,075	5,788
Accumulated amortisation and impairment	(3,009)	-	(3,009)
Net carrying amount	1,704	1,075	2,779
At 30 June 2015 - fair value			
Gross carrying amount	2,916	4,568	7,484
Accumulated amortisation and impairment	(1,636)	-	(1,636)
Net carrying amount	1,280	4,568	5,848

Reconciliation

A reconciliation of the carrying amount of each class of intangible assets at the beginning and end of the prior reporting period is set out below:

	Software \$'000	Capital Works in Progress \$'000	Total \$'000
Year ended 30 June 2015			
Net carrying amount at start of year	1,704	1,075	2,779
Additions	-	3,493	3,493
Disposals	(1,798)	-	(1,798)
Amortisation	(402)	-	(402)
Other movements:			
Write back on disposal	1,776	-	1,776
Net carrying amount at end of year	1,280	4,568	5,848

The Treasury

Notes to the Financial Statements
30 June 2016**10. Fair Value Measurement of Non-Financial Assets****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 with short useful lives 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.

11. Current / Non-Current Liabilities – Payables

	2016	2015
	\$'000	\$'000
Current		
Accrued salaries, wages and on-costs	734	2,058
Creditors	11,648	4,307
Liability to Confund	831	-
	13,213	6,365
Non-current		
Payable	3,060	2,125

Details regarding credit risk, liquidity risk and market risk, including a maturity analysis of the above payables are disclosed in Note 21.

The Treasury

Notes to the Financial Statements
30 June 2016

12. Current / Non-Current Liabilities – Provisions

	2016 \$'000	2015 \$'000
Current		
Employee benefits and related on-costs		
Recreation leave	5,823	5,716
Long Service Leave not assumed by the Crown	2,038	2,063
Provision for On-costs on employee benefits	3,312	3,154
Provision for Fringe benefits tax	15	15
Provision for Redundancies	3,422	2,792
Total Current	14,610	13,740
Non-current		
Employee benefits and related on-costs		
Long Service Leave not assumed by the Crown	44	14
Provision for Payroll tax on Long Service Leave Liability	71	65
Provision for On-costs on Long Service Leave Liability	128	110
	243	189
Superannuation	10,578	6,366
Other		
Restoration costs	2,548	2,257
Total Non-current	13,369	8,812
Aggregate employee benefits and related on-costs		
Provisions-current	14,610	13,740
Provisions-non-current	10,821	6,555
Accrued salaries, wages and on-costs (Note 11)	734	2,058
	26,165	22,353

Other Provisions includes Restoration costs expected to be paid in 2025 at the expiration of the lease currently occupied by The Treasury.

Movements in provisions (other than employee benefits)

Restoration costs		
Carrying amount at the beginning of financial year	2,257	2,999
Additional provision recognised	291	383
Unused amounts reversed	-	(1,025)
Unwinding / change in the discount rate	-	(100)
Carrying amount at end of financial year	2,548	2,257

13. Current / Non-Current Liabilities – Other

	2016 \$'000	2015 \$'000
Current		
Lease incentive	1,383	1,383
Non-current		
Lease incentive	11,402	12,785

Current and non-current liabilities relate to the lease incentives for the new premises at 52 Martin Place, Sydney.

The Treasury

Notes to the Financial Statements
30 June 2016**14. 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)
- Police Superannuation Scheme (PSS)
- 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 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 2015. The next actuarial investigation will be performed at 30 June 2018

Description of other entities' responsibilities for the governance of the fund

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 2016

14. Defined Benefit Superannuation Schemes (continued)

Description of significant events

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

	SASS 2016	SANCS 2016	SSS 2016	TOTAL 2016	TOTAL 2015
Member Numbers					
Contributors	5	9	4	18	20
Deferred benefits	-	-	2	2	2
Pensioners	-	-	15	15	15
Pensions fully commuted	-	-	6	6	7
Superannuation Position for AASB 119 purposes	\$'000	\$'000	\$'000	\$'000	\$'000
Accrued liability (Note 1)	2,477	592	25,595	28,664	24,709
Estimated reserve account balance	(3,310)	(767)	(14,009)	(18,086)	(18,344)
1. Deficit/(surplus)	(833)	(175)	11,586	10,578	6,365
2. Future Service Liability (Note 2)	197	83	252	532	662
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.)	(833)	(175)	11,586	10,578	6,365

Note 1:

The accrued liability includes a contribution tax provision. This is calculated based on grossing up the deficit/(surplus) 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).

The Treasury

Notes to the Financial Statements
30 June 2016

14. Defined Benefit Superannuation Schemes (continued)

Reconciliation of the net defined benefit liability/ (asset)

	SASS 2016 \$'000	SANCS 2016 \$'000	SSS 2016 \$'000	Total 2016 \$'000	Total 2015 \$'000
Net Defined Benefit Liability/(Asset) at start of year	(840)	(183)	7,388	6,365	6,134
Current service costs	101	25	16	142	200
Net interest on the defined benefit liability/(asset)	(27)	(6)	222	189	215
Actual return on Funds assets less Interest income	(2)	(1)	(13)	(16)	(1,335)
Actuarial (gains)/losses arising from changes in demographic assumptions	10	(13)	696	693	(8)
Actuarial (gains)/losses arising from changes in financial assumptions	64	22	3,530	3,616	1,859
Actuarial (gains)/losses arising from liability experience	(41)	5	(124)	(160)	(477)
Adjustment for effect of asset ceiling	-	-	-	-	-
Employer contributions	(99)	(24)	(128)	(251)	(223)
Net Defined Benefit Liability/(Asset) at end of year	(834)	(175)	11,587	10,578	6,365

Reconciliation of the fair value of fund assets

	SASS 2016 \$'000	SANCS 2016 \$'000	SSS 2016 \$'000	Total 2016 \$'000	Total 2015 \$'000
Fair value of Fund assets at beginning of the year	3,506	784	14,054	18,344	17,048
Interest income	96	22	417	535	593
Actuarial return on Fund assets less interest income	2	1	13	16	1,335
Employer contributions	99	24	128	251	223
Contributions by participants	31	-	52	83	93
Benefits paid	(425)	(58)	(666)	(1,149)	(988)
Taxes, premiums & expenses paid	2	(7)	10	5	40
Fair value of Fund assets at end of the year	3,311	766	14,008	18,085	18,344

The Treasury

Notes to the Financial Statements
30 June 2016

14. Defined Benefit Superannuation Schemes (continued)

Reconciliation of the Defined Benefit Obligation

	SASS 2016 \$'000	SANCS 2016 \$'000	SSS 2016 \$'000	Total 2016 \$'000	Total 2015 \$'000
Present value of defined benefit obligations at beginning of the year	2,666	602	21,441	24,709	23,182
Current service cost	101	25	16	142	200
Interest cost	69	16	639	724	808
Contributions by participants	31	-	52	83	93
Actuarial (gains)/losses arising from changes in demographic assumptions	10	(13)	696	693	(8)
Actuarial (gains)/losses arising from changes in financial assumptions	64	22	3,530	3,616	1,859
Actuarial (gains)/losses arising from liability experience	(40)	5	(124)	(159)	(475)
Benefits paid	(425)	(58)	(666)	(1,149)	(988)
Taxes, premiums & expenses paid	2	(7)	10	5	40
Present value of defined benefit obligations at end of the year	2,478	592	25,594	28,664	24,711

Reconciliation of the effect of the Asset Ceiling

	SASS 2016 \$'000	SANCS 2016 \$'000	SSS 2016 \$'000	Total 2016 \$'000	Total 2015 \$'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 adjustment for the effect of asset ceiling has been determined based on the maximum economic benefit available to the entity in the form of reductions in future employer contributions.

Fair value of Fund assets

All Pooled Fund assets are invested by SAS Trustee Corporation (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.

Asset category	Quoted prices in active markets for identical assets Level 1 \$'000	Significant observable inputs Level 2 \$'000	Unobservable inputs Level 3 \$'000	2016 Total \$'000	2015 Total \$'000
Short term securities	2,044,454	5,960	-	2,050,414	2,641,516
Australian fixed interest	2,724	2,717,865	-	2,720,589	2,656,598
International fixed interest	(1,358)	835,731	-	834,373	1,003,849
Australian equities	9,171,767	549,087	24	9,720,878	10,406,940
International equities	9,026,207	2,078,766	988,694	12,093,667	13,111,481
Property	1,113,253	618,946	1,918,068	3,650,267	3,452,609
Alternatives	470,130	3,122,185	3,523,634	7,115,949	7,170,187
Total*	21,827,177	9,928,540	6,430,420	38,186,137	40,443,180

The Treasury

Notes to the Financial Statements
30 June 2016

14. Defined Benefit Superannuation Schemes (continued)

As at 30 June 2016

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

	2016	2015
Short term securities	5.4%	6.5%
Australian fixed interest	7.1%	6.6%
International fixed interest	2.2%	2.5%
Australian equities	25.5%	25.7%
International equities	31.7%	32.4%
Property	9.6%	8.6%
Alternatives	18.5%	17.7%
Total*	100.0%	100.0%

*Additional to the assets disclosed above, at 30 June 2016 the Pooled Fund has provisions for receivables/ (payables) estimated to be around \$2.83 billion (2015: \$1.74 billion). This gives total estimated assets of \$41.01 billion (2015:\$42.2 billion).

Level 1 - quoted prices in active markets for identical assets or liabilities. The assets in this levels are listed shares; 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 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 cashflow 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.

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 as at 30 June 2016 include \$189.6 million in NSW government bonds.

Of the direct properties owned by the Pooled Fund:

- SAS Trustee Corporation occupies part of a property 100% owned by the Pooled Fund with a fair value of \$222 million (30 June 2015: \$159 million).
- Health Administration Corporation occupies part of a property 50% owned by the Pooled Fund with a fair value of \$243 million (30 June 2015: \$204 million).

The Treasury

Notes to the Financial Statements
30 June 2016

14. Defined Benefit Superannuation Schemes (continued)

Significant Actuarial Assumptions at the Reporting Date

As at	30 June 2016
Discount rate	1.99% pa
Salary increase rate (excluding promotional increases)	2.50% 2016/2017 to 2018/2019; 3.50% 2019/2020 and 2020/2021; 3.00% pa 2021/2022 to 2025/2026; 3.50% pa thereafter
Rate of CPI increase	1.5% 2015/2016; 1.75% 2016/2017; 2.25% 2017/2018; 2.50% pa thereafter
Pensioner mortality	The pensioner mortality assumptions are as per the 2015 Actuarial Investigation of the Pooled Fund. These assumptions are disclosed in the actuarial investigation report available from the trustee's website. The report shows the pension mortality rates for each age.

As at	30 June 2015
Discount rate	3.03% pa
Salary increase rate (excluding promotional increases)	2.50% 2015/2016 to 2018/2019; 3.50% 2019/2020; 3.00% pa 2021/2022 to 2024/2025; 3.50% pa thereafter
Rate of CPI increase	2.50% 2015/2016; 2.75% 2016/2017 & 2017/2018; 2.50% pa thereafter
Pensioner mortality	The pensioner mortality assumptions are as per the 2012 Actuarial Investigation of the Pooled Fund. These assumptions are disclosed in the actuarial investigation report available from the trustee's website. The report shows the pension mortality rates for each age.

The Treasury

Notes to the Financial Statements
30 June 2016

14. Defined Benefit Superannuation Schemes (continued)

Sensitivity Analysis

The entity's total defined benefit obligation as at 30 June 2016 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 level at 30 June 2016.

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.

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

	2016			2015		
	Base Case	Scenario A -1.0% discount rate	Scenario B +1.0% discount rate	Base Case	Scenario A -1.0% discount rate	Scenario B +1.0% discount rate
Discount rate	1.99%	0.99%	2.99%	3.03%	2.03%	4.03%
Rate of CPI increase	as above	as above	as above	as above	as above	as above
Salary inflation rate	as above	as above	as above	as above	as above	as above
Defined benefit obligation (\$'000)	28,664	33,546	24,765	24,709	28,627	21,545
	Base Case	Scenario C +0.5% rate of CPI increase	Scenario D -0.5% rate of CPI increase	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	as above	as above	as above
Rate of CPI increase	as above	above rates plus 0.5% pa	above rates less 0.5% pa	as above	above rates plus 0.5% pa	above rates less 0.5% pa
Salary inflation rate	as above	as above	as above	as above	as above	as above
Defined benefit obligation (\$'000)	28,664	30,833	26,708	24,709	26,441	23,138
	Base Case	Scenario E +0.5% salary increase rate	Scenario F -0.5% salary increase rate	Base Case	Scenario E +0.5% salary increase rate	Scenario F -0.5% salary increase rate
Discount rate	as above	as above	as above	as above	as above	as above
Rate of CPI increase	as above	as above	as above	as above	as above	as above
Salary inflation rate	as above	above rates plus 0.5% pa	above rates less 0.5% pa	as above	above rates plus 0.5% pa	above rates less 0.5% pa
Defined benefit obligation (\$'000)	28,664	28,788	28,547	24,709	24,837	24,586
	Base Case	Scenario G Higher Mortality*	Scenario H Lower Mortality**	Base Case	Scenario G +5% pensioner mortality rates	Scenario H -5% pensioner mortality rates
Defined benefit obligation (\$'000)	28,664	28,334	29,202	24,709	24,444	24,991

*Assumes the long term pensioner mortality improvement factors for years post 2021 also apply for years 2016 to 2021

**Assumes the short term pensioner mortality improvement factors for years 2016-2021 also apply for years after 2021

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 2016**14. Defined Benefit Superannuation Schemes (continued)****Asset-Liability matching strategies**

The Trustee monitors its asset-liability risk continuously in setting its investment strategy. It also monitors cashflows to manage liquidity requirements. No explicit asset-liability matching strategy is used by the Trustee.

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 2015. 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 2016 financial position of the Fund calculated in accordance with AAS 25 "Financial Reporting by Superannuation Plans":

	SASS	SANCS	SSS	Total	Total
	2016	2016	2016	2016	2015
	\$'000	\$'000	\$'000	\$'000	\$'000
Accrued benefits	2,401	550	11,936	14,887	14,198
Net market value of Fund assets	(3,310)	(767)	(14,009)	(18,086)	(18,344)
Net (surplus)/deficit	(909)	(217)	(2,073)	(3,199)	(4,146)

*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:

	SASS	SANCS	SSS
	multiple of	% member	multiple of
	member	salary	member
	contributions		contributions
2016			
	2.1	2.5%	2.1

Economic assumptions

The economic assumptions adopted for the 30 June 2015 actuarial investigation of the Pooled Fund are:

Weighted-Average Assumptions	2016	2015**
Expected rate of return on Fund assets backing current pension liabilities	7.8% pa	8.3% pa
Expected rate of return on Fund assets backing other liabilities	6.8% pa	7.3% pa
Expected salary increase rate (excluding promotional salary increases)	3.0% to 30 June 2019 then 3.5% pa thereafter	3.5% pa to 30 June 2018, then 4.0% pa thereafter
Expected rate of CPI increase	2.5% pa	2.5% pa

** 30 June 2015 economic assumptions were based on the 2012 actuarial investigation of the Pooled Fund.

The Treasury

Notes to the Financial Statements
30 June 2016

14. Defined Benefit Superannuation Schemes (continued)

Expected contributions

2016	SASS	SANCS	SSS	Total	Total
	Financial Year to 30 June 2017	Financial Year to 30 June 2017	Financial Year to 30 June 2017	Financial Year to 30 June 2017	Financial Year to 30 June 2016
	\$'000	\$'000	\$'000	\$'000	\$'000
Expected employer contributions	64	21	109	194	218

Maturity profile of defined benefit obligation

The weighted average duration of the defined benefit obligation is 14.4 years.

Profit and Loss Impact

	SASS	SANCS	SSS	Total	Total
	2016	2016	2016	2016	2015
	\$'000	\$'000	\$'000	\$'000	\$'000
Current service cost	101	25	16	142	200
Net interest	(27)	(6)	222	189	215
Profit or loss component of the Defined Benefit Cost	74	19	238	331	415

Other Comprehensive Income

	SASS	SANCS	SSS	Total	Total
	2016	2016	2016	2016	2015
	\$'000	\$'000	\$'000	\$'000	\$'000
Actuarial (gains) losses on liabilities	34	15	4,102	4,151	1,375
Actual return on Fund assets less Interest income	(2)	(1)	(13)	(16)	(1,335)
Total remeasurement in Other Comprehensive Income	32	14	4,089	4,135	40

The Treasury

Notes to the Financial Statements
30 June 2016

15. Commitments for expenditure

	2016	2015
	\$'000	\$'000
Capital Commitments		
Aggregate capital expenditure contracted for at balance date and not provided for:		
Not later than one year	14,870	-
Later than one year and not later than five years	2,805	-
Later than five years	-	-
Total (including GST)	17,675	-
Operating Lease Commitments		
Future non-cancellable operating lease rentals not provided for:		
Not later than one year	9,276	8,797
Later than one year and not later than five years	41,019	38,598
Later than five years	52,379	55,144
Total (including GST)	102,674	102,539

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 2016 include input tax credits of \$10,940,800 (2015: \$9,322,000) which are recoverable from the Australian Taxation Office.

16. Contingent Liabilities and Contingent Assets

There are no contingent assets or liabilities as at the reporting date (2015: Nil).

17. Budget Review

Net result

The actual net result was a gain of \$19.2 million compared to a budget surplus of \$46.5 million. The variance of \$27.3 million is mainly due to funding requirements decreasing by \$42.2 million mainly due to the reprioritisation of project efforts to other areas within the Financial Management Transformation (FMT) project. Other variations include a \$5.6 million reduction in employee related expenses due to vacancies; \$1.6 million reduction in other operating expenses mainly due to lower combined consultancy/contractor spending; and higher recoupment of services provided to other agencies of \$6.0 million. The personal services revenue has been included in the budgeted amount for sale of goods and services. The increase in personnel services revenue of \$4.1 million is due to the actuarial losses on employee entitlements.

Assets and liabilities

Current assets increased by \$11.8 million due to an increase in cash of \$9.0 million predominately due to a draw down on reserves for expenses accrued but not paid. Current receivables are higher by \$2.7 million due to unplanned staff and consultancy services provided to other agencies.

Non-current assets decreased by \$25.4 million mainly due to the reprioritisation of works to other areas within the FMT project by \$29.7 million, partly offset by an additional \$4.1 million in receivables from the Long Service Corporation to cover actuarial adjustments for employee entitlements.

Current liabilities increased by \$13.4 million primarily due to \$9.0 million additional payables for general business accruals including corporate services \$1.6 million and FMT project work \$2.7 million. Employee provisions increased by \$4.5 million of which \$3.4 million was due to staff entitlements resulting from the Government Sector Employment Act 2013.

Non-current liabilities are greater by \$7.4 million mainly due to superannuation actuarial loss on defined benefit plans of \$4.1 million and a non-current rental expense payable costs of \$3.1 million which was not incorporated in the budget.

Cash flows

The net cash flows from operating activities decreased by \$21.6 million mainly due to a reduction of \$28.9 million in capital funding due to timing changes in FMT cash requirements.

The net cash flows from investing activities increased by \$29.7 million due to less capital expenditure on FMT.

The Treasury

Notes to the Financial Statements
30 June 2016

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

	Notes	2016 \$'000	2015 \$'000
Net cash used on operating activities		25,692	(10,026)
Depreciation and amortisation	2(c)	(3,303)	(2,727)
Increase / (decrease) in receivables		4,494	4,547
Increase / (decrease) in other current assets		-	(11,400)
Decrease / (increase) in provisions		(1,292)	3,247
Decrease / (increase) in payables and other liabilities		(6,400)	(658)
Net gain / (loss) on sale of plant and equipment		(6)	(368)
Net result		19,185	(17,385)

19. 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 the purpose of these accounts:

2016	Entertainment Industry Bond ⁽ⁱ⁾ \$'000	Public Trust ⁽ⁱⁱ⁾ \$'000
Opening cash balance	60	18
Receipts	-	56
Expenditure	-	(65)
Closing cash balance	60	9

Comparative information as at 30 June 2015

2015	Entertainment Industry Bond (i) \$'000	Public Trust (ii) \$'000
Opening cash balance	72	24
Receipts	6	16
Expenditure	(18)	(22)
Closing cash balance	60	18

- (i) Entertainment Industry bonds were 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. On 1 March 2014 this act was replaced by the *Entertainment Industry Act 2013* which no longer requires bonds. The balance in this account represents funds for clients whose addresses have not yet been confirmed.
- (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.

The Treasury

Notes to the Financial Statements
30 June 2016**20. 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.

2016	Unclaimed Wages ⁽ⁱ⁾ \$'000
Opening cash balance	193
Receipts	471
Expenditure	(259)
Closing cash balance	405

Comparative information as at 30 June 2015

2015	Unclaimed Wages (i) \$'000
Opening cash balance	12
Receipts	181
Expenditure	-
Closing cash balance	193

- (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.

21. 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.

(a) Financial instrument categories

Financial assets	Note	Category	Carrying Amount 2016 \$'000	Carrying Amount 2015 \$'000
Cash and cash equivalents	6	N/A	14,152	5,590
Receivables ⁽ⁱ⁾	7	Receivables (at amortised cost)	16,046	12,887
Financial liabilities	Note	Category	Carrying Amount 2016 \$'000	Carrying Amount 2015 \$'000
Payables ⁽ⁱⁱ⁾		Financial liabilities measured at amortised cost	15,117	4,037

The Treasury

Notes to the Financial Statements
30 June 2016

21. Financial instruments (continued)

- (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.

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.

(c) Liquidity risk

Liquidity risk is the risk that the entity will be unable to meet its payment obligations when they fall due. The entity continuously manages risk through monitoring future cash flows and maturities planning to ensure adequate holding of high quality liquid assets. The objective is to maintain a balance between continuity of funding and flexibility through the use of overdrafts, loans and other advances.

During the current and prior year, there were no defaults of loans payable. No assets have been pledged as collateral. The entity'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 2015–2016 year (2014–2015 \$nil).

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

Maturity Analysis	\$'000		Maturity Dates		
	Interest Rate Exposure	Nominal Amount	<1 yr	1 - 5 yrs	>5 yrs
	Weighted Average Effective Int. Rate				
2016					
Financial liabilities					
Creditors	-	15,117	15,117	-	-
2015					
Financial liabilities					
Creditors	-	4,037	4,037	-	-

The Treasury

Notes to the Financial Statements
30 June 2016

21. Financial instruments (continued)

(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	-1% Net Result	Equity	+1% Net Result	Equity
	\$'000	\$'000	\$'000	\$'000	\$'000
2016					
Financial assets					
Cash and cash equivalents	14,152	(142)	(142)	142	142
Receivables	16,046	-	-	-	-
Financial liabilities					
Payables	15,117	-	-	-	-
Total Increase / (decrease)		(142)	(142)	142	142
2015					
Financial assets					
Cash and cash equivalents	5,590	(56)	(56)	56	56
Receivables	12,887	-	-	-	-
Financial liabilities					
Payables	4,307	-	-	-	-
Total Increase / (decrease)		(56)	(56)	56	56

(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.

22. Events after the Reporting Period

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	2011-12	2012-13	2013-14	2014-15	2015-16
Employee engagement	Engagement scores in PSC People Matter survey and Treasury Pulse surveys	57% ¹	—	67%	61%	62%	68%
Advice on economic and fiscal strategies	Treasury's tax revenue estimation variation compared with that of other Treasuries	NSW ≤ Other states	NSW 0.5% Others -1.9%	NSW -0.6% Others 2.0%	NSW 3.5% Others 1.8%	NSW 2.2% Others 0.3%	NSW 4.2% Others -0.6
	Treasury's economic forecasting variation compared with that of other Treasuries	NSW ≤ Other states	NSW 0.3% ² Others 1.4% ²	NSW 0.3% ² Others 1.0% ²	NSW 0.6% ² Others 0.9% ²	NSW 0.5% Others 0.9%	NSW n/a Others n/a
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% All 84%	SOCs 100% All 79%	SOCs 100% All 68%	SOCs 100% All 50%	SOCs 100% All 79% ³
	Deviation of actual government business dividend and tax equivalent payments from budget estimate	≤ ±10%	+17.8% ⁴	+11.9%	+4.9%	+3.0%	-12.8%
Treasury financial performance	Treasury's actual net cost of services to be less than or equal to its budget allocation	≤ 100%	99%	91.4%	96.7%	137%	90.1%
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 ⁵	100% by June 2030	64.7%	69.1%	72.4%	75.6%	69.4%
Improved efficiency and effectiveness of expenditure	Maintain expense growth below long-term revenue growth ⁶	Growth below average revenue growth of 5.6%	5.9%	4.9%	4.2%	4.2%	4.0%

1. ORC Global Public Sector Benchmark for engagement.
2. Revised due to historical revisions to actual outcomes by the ABS.
3. Lower percentage driven by machinery of government changes, planned reforms and restructures which have impacted on businesses required to undertake SBIs.
4. Excludes variances due to non-cash notional payments.
5. The target of fully funding the superannuation liability by 2030 under the *Fiscal Responsibility Act 2012*, is calculated under the AAS 25.
6. The target of 5.6 per cent is as prescribed in the Fiscal Responsibility Regulation 2013.

Senior Executive grades and remuneration

Senior executives	2014-15		2015-16	
	Female	Male	Female	Male
Executive Band 4	-	1	-	1
Executive Band 3	3	4	3	6
Executive Band 2	4	8	6	12
Executive Band 1	41	63	46	70
Total	48	76	55	89
	124		144	

Executive – average remuneration	2014-15	2015-16
Executive Band 4 (Secretary)	\$497,276	\$550,000
Executive Band 3 (Deputy Secretary)	\$375,504	\$416,217
Executive Band 2 (Executive Director)	\$274,625	\$288,876
Executive Band 1 (Director)	\$174,000	\$178,011

Note: The senior executive remuneration incorporates Treasury Technical Officers. There were no performance-related incentive payments made in 2015-16.

For the reporting period of 2015-16 senior executives' monetary remuneration and the value of employment benefits paid represented 41.09 per cent of NSW Treasury's salaries-related expenses. In the previous 2014-15 year this figure was 39.81 per cent.

Human Resources statistics

In June 2016 Treasury had 470.70 full-time equivalent (FTE) staff. This equates to a headcount of 502 staff. The second table below shows the number of FTE staff working in each of Treasury's Groups during 2015-16. 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.

Staff profile	June 15	June 16
Full time equivalent (FTE)	442	471
Total EEO respondent to Ethnicity	322	341
Total EEO respondent to Language	339	328
Total EEO respondent to Disability	327	335
Total EEO respondent to Aboriginality	-	336

Note: Data at census date

Full-time equivalent staff by Group	June 15	June 16
Full time equivalent (FTE)	442.28	470.70
Fiscal and Economic	174.39	177.67
Agency Budget and Strategy	107.57	106.41
Commercial	57.80	58.55
Financial Risk and Governance	-	9.00
Industrial Relations	60.20	61.20
Corporate	36.31	52.87
Internal Audit	3.00	3.00
Office of the Secretary	3.00	2.00

Note: Data at Census Date

APPENDICES

Staff by age		
Age range	2014-15	2015-16
20 - 24 years	13	16
25 - 29 years	74	83
30 - 34 years	72	87
35 - 39 years	61	58
40 - 44 years	48	57
45 - 49 years	57	57
50 - 54 years	56	62
55 - 59 years	46	45
60+ years	44	37

Note: Data at Census Date

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	1.36
Clerk Grade 5-6	6	4.05
Clerk Grade 7-8	8	4.50
Clerk Grade 9-10	10	6.59
Clerk Grade 11-12	11	5.95

Note: Data at Census Date

a. Trends in the representation of workforce diversity groups				
EEO Group	Benchmark/ target	2014	2015	2016
Women	50.0%	52.9%	54.8%	52.5%
Aboriginal people and Torres Strait Islanders	2.6%	1.1%	1.1%	0.7%
People whose first language was not English	19.0%	28.0%	26.2%	29.1%
People with a disability	NA	2.6%	2.7%	1.74%
People with a disability requiring work-related adjustment	1.5%	0.6%	0.3%	0.3%

b. Trends in the in the distribution of workforce diversity groups				
EEO Group	Benchmark/ target	2014	2015	2016
Women	100	94	94	82
Aboriginal people and Torres Strait Islanders	100	NA	NA	NA
People whose first language was not English	100	91	93	99
People with a disability	100	NA	NA	98
People with a disability requiring work-related adjustment	100	NA	NA	NA

The statistics above are based on staff numbers as at 30 June 2016 and do not include casual staff.

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In Table b on the previous page, 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.

Workforce diversity and inclusion

To achieve our vision of becoming world class, we need to draw on a diversity of thought, background and experience. The stronger the level of diversity and inclusion within NSW Treasury the greater our ability to integrate differing points of view and enable higher levels of productivity, flexibility, creativity and innovation.

Our commitment to increasing diversity and inclusiveness is embedded into our highest priority strategic goal: Goal 1: Be sought after for the quality of our people and our advice. Through this goal, we will continue building a culture of highly engaged, diverse and talented people. A culture where our people are respected and valued for the unique contribution they make in delivering better outcomes for the people of NSW.

Disability inclusion action plan

Each aspect of diversity and inclusion is equally important and overtime NSW Treasury will ensure our workforce and organisational practices are inclusive for everyone regardless of gender, ethnicity, generation, work status, sexual orientation and disability. Establishing and operationalising the Disability Inclusion Action Plan as an initial priority will form the basis for developing a broader Diversity & Inclusion Strategy.

Proactive work health and safety risk management

NSW Treasury prioritises the health, safety and well-being of all staff, contractors and visitors while undertaking work for, or on, its premises. NSW Treasury focuses on the commitment to fostering relationships with senior managers and employees to work together to identify and resolve safety issues within the workplace. Key achievements during the 2015-16 year included:

NSW Treasury requested self-nominations to appoint new members to the work health and safety committee. The response to this was very encouraging and after elections 6 new Health and Safety representatives were appointed plus a new management representative. The committee meet on a monthly basis and discussions focus around incidents and hazards, new initiatives, and a key learning piece that the group want to discuss each meeting.

Treasury continue to have 22 certified first aid officers covering all levels that Treasury occupy. These officers take part in regular training to ensure that they have the most recent information in the event of an emergency.

Workplace health and safety incidents and assessments

The decrease in reported workplace incidents can be attributed Treasury's agile environment with sit/stand desks and new technologies. NSW Treasury continue to offer existing and new staff the opportunity to receive an ergonomic assessment to ensure they understand how to set up their workstation each day. This assessment is carried out by Ergoworks who provide Human Resources with a detailed assessment of the individual's workstation, plus any additional tools/resources that need to be purchased in order for the individual to be comfortable at work.

Government Information (Public Access)

Accessing information held by NSW Treasury

Information held by NSW Treasury is made available in a variety of ways, including publishing information on Treasury's website. This is consistent with the provisions and principles of the *Government Information (Public Access) Act 2009* (GIPA Act).

Treasury's Agency Information Guide is updated regularly and available on Treasury's website. It describes the structure and functions of Treasury, how Treasury's functions affect the public, lists information that is freely available and contact details for accessing other information that is also 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 are available on Treasury's website at http://www.treasury.nsw.gov.au/right_to_information. Further assistance can also be provided by emailing your query to gipa@treasury.nsw.gov.au.

Review of proactive release program

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 considering the kind of information held by Treasury that may be suitable for proactive release in addition to reviewing documents published on Treasury's intranet and considering specific information requested under formal GIPA applications. Following the review of information, an assessment is made as to whether there are any public interest considerations against disclosure of the information, whether consultation is required, and whether this would impose unreasonable costs to the Treasury.

During the 2015-16 reporting period NSW Treasury proactively released a range of information including Half-Yearly Review of State Finances and Reports on State Finances; Weekly Economic Calendars; Weekly Market and Economics Roundup; reviews of economic data and working publications used by NSW Treasury for monitoring and analysis purposes; and internal guidelines and procedures.

Number of access applications received

During the reporting period, Treasury received 30 formal access applications under the GIPA Act, including withdrawn applications but not invalid applications.

Number of refused applications for Schedule 1 information

During 2015-16 a total of 11 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 four applications were refused in full and seven applications 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	0	0	0	0	0	0	0	0
Members of Parliament	5	5	4	0	2	0	0	0
Private sector business	1	0	1	0	0	0	0	0
Not for profit organisations or community groups	0	0	0	3	0	1	0	0
Members of the public (application by legal representative)	0	0	0	0	0	0	0	0
Members of the public (other)	2	2	0	1	1	0	0	0

*More than one decision can be made in respect of a particular access application. If so, a recording 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**	0	0	0	0	0	0	0	0
Access applications (other than personal information applications)	8	7	5	4	3	1	0	0
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)	1
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	1
Invalid applications that subsequently became valid applications	1

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	9
Executive Council information	0
Contempt	2
Legal professional privilege	0
Excluded information	1
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	2
Law enforcement and security	0
Individual rights, judicial processes and natural justice	0
Business interests of agencies and other persons	2
Environment, culture, economy and general matters	0
Secrecy provisions	0
Exempt documents under interstate Freedom of Information legislation	0

Table F: Timelines

	Number of applications
Decided within the statutory timeframe (20 days plus any extensions)	16
Decided after 35 days (by agreement with applicant)	8
Not decided within time (deemed refusal)	2
Total	26

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	0	0	0
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	0	1	1

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

	Number of applications for review
Applications by access applicants	0
Applications by persons to whom information the subject of access application relates (see section 54 of the Act)	1

Table I: Applications transferred to other agencies under Division 2, Part 4 of the Act (by type of transfer)

	Number of applications transferred
Agency-initiation transfers	1
Applicant-initiated transfers	1

Public interest disclosures

All staff have a responsibility to report suspected wrongdoing, including corruption; maladministration; serious and substantial waste of public money; and breaches of the *Government Information (Public Access) Act 2009* (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 maintains a Public Interest Disclosures Internal Reporting Policy for the Management of Public Interest Disclosures, which is consistent with the NSW Ombudsman’s model policy. 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 on Treasury’s intranet and is also published on the Treasury website.

The Secretary of NSW Treasury has ensured that staff 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 (described by the NSW Ombudsman’s office as the “some of the strongest language in support of the PID Act by any agency”).
- Maintenance of a Public Interest Disclosures portal on Treasury’s intranet providing staff with guidance material and links to additional external and internal PID resources.
- Facilitation of the NSW Ombudsman’s online training program accessed through Treasury’s intranet for all staff.
- Provision of training for new staff as part of the induction program.
- Online training program made available to all staff;
- Publication of a plain English brochure advising staff how to make a public interest disclosure and publishing this information on the intranet.
- Display of promotional posters that outline ‘How to report wrongdoing in 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 2015 to 30 June 2016:

Section 4 of the Public Interest Disclosures Regulation 2011:	
No of public officials who made public interest disclosures to NSW Treasury	2*
No of public interest disclosures received by NSW Treasury	3*
Of public interest disclosures received, how many were primarily about:	
Corrupt conduct	0
Maladministration	1
Serious and substantial waste	1
Government information contravention	1
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.

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 2016. The updated Privacy Management Plan is published on both the Treasury intranet and website.

Treasury employees are informed and educated with respect to the privacy legislation and its requirements through online privacy training modules, face-to-face training sessions and advice provided through the designated Privacy Officer.

Employees are also alerted to privacy requirements through the Privacy Guidelines on Treasury's Privacy intranet page, which provides a detailed summary of the privacy legislation; definition of personal information; details on the protection principles and links to online privacy training and other useful resources.

As a component of the induction program, new employees joining Treasury are briefed on their obligations under the PPIP Act in relation to the handling of personal information.

Additional information about how the department manages its obligations under the PPIP Act is available at www.treasury.nsw.gov.au/About_Us/privacy. Further information and assistance can be provided by emailing the Privacy Officer at gipa@treasury.nsw.gov.au.

Overseas visits

Advanced Management Program

Deputy Secretary Fiscal and Economic, Maryanne Mrakovcic, travelled to Singapore from 29 February 2016 to 25 March 2016 to participate in the INSEAD Advanced Management Program. This leadership course is designed to help leaders build judgement, challenge pre-existing assumptions, build confidence and is based on practical insights. The cost of travel and accommodation was funded by NSW Treasury.

Sydney Metro City and Southwest international delegation

Executive Director, Agency, Budget and Policy Partnerships, Matt Roberts, travelled from 18 to 23 April 2016 to France, Amsterdam and the United Kingdom on behalf of the NSW Government to participate in the Sydney Metro City and Southwest International delegation inspection. Mr Roberts travelled with one of our key partners, Transport for NSW, engaging with key stakeholders and inspecting the large and complex metro infrastructure projects in the international cities visited. The delegation included representatives from Transport for NSW which included the Sydney Metro team. The cost of travel and accommodation was funded by NSW Treasury.

Commercial transactions

Executive Director Transactions in Commercial Group, Philip Gardner, travelled to Toronto and London with representatives from the Department of Land and Property Information and advisers from 9 to 16 June 2016. The delegation met with potential investors in the LPI concession, as well as to meet with regulators overseeing existing private sector operators of land title and registry businesses. Mr Gardner's costs for travel and accommodation were met by NSW Treasury.

APPENDICES

International Public Sector Accounting Standards

Executive Director Fiscal Estimates & Financial Reporting in Fiscal and Economic Group, Karen Sanderson, travelled to Toronto from 18 to 22 June 2016 to attend the International Public Sector Accounting Standards Board (IPSASB) Consultative Advisory Group. Ms Sanderson was the Australian participant on the Group. The IPSASB is an independent standard-setting board that develops high-quality International Public Sector Accounting Standards, guidance and resources for use by public sector entities around the world for general purpose financial reporting. The IPSASB Consultative Advisory Group meets twice a year. One of these meetings is funded by the Australian Accounting Standards Board. The cost of travel and accommodation was funded by NSW Treasury.

Government Resources Efficiency Policy

NSW Treasury supports the Government Resources Efficiency Policy. In our facilities planning, Treasury incorporates resource efficiencies; focuses on the challenge posed by rising costs of energy, water and waste management; and carries out the procurement of resource efficient technology and services.

Treasury's modern office design at 52 Martin Place embraces an agile working environment with employees transitioned from desktop computers to laptops. This has resulted in efficiencies including reducing electricity consumption by approximately 10 per cent over the reporting period. In addition the new Martin Place office design fitout has a 4.5 star energy rating that is an increase from the 4.0 star rating in the former GMT premises. This increased energy rating has further reduced electricity and water consumption.

A number of other initiatives have been introduced over the past year to lower electricity consumption further. These initiatives include the reprogramming of afterhours lighting sensors to shorten activation times and the removal of excess or under-utilised electrical appliances.

Our offices also have a waste management and recycling strategy. Treasury is working collaboratively with building management to implement a revised waste management strategy to introduce monitoring and reporting to further reduce major waste streams.

Credit (purchasing) card certification

Treasury's Credit (Purchasing) Card Policy is available on the intranet. The policy outlines requirements for the issue, purpose, restrictions and administration of card usage. The rules are consistent with the Government Policy as outlined in the Treasurer's Directions and State Government Circulars.

In accordance with Treasurer's Direction 205.01, it is certified that the credit card usage by officers of Treasury has complied with Government requirements.

Funds granted to non-government community organisations

During 2015-16 NSW Treasury administered grants to – Australian Accounting Standards Board; Queensland University of Technology; and Council of Social Service of NSW.

Australian Accounting Standards Board

The grant to the Australian Accounting Standards Board (AASB) was for the NSW share of combined funding paid by each Australian State and Territory to the AASB over the three years from 1 July 2016 to 30 June 2019. The total funding is \$500,000 per annum, of which the NSW share is \$169,100 per annum and this payment was made in 2015-16. The funding was provided on the condition the AASB continues to include acceptable coverage of public sector accounting issues in its work program and that all other States and Territories support the allocation.

Queensland University of Technology

In 2015-16 NSW Treasury provided \$20,000 to the Queensland University of Technology. This grant funded researching opportunities for government to increase the value of money outcomes of its infrastructure expenditure and provide a valuable opportunity to understand costs and performance of an infrastructure asset over the longer term.

APPENDICES

Council of Social Service of NSW

NSW Treasury paid a grant of \$45,454.54 to Council of Social Service of NSW to provide sponsorship for an event supporting growth in the NSW social impact investment market.

Operating expenditure

In 2015-16 Treasury's total expenses increased by \$6.9 million to \$118.0 million. This was primarily as a result of the continuation of the Financial Management Transformation program within Treasury and across the NSW public sector. See page 35 for details on the FMT program.

The table below provides a history of Treasury's net cost of services (NCS) to Budget.

Benchmark ≤ 100%	2011-12 actual	2012-13 actual	2013-14 actual	2014-15 actual	2015-16 actual
% of Actual NCS to Budget	99.0%	91.4%	96.7%	99.4%	93.8%

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.

Accounts Payable performance 2015-16

NSW Treasury outsources financial services including processing payment of accounts. During 2015-16, ServiceFirst, a business unit of the Department of Finance, Services and Innovation, provided these services until mid-December 2015. From December 2016 until 30 June 2016 Treasury's financial services were provided by InfoSys (GovConnectNSW). The financial services included under Treasury's service agreement with the external providers includes the payment processing of tax invoices after these invoices have been certified and approved for payment by delegated Treasury officers.

During 2015-16 there were no instances where penalty interest was paid (as per Clause 13 of the Public Finance and Audit Regulation 2015). There were, however, a number of instances where delays resulted in Treasury not paying some tax invoices on time. The reasons for these delays included: disputed tax invoices where the date of replacement invoices noted only the original tax invoice date; part delivery of goods/services where it is necessary to wait for full delivery of procurement before payment could be made; delay in the invoice approval process; general errors in invoice information or tax invoices were incorrectly redirected and invoices misplaced by the outsource service provider. In most cases these issues were resolved and accounts were paid correctly.

Table: Outstanding invoices by timeframe at the end of each quarter

Quarter	Less than 30 days overdue \$	Between 30 days and 60 days overdue \$	Between 60 days and 90 days overdue \$	More than 90 days overdue \$
September 2015	497,474.31	151,225.34	35,420.00	3,119.79
December 2015	604,833.15	237,821.33	22,904.78	45,127.51
March 2016	606,314.74	83,552.37	2,353.43	76,010.36
June 2016	261,350.00	133,285.00	44,192.00	28,536.00

Table B: Accounts paid on time at the end of each quarter

Quarter	Target by number %	Actual by number %	Value paid on time \$	Total amount paid \$
September 2015	88	90	9,882,176.41	10,569,415.85
December 2015	88	91	9,101,218.27	10,011,905.04
March 2016	88	94	11,471,625.68	12,239,856.58
June 2016	88	89	23,530,030.79	23,997,393.56

Expenditure on consultants

Consultant	Project Description	Amount (excl GST) \$
Consultants costing \$50,000 or more		
Finance and Accounting/Tax		
PwC	Gap Analysis, which will deliver the high level design and detailed requirements for the subsequent implementation phase of the Prime Financial Management Transformation (FMT) project.	3,224,126.00
PwC	Provide the exChange capability and stakeholder engagement expertise while arrangements for transitioning from Gap Analysis to the build phase of Prime are finalised.	295,530.00
O'Connor Marsden & Associates Pty Ltd	Probity services on the building and implementation of the FMT project.	52,432.50
Norton Crumin and Associates	Strategic change management providing advice, support and coaching including responding to results of health checks conducted on FMT.	235,200.00
Third Horizon Consulting Pty Ltd	Assurance audit reviews of the FMT project.	72,690.87
MIP (Aust) Pty Ltd	Support the detailed design phase of Prime implementation creating a common information model to underpin the solution's data architecture.	165,000.00
Deloitte Touche Tohmatsu	Review Treasury Gateway policy framework.	72,500.00
KPMG	Advice on the establishment of a proposed special purpose fund.	77,735.90
PwC	Implementation for the Prime project and associated services.	5,243,050.98
CIPFA Business Ltd	Pilot capability review process on the Treasury and two line agencies.	70,336.15
Boston Consulting	Editorial advice and commentary in finalising the 2016-17 Intergenerational Report (IGR).	150,000.00
Urbis Consulting	Evaluation of one of the two pilot social impact investment bonds in NSW.	74,096.36
PwC	Functional Specification phase of Prime.	535,605.00
Deloitte Touche Tohmatsu	Independent advice on the strategic management of Treasury's relationship with the system integrator and on other aspects of the FMT project.	347,222.73
Deloitte Touche Tohmatsu	Support to agencies to meet their FMT implementation requirements.	749,483.25
PwC	Acceptance certificates for various technical specifications for Prime implementation and associated services as part of the FMT project.	1,645,070.00
PwC	Advice on the accounting and financial implications for the State on various options being considered as part of the ownership and governance review for City West Housing Pty Ltd.	71,400.00
SenateSHJ	Development of the communications and engagement plan to support the Government's Emergency Services Levy Reform and related support for the Treasury and key external Project stakeholders.	124,404.00

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Consultant	Project Description	Amount (excl GST) \$
Consultants costing \$50,000 or more		
Economic Services		
PwC	Assisting the development of a baseline for Water NSW's FY16 financial performance and to assist in undertaking a capital structure review of the business.	73,787.04
Famey	Supporting the development of the social impact investment Outcomes Measurement Framework, this work aimed to find ways to deliver improved outcomes with greater cost-effectiveness and sustainability of resources.	60,000.00
Ernst & Young	Obtain relevant information and opinions from key market participants to inform the potential for land or property contributions to the SAHF.	111,712.62
Paxon Group	Joint project between Treasury and INSW to review ways in which we currently conduct school infrastructure procurement and if there is an alternative.	75,000.00
Acil Allen	A review of the Benevolent Society Social Benefit Bond, with the objective of understanding the bonds arrangements and how best to optimise these to achieve the NSW Government's Principles for Social Impact Investment.	119,696.00
Boston Consulting Group	To support elements of a review of the School Assets Strategic Plan 2031 (SASP) to meet expected increased demand for government schools to 2031.	127,500.00
Information Technology		
Enterprise Architects Pty Ltd	Developed the ICT Strategic Roadmap and the Information Management Strategic Roadmap.	177,125.00
Organisational Review		
System Partners	Designed and Implemented the first phase of the Commercial Contract Management Solution on the Salesforce platform.	132,464.06
Subtotal		14,083,168.46
Consultants costing less than \$50,000		
Finance and Accounting/Tax	11 projects	208,433.00
Economic Services	18 projects	274,860.24
Information Technology	2 projects	39,000.00
Organisational Review	7 projects	138,788.28
Subtotal 38 projects		661,081.52
Total Expenditure on Consultants		14,744,249.98

Treasury Circulars 2015-16

Title	Circular Number	Date
Managing public private partnership (PPP) contracts	TC15-16	25/08/2015
Industrial Relations: Review of meal, travelling and other allowances	TC15-17	28/08/2015
Small agency annual reporting	TC15-18	03/09/2015
Providing electronic copies of annual reports to Parliament	TC15-19	01/12/2015
Industrial Relations: Rostered days off for 2016 for employees covered by the Crown Employees (Skilled Trades) Award	TC15-20	02/12/2015
Mandatory early close procedures for 2015-16	TC16-01	05/01/2016
Mandates of options and major policy decisions under Australian Accounting Standards	TC16-02	08/02/2016
Industrial Relations: Managing accrued recreation leave balances	TC16-03	22/02/2016
Industrial relations: notional salary 2016-17	TC16-04	20/04/2016
Commencement of legal proceeding for recovering debts	TC16-05	22/04/2016
Agency guidelines for the 2015-16 mandatory annual returns to Treasury	TC16-06	31/05/2016
Industrial Relations: Crown Employees (Public Sector – Salaries 2016) Award	TC16-07	24/06/2016
Industrial Relations: Crown Employees Wages Staff (Rates of Pay) Award 2016	TC16-08	27/06/2016

Treasurer's legislation — list of legislation

Treasury administers for 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 2015 No 9
- Appropriation Act 2016 No 30
- Appropriation (Budget Variations) Act 2015 No 11
- Appropriation (Parliament) Act 2015 No 10
- Appropriation (Parliament) Act 2016 No 31
- 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
- Betting Tax Act 2001 No 43, jointly with the Minister for Finance, Services and Property
- Canberra Advance Bank Limited (Merger) Act 1992 No 17
- Capital Debt Charges Act 1957 No 1
- Coal and Oil Shale Mine Workers (Superannuation) Act 1941 No 45
- Commonwealth Powers (State Banking) Act 1992 No 104
- Conversions of Securities Adjustment Act 1931 No 63
- Decimal Currency Act 1965 No 33
- Duties Act 1997 No 123, jointly with the Minister for Finance, Services and Property
- Electricity Generator Assets (Authorised Transactions) Act 2012 No 35
- Electricity Network Assets (Authorised Transactions) Act 2015 No 5
- Electricity Retained Interest Corporations Act 2015 No 6
- Emergency Services Levy Insurance Monitor Act 2016 No 23
- 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
- First State Superannuation Act 1992 No 100
- Fiscal Responsibility Act 2012 No 58
- Freight Rail Corporation (Sale) Act 2001 No 35
- Gaming Machine Tax Act 2001 No 72, Part 3, jointly with the Minister for Finance, Services and Property (remainder, jointly with the Minister for Finance, Services and Property and the Minister for Racing, except Part 4 and Schedule 1, the Minister for Racing)
- 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, Services and Property)
- Health Insurance Levies Act 1982 No 159, jointly with the Minister for Finance, Services and Property

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- Inscribed Stock Act 1902 No 79
- Inscribed Stock (Issue and Renewals) Act 1912 No 51
- Insurance Protection Tax Act 2001 No 40, jointly with the Minister for Finance, Services and Property
- Intergovernmental Agreement Implementation (GST) Act 2000 No 44
- Internal Audit Bureau Act 1992 No 20, jointly with the Minister for Finance, Services and Property
- Land Tax Act 1956 No 27, jointly with the Minister for Finance, Services and Property
- Land Tax Management Act 1956 No 26, jointly with the Minister for Finance, Services and Property
- Local Government and Other Authorities (Superannuation) Act 1927 No 35
- New South Wales Retirement Benefits Act 1972 No 70
- NSW Grain Corporation Holdings Limited Act 1992 No 31
- NSW Lotteries (Authorised Transaction) Act 2009 No 60
- Parliamentary Budget Officer Act 2010 No 83
- Parliamentary Contributory Superannuation Act 1971 No 53
- Payroll Tax Act 2007 No 21, jointly with the Minister for Finance, Services and Property
- Payroll Tax Deferral (BlueScope Steel) Act 2015 No 68, jointly with the Minister for Finance, Services and Property
- Police Association Employees (Superannuation) Act 1969 No 33
- Police Regulation (Superannuation) Act 1906 No 28
- Ports Assets (Authorised Transactions) Act 2012 No 101
- Public Authorities (Financial Arrangements) Act 1987 No 33
- Public Authorities Superannuation Act 1985 No 41
- 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
- State Authorities Non-contributory Superannuation Act 1987 No 212
- State Authorities Superannuation Act 1987 No 211
- 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
- State Owned Corporations Act 1989 No 134, section 37B (remainder, the Premier)
- State Public Service Superannuation Act 1985 No 45
- Superannuation Act 1916 No 28
- Superannuation Administration Act 1996 No 39
- Superannuation Administration Authority Corporatisation Act 1999 No 5
- Superannuation (Axiom Funds Management Corporation) Act 1996 No 40
- Superannuation Administration Corporation (Pillar) (Authorised Transaction) Act 2016 No 19
- Taxation Administration Act 1996 No 97, jointly with the Minister for Finance, Services and Property
- Totalizator Act 1997 No 45, section 76 (remainder, the Minister for Racing)
- Totalizator Agency Board Privatisation Act 1997 No 43
- Transport Employees Retirement Benefits Act 1967 No 96
- 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 No 31
- Broken Hill Trades Hall Site Act of 1898 No 31
- Building and Construction Industry Long Service Payments Act 1986 No 19
- Coal Industry (Industrial Matters) Act 1946 No 44
- Contract Cleaning Industry (Portable Long Service Leave Scheme) Act 2010 No 122
- Employment Protection Act 1982 No 122
- Entertainment Industry Act 2013 No 73
- Essential Services Act 1988 No 41 (except parts, the Premier)
- Government Sector Employment Act 2013 No 40, Part 4, Division 6, jointly with the Premier (remainder, the Premier)
- Hairdressers Act 2003 No 62
- Industrial Relations Act 1996 No 17 (except parts, the Attorney General)
- Industrial Relations Advisory Council Act 2010 No 76
- 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
- Long Service Corporation Act 2010 No 123
- Long Service Leave Act 1955 No 38
- Long Service Leave (Metalliferous Mining Industry) Act 1963 No 48
- Public Holidays Act 2010 No 115
- Retail Trading Act 2008 No 49

Treasurer's legislation — changes during 2015-16

New Acts

Appropriation Act 2016 No 30

Appropriation to Departments and Special Offices

An Act to appropriate from the Consolidated Fund sums various sums of money required during the 2016-17 financial year for the services of the Government, including:

- a. the principal departments
- b. various special offices.

The Act appropriates a single sum for the services of each agency comprising recurrent services, capital works and services and debt repayment.

The Consolidated Fund largely comprises receipts from, and payments out of, taxes, fines, some regulatory fees, Commonwealth grants and income from Crown assets.

The amount appropriated for the Departments for the recurrent services and capital works and services for the financial year 2016-17 is \$65,567,498,000.

The amount appropriated for the Special Offices for the recurrent services and capital works and services for the financial year 2016-17 is \$377,559,000.

Additional appropriation for health related services

The Act for the 2016-17 financial year also 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 additional appropriation for the Minister for Health and Minister for Medical Research amounts to \$340,592,310 with this being part of the revenue raised from gaming machine taxes.

Commonwealth Transfer Payments

The Act for the 2016-17 financial year also contains provision for transfer payments from the Commonwealth to non-Government schools and local government.

The amount appropriated for transfer payments of \$4,155,707,000.

Budget Variations for 2014-15

The Appropriation Act 2016 also appropriates additional amounts from the Consolidated Fund for recurrent services and capital works and services for 2014-15 for the purpose of giving effect to certain budget variations required by exigencies of government.

The additional amount appropriated for 2014-15 is \$77,709,000 in adjustment of the vote 'Advance to the Treasurer'.

Assented to on 28 June 2016.

Appropriation (Parliament) Act 2016 No 31

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 2016-17.

The amount appropriated for 2016-17 is \$146,816,000.

Assented to on 28 June 2016.

APPENDICES

Emergency Services Levy Insurance Monitor Act 2016 No 23

This Act provides protection for those taking out property insurance from price exploitation, and from false or misleading conduct in relation to the emergency services levy reform.

It provides for the appointment and functions of an Emergency Services Levy Insurance Monitor to prevent prohibited conduct, while giving the Insurance Monitor penalty-raising powers where such conduct does occur.

Assented to on 7 June 2016.

Superannuation Administration Corporation (Pillar) (Authorised Transaction) Act 2016 No 19

The Act authorises the transfer to the private sector of assets, rights and liabilities relating to the Superannuation Administration Corporation (a statutory State owned corporation trading under the name Pillar Administration).

To ensure that the interests of Pillar employees and the Illawarra are protected, the Act has detailed provisions dealing with the transfer of Pillar employees and their rights and entitlements on transfer, including a 2-year employment guarantee period, and requires the new private sector owner of the Pillar assets to give a regional commitment to the Illawarra region for at least 10 years after completion of the transaction.

Assented to on 19 May 2016.

New regulations

Annual Reports (Departments) Regulation 2015 / Annual Reports (Statutory Bodies) Regulation 2015

The Annual Reports (Departments) Regulation 2015 and the Annual Reports (Statutory Bodies) Regulation 2015 repealed and replaced equivalent 2010 Regulations that were due for staged repeal under the *Subordinate Legislation Act 1989* on 1 September 2015. There were no substantive changes from the 2010 Regulations.

Public Finance and Audit Regulation 2015

The *Public Finance and Audit Regulation 2015* repealed and replaced an equivalent 2010 Regulation that was due for staged repeal under the *Subordinate Legislation Act 1989* on 1 September 2015. The Public Finance and Audit Regulation 2015 included the following changes from the 2010 Regulation:

- updated the Regulation's schedule that lists audits performed by the Auditor-General, and
- prescribed each statutory State Owned Corporation listed in schedule 5 to the *State Owned Corporations Act 1989* as an entity that could pay dividends under the *Public Finance and Audit Act 1983*.

All other requirements were substantively brought forward from the equivalent 2010 Regulation.

Other regulations under the Public Finance and Audit Act 1983

Minor changes were made to the *Public Finance and Audit Act 1983* to keep the Act's schedules of applicable departments and statutory bodies current. In addition, minor changes were made to the *Public Finance and Audit Regulation 2015* to keep the Regulation's schedule that lists audits performed by the Auditor-General current.

Financial and annual reporting legislation

Exemptions and variations from reporting requirements under acts and regulations

Agency	Applicable Financial Year(s)	Exemption/Variation	Reasons(s) for request
SAS Trustee Corporation	2014-15	Exempted the Corporation from the Financial Reporting Code for the 2014-15 financial year.	The Financial Reporting Code specifies disclosures for agencies funded by appropriation or grant. However, the Corporation is self-funded.
Wayahead Pty Limited	2015	Determination that the Company is not required to prepare a final financial report.	The Company never traded and had no assets. It was wound up in July 2015.
UNE Health Pty Ltd and UNE Open Pty Ltd	2015	Relieved both Companies from the requirement to prepare a final financial report.	Both Companies were deregistered during 2015. Neither of these Companies traded during 2015.
SAS Trustee Corporation	2015-16	Exemption the Corporation from the Financial Reporting Code for 2015-16 and future financial years.	The Corporation's results are immaterial to the State and it already makes disclosures consistent with other professional trustees.
Rouse Hill Hamilton Collection Pty Limited	2015	Determination that the Company is not required to prepare a final financial report.	The Company was wound up in July 2015.
NSW Self Insurance Corporation and Workers Compensation (Dust Diseases) Authority	2015-16	Exempted the Corporation from the Financial Reporting Code for 2015-16 and future financial years.	To permit both the Corporation and the Authority to report on the same basis as other insurance industry entities.
Port Kembla Corporation and Sydney Ports Corporation	2015-16	Relieve both Corporations from the requirement to prepare a final financial report.	Neither Corporation held assets or liabilities at any time during the period. In addition, neither Corporation entered any transactions during the period.
Networks NSW Pty Limited	2015-16	Relieved the Company from the requirement to prepare further financial reports.	The Company has applied for deregistration. In addition, the Company did not trade at any time during the period and held only 12 cents in assets.
Transport for NSW	2015-16	Exempted Transport for NSW from the Financial Reporting Code requirement to classify all expenses and all revenues based on their nature.	To permit disclosure of certain financial information by function as permitted by AASB 101 Presentation of Financial Statements.
Scientia Clinical Research Limited	2015-16	Extended the Company's first reporting period from 21 July 2015 (the date of its incorporation) to 31 December 2016.	The Company was incorporated in July 2015 but did not trade until after 31 December 2015.

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Extensions of time granted to reporting dates under acts and regulations:

1. To submit financial reports

Agency	Applicable Financial Year(s)	Extension	Reasons(s) for request
TransGrid	2015	Extended TransGrid's deadline to submit its final financial report prepared as a State Owned Corporation by four weeks.	Potential complexities that may result from the final financial reporting period ending part-way through a calendar month. Relevant parties being unavailable during the Christmas and New-Year period.
Westconnex Delivery Authority	2015	Extended the Authority's deadline to submit its final financial report by two weeks.	Additional time required to reconcile and finalise accounts.

2. To submit annual reports

Agency	Applicable Financial Year(s)	Extension	Reasons(s) for request
Trade and Investment, Regional Infrastructure and Services	2014-15	Extended the Department's deadline to submit its annual report by three months to 31 January 2016.	To permit the inclusion of information for the Murray Darling Basin Authority Joint Ventures - which are audited by the Australian National Audit Office.
Internal Audit Bureau	2014-15	Extended the Bureau's deadline to submit its annual report by two months to 31 December 2015.	To permit inclusion of the Bureau's 2014-15 audited financial report into its 2014-15 annual report.

Abbreviations and acronyms

AASB	Australian Accounting Standards Board
ABS	Australian Bureau of Statistics
CGC	Commonwealth Grants Commission
COAG	Council of Australian Governments
DPC	Department of Premier and Cabinet
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
ICT	Information and Communication Technology
IMS	Information management systems
IPART	Independent Pricing and Regulatory Tribunal
NCOS	Net cost of services
NDIS	National Disability Insurance Scheme
NHRA	National Health Reform Agreement
OH&S	Occupational Health and Safety
PAFA	Public Authorities (Financial Arrangements) Act 1987
PF&A	Public Finance and Audit Act 1983
PPIP	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
SES	Senior Executive Service
SOC	State Owned Corporation
TCorp	NSW Treasury Corporation
WHS	Work Health and Safety

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