



The  
Treasury

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***NSW Treasury  
2011-12  
Annual Report***

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31 October 2012  
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The Hon Mike Baird MP  
NSW Treasurer  
Governor Macquarie Tower  
1 Farrer Place  
SYDNEY NSW 2000

Dear Treasurer

I have pleasure in submitting the Annual Report of the NSW Treasury for the financial year ended 30 June 2012, for presentation to the NSW Parliament in accordance with the *Annual Reports (Departments) Act 1985*.

This volume reports on the operations and performance of the NSW Treasury, together with the consolidated financial statements for the period 1 July 2011 to 30 June 2012.

It also includes selected information about the operations and performance of the Crown Entity (and its related entities) and the NSW Self Insurance Corporation (SICorp). Further details of their operations are published in their respective annual reports.

A second volume contains the annual report on the operations of the NSW Self Insurance Corporation (SICorp). A third volume contains the financial statements for the Crown Entity (and its related entities).

Yours sincerely



**Philip Gaetjens**  
Secretary  
31 October 2012

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*Phil Gaetjens  
Secretary  
NSW Treasury*

In August 2011, I was appointed as the 25<sup>th</sup> Secretary of the NSW Treasury.

Looking back over 2011–12 it is rewarding to see the significant contribution made by Treasury through a difficult period of economic and financial conditions. Global uncertainties and related fiscal and policy challenges, however, are likely to continue for some time and provide the need for ongoing, high intensity effort throughout the organisation. To assist us cope with this and meet our Corporate Plan objectives, we have commenced a Treasury-wide Transformation Program.

I pay tribute to Michael Lambert who was interim Secretary prior to my appointment and who led the NSW Financial Audit after the March 2011 election.

Treasury played a significant role supporting the Financial Audit, drawing on the comprehensive body of work, financial information and policy development that was undertaken as part of the incoming Government brief.

The Audit findings made a significant contribution to the fiscal strategy and financial management reforms that were announced in the 2011–12 Budget delivered in September 2011 and the 2012–13 Budget in June 2012.

The 2011–12 Budget was delivered within a heavily condensed timeframe and concurrently with the preparation of the Report on State Finances 2010–11. Considerable pressure was placed on Treasury and agency staff to manage both of these obligations and I record my appreciation of their efforts to meet fixed delivery dates.

The 2012–13 Budget had its own challenges, particularly the need to address a large reduction in goods and services tax (GST) revenue which became evident late in preparations. Treasury was able to put forward a range of options from which the Government chose the labour expense cap to maintain a fiscal strategy consistent with NSW retaining its Triple-A credit rating.

Despite the fiscal pressures, a key initiative in the Budget was an innovative package to revitalise the housing and construction sector and lift its contribution to economic growth.

Other highlights of the year included the implementation of an improved framework for Budget compliance across the public sector; revising the Fiscal Responsibility Act; playing a lead role in the COAG reform agenda, particularly in competition and deregulation reform; negotiating Statements of Corporate Intent for all 15 of the State Owned Corporations; leading the integration of the electricity network businesses to form Networks NSW; leading the assessment of the economic implications of the Government's Strategic Regional Land Use Plan; and providing extensive advice on the Government's wages policy, including the assessment of wage increase proposals to ensure their consistency with the policy.

Treasury provided advice to, and supports, the significant reforms to financial arrangements across the sector recommended by the Government's NSW Commission of Audit conducted by Kerry Schott. That Audit identified the need for, and extent of, improvements to public sector management and service delivery in NSW.

The Commission of Audit findings - accepted by the Government - highlighted opportunities for improvements across the public sector. Within Treasury, we commenced an intensive review of our business processes as a foundation to develop a comprehensive Transformation Program to improve the efficiency and effectiveness of the way we operate internally and engage with our stakeholders.

A key medium-term element of the Transformation Program is the development of a new financial management system to complement the revised financial management framework for the NSW public sector. This significant reform will change the way financial arrangements with agencies and Government businesses are managed.

The Transformation Program includes a more active approach to monitoring the Government's commercial activities to achieve a greater focus on performance, on behalf of the Treasurer in his role as shareholder Minister. The Program will also reform our internal processes to improve the consistency, speed and quality of our advice and it will result in a more engaged, dynamic and collaborative style of work.

The Transformation Program is a significant and long-term commitment that will provide broad benefits for both Treasury and the public sector.

A stronger Treasury is an asset that will help secure the foundations for the future prosperity of our State.



**Philip Gaetjens**  
Secretary

## About NSW Treasury

This Annual Report outlines the NSW Treasury's operations and performance for the 2011–12 reporting period. Our report is both quantitative, encompassing a broad spectrum of effectiveness and efficiency measures, and qualitative recounting the major achievements of our Directorates.

NSW Treasury manages the activities of the Crown Entity (and its related entities) and the NSW Self Insurance Corporation.

The entities constituting the NSW Treasury Cluster are:

- ≈ NSW Treasury
- ≈ NSW Self Insurance Corporation (SICorp)
- ≈ Crown Entity
- ≈ Electricity Tariff Equalisation Ministerial Corporation<sup>1</sup>
- ≈ Liability Management Ministerial Corporation<sup>1</sup>
- ≈ State Rail Authority Residual Holding Corporation<sup>1</sup>
- ≈ Lotteries Assets Ministerial Holding Corporation<sup>1</sup>
- ≈ Building Insurers' Guarantee Corporation<sup>1</sup>
- ≈ NSW Treasury Corporation (TCorp).

## Treasury's Directorates

In 2011–12 NSW Treasury's structure consisted of seven directorates:

- ≈ Budget and Financial Management
- ≈ Fiscal and Economic
- ≈ Commercial Policy and Financing
- ≈ Human and Social Services
- ≈ Economic, Environment and Services
- ≈ Expenditure Review
- ≈ Corporate.

The functions, responsibilities and performance of each Directorate are outlined in pages 15 to 53 of this annual report.

In many cases policy issues are coordinated across the organisation. This allows often competing objectives and perspectives to be identified and resolved where possible so that advice to the Government covers a whole-of-Treasury view.

## Primary legislation administered by NSW Treasury

- ≈ *Public Finance and Audit Act 1983*
- ≈ *Public Authorities (Financial Arrangements) Act 1987*
- ≈ *Fiscal Responsibility Act 2012*
- ≈ *Annual Reports (Departments) Act 1985*
- ≈ *Annual Reports (Statutory Bodies) Act 1984.*

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<sup>1</sup> Indicates entities that are administered and reported on by the Crown Entity.

## Our Stakeholders

Stakeholders for Treasury and our staff include:

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

Our principal stakeholder is the Treasurer representing the government of the day. Key objectives of our operations are to increase the prosperity of the people of NSW and meet our NSW 2021 commitments. These will be achieved through our focus on good policy and efficient resource allocation.

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

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

Full details of our commitments to our stakeholders are outlined in Treasury's Guarantee of Service (issued April 2012), available on our website ([www.treasury.nsw.gov.au](http://www.treasury.nsw.gov.au)).



## NSW Treasury Corporate Plan<sup>2</sup>

### Our Vision

Enduring prosperity for the people of New South Wales.

### Our Mission

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

### Our NSW 2021 Goal - Rebuild State Finances

#### Targets

- ≈ Effective Balance Sheet Management
- ≈ Improve Financial Management and Controls
- ≈ Improve Efficiency and Effectiveness of Expenditure
- ≈ Reform Revenue
- ≈ Improve public trading enterprise (PTE) Performance.

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

### What we live by – our Values

The *Public Sector Employment and Management Act 2002* outlines a set of values for all NSW public servants. Treasury's values highlight the particular behaviours in the public sector values we regard as crucial to success in delivering our priorities.

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

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

We display **integrity** at all times

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

We hold ourselves **accountable** in our responsibilities

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

We show **trust** in all our relationships

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

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<sup>2</sup> NSW Treasury Corporate Plan 2012–13 to 2015–16

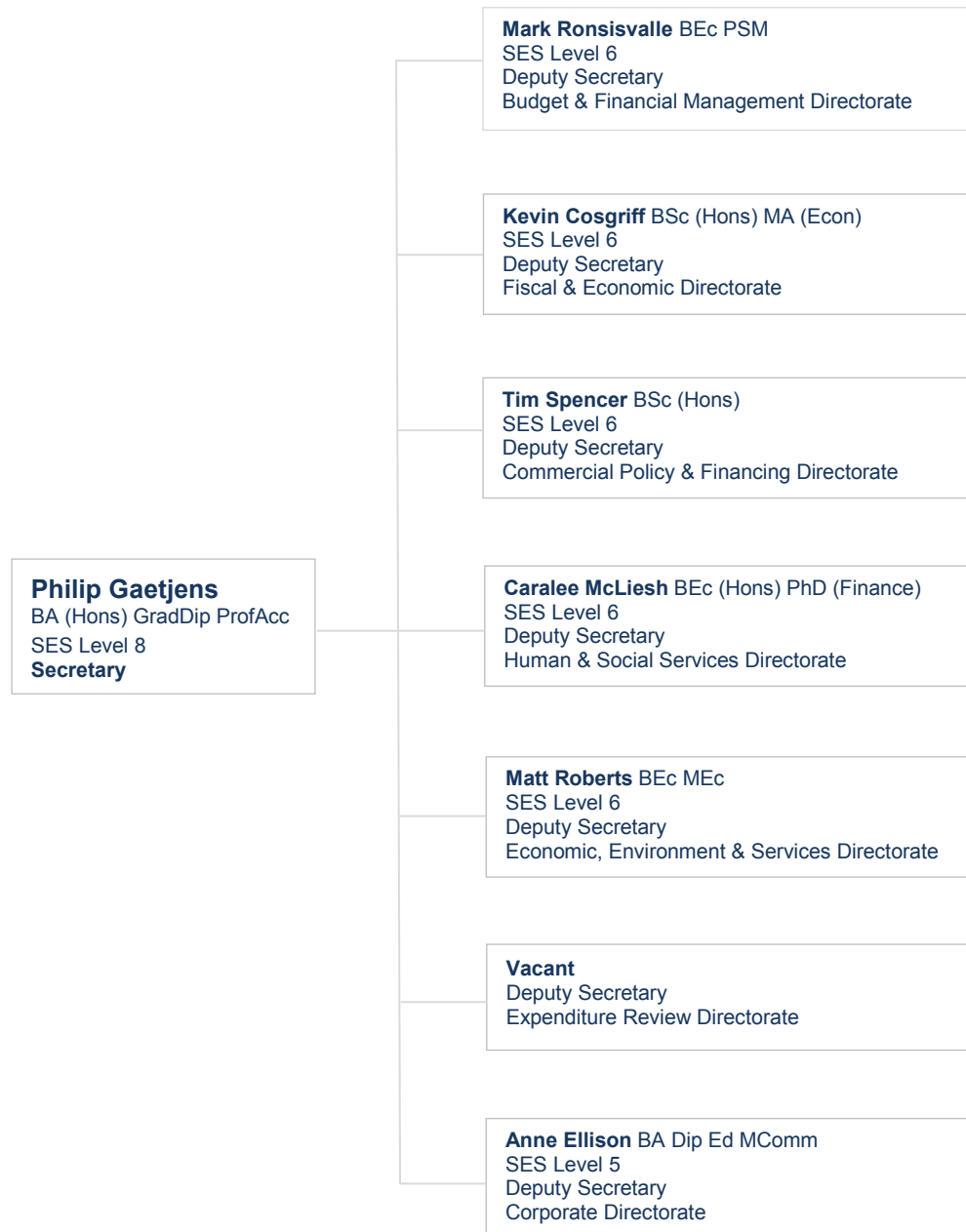
## What we do

1. Provide fiscal and economic advice to provide context for sound policy development and informed decision-making.
2. Advise on the effective use of the State's resources to deliver better services, including through capital investment.
3. Provide leadership in microeconomic reform to support a strong, competitive economy.
4. Drive public sector financial accountability by promoting a contemporary legislative and policy framework.
5. Collaborate with agencies and other stakeholders to find sound solutions that add value to policy and service delivery outcomes.
6. Assess financial and economic risk and provide advice on risk management.
7. Disseminate frameworks for economic assessment and advise on the economic impact of policies.
8. Create and maintain a working environment that allows our people to excel.

## Our Priorities to 2015-16

1. Promote and protect the State's interests in federal fiscal relations, including advising on options to increase the robustness and efficiency of the NSW revenue base.
2. Build a high performing organisation through key work process redesign.
3. Develop and implement a new Financial Management Framework as a basis for a financial information system that supports informed decision-making across the sector.
4. Establish the Financial Management Framework in a way that promotes fiscal discipline and accountability and ensures the Budget is a key tool to help Government achieve its objectives.
5. Actively manage the State's Balance Sheet, including:
  - ≈ expanding the use of innovative financing and contracting mechanisms with government, non-government and commercial providers
  - ≈ strengthening the shareholder role in relation to State Owned Corporations to drive business performance
  - ≈ enhancing the Public-Private Partnership (PPP) model to generate better value from government funding and procurement.
6. Ensure due diligence in the design and execution of sales strategies for Government business and assets.
7. Support agencies in their delivery of savings and value for money, and work collaboratively to manage major cost drivers and risks to service provision.
8. Ensure the State's recurrent and capital investments are prioritised, and are economically and fiscally sustainable.
9. Promote sector reforms that recognise and capture economic drivers and develop policy to increase human and social capital and generate productivity growth in the NSW economy.
10. Enhance fiscal forecasting and meet the targets of the *Fiscal Responsibility Act 2012*.

## Executive Team



This structure was effective as at 30 June 2012

## Organisational Change

The financial year 2011–12 marked the first full year under new cluster arrangements for public sector agencies put in place by the new Government in April 2011.

Treasury restructured corporate activities to address findings from a Capability Review. This restructure also involved taking full responsibility for internal financial management (previously performed by the Office of State Revenue which was moved to the NSW Department of Finance and Services under the cluster arrangements). As a result, the Director of Crown Assets and Liability Management also took on the role of Treasury's Chief Financial Officer.

During the first half of 2011–12, Treasury refocused its effort to provide organisational and policy support for the NSW Financial Audit and the Commission of Audit.

To monitor and support the savings requirements announced in the 2011–12 Budget, the Fiscal Effectiveness Office (FEO) was established in October 2011 within the Expenditure Review Directorate. The central program management activities of the Fiscal Effectiveness Office were established within Treasury's existing budget through the reprioritisation of resources.

During the year Treasury separated more distinctly the policy and transaction management roles within a newly structured Commercial Policy and Financing Directorate. This involved the establishment of a specialised Asset Transaction Unit to plan, manage, execute and advise on significant Government transactions. Such a unit enables Treasury to build a broader expertise in asset transactions. Work in 2011–12 commenced with scoping studies for the leasing of Port Botany. The 2012-13 Budget announced scoping studies for the leasing of Port Kembla and further scoping for the sale or lease of electricity generation assets and the Cobbora coal mine.

Treasury also chaired a senior interdepartmental group to implement the Government's policy of integrating the three electricity distribution businesses in NSW into a single entity trading as Networks NSW. The small team formed within Treasury to assist the network integration task project was disbanded when the July 2012 milestone was met.

Early in 2012 Treasury established a separate Transformation Unit as a resource to drive the planning and implementation of the Transformation Program. The changes are necessary to improve the way we operate internally and conduct our business with agencies and other stakeholders.

The Transformation Unit is focussing on four key areas:

1. **Financial Management Framework** – development of a revised framework for financial operations and a new financial system for the sector
2. **Treasury Work Process Redesign** – reviews of Treasury's internal processes to improve efficiencies
3. **Strategic Projects** – development of a project based approach to priority reforms and projects
4. **Commercial Reform** – a more active approach to managing commercial activities, entities and assets to achieve a better return for taxpayers.

The Financial Management Framework is expected to take several years to fully deliver, based on the evidence of similar initiatives in other jurisdictions. The other areas will involve intensive effort in 2012–13 to enable capabilities to be enhanced, resources to be reprioritised and savings delivered to meet budget requirements.

## NSW's Economic and Fiscal Environment

### Economic Factors

The Half-Yearly Review delivered in late 2010 was framed with an expectation that the NSW economy would transition from government stimulus and public sector led growth to self-sustaining above trend growth in all components of private sector demand.

By the time of the 2011–12 Budget in September 2011, however, a number of domestic and global factors had led to downward revisions to forecast growth expectations in the Australian and NSW economies.

The domestic factors included:

- ≈ national disasters which reduced national production
- ≈ a stronger than expected exchange rate
- ≈ slower than expected recovery in non-mining business investment
- ≈ lower than expected retail spending, with households continuing to be cautious in their spending and borrowing behaviour.

Global factors that impacted on and slowed growth included concerns about:

- ≈ sovereign debt sustainability in the Euro zone
- ≈ fiscal settings in the United States.

Volatility ensued in global financial markets with associated negative impacts on Australian financial markets and confidence more generally. In addition, the impact of natural disasters on Japanese domestic activity led to disruptions in global supply chains.

By the end of 2011, Euro zone concerns had escalated further amid fears that a global banking crisis or another 'global financial crisis' type event may result.

In early 2012 massive liquidity provisions by the European Central Bank saw those fears ease. Financial markets remained turbulent to mid-2012 as political developments in the Euro zone again intensified concerns. Global economic forecasts were sequentially revised lower during the year.

These global shocks to markets and confidence weighed heavily on domestic activity. By November 2011 the Reserve Bank of Australia commenced reducing interest rates, reducing the cash rate by a cumulative 125 basis points by May 2012. Forecasts for the Australian and NSW economies were also revised lower as the year progressed. For example, the forecast NSW Gross State Product growth for 2011–12 was revised from a well above trend 3.5 per cent at the time of the 2010–11 Half-Yearly Budget Review, to 2.5 per cent in the 2011–12 Budget and further revised to 1.75 per cent in the 2012–13 Budget.

## Fiscal Influences and Responses

The 2011 NSW Financial Audit (the Lambert Report) detailed how the Budget position had structurally deteriorated over the last decade, with expense growth continuing to exceed revenue growth. In conjunction with a large capital spending program this had seen net debt rise to levels that were approaching the maximum for the State's Triple-A credit rating.

This deteriorating Budget position was a poor starting point given the economic environment in 2011–12 which presented both cyclical and structural challenges. The weakening global outlook and highly volatile financial markets led to increased caution on the part of both households and non-mining businesses. GST revenues in particular were adversely impacted by weaker retail spending and by an apparent structural shift in consumer spending towards GST exempt goods and services.

The 2011–12 Budget commenced the process of restoring the State's finances to a sustainable position and maintaining the Triple-A credit rating.

The primary strategy to achieve this target was imposing discipline on budget expenses and a focus on delivering planned savings initiatives. While considerable resources were dedicated to identifying cost saving measures to underpin agency savings, an additional focus of the 2011-12 Budget was to ensure proposed savings were delivered. This included strict adherence to the wages policy as well as program and procurement savings. Expense growth was forecast to decrease from an average 6.2 per cent per annum over the previous decade to an average 4.2 per cent over the four years to 2014–15.

The 2011–12 Budget returned the State's position to a modest surplus over the forward estimates. This was a \$5.2 billion turnaround from the expected position prior to any budget decisions.

By the time of the 2012–13 Budget it became clear that GST revenues had reduced significantly relative to the 2011–12 Budget assumptions, made just nine months prior. Over the four years to 2014–15, GST revenues were estimated to be about \$5.2 billion lower than previously expected. The 2012–13 Budget responded to this deterioration with a further savings focus including the introduction of a labour expense cap. Expense growth over the four years to 2014–15 is forecast to drop further to 3.6 per cent per annum.

As a result, the Budget is expected to return to surplus in 2013–14 and then improve to a surplus of over \$1 billion by 2015–16 on the basis of a fiscal turnaround of a further \$5 billion on top of the 2011–12 Budget.

The fiscal strategy underpinning the 2012–13 Budget is contained in the new *Fiscal Responsibility Act 2012* that was introduced to Parliament in June 2012 and assented to in August 2012. The aim of the legislation is to anchor fiscal performance over the medium term by establishing principles of sound financial management and setting performance targets to deliver fiscal sustainability. The overall objective is to maintain the State's Triple-A credit rating, with key targets of expense growth being at, or below, long-run revenue growth and superannuation liabilities fully funded by 2030.

### Supporting *NSW 2021*

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

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

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

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

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

These aims are supported at the strategic level in Treasury's Corporate Plan which is presented on pages 7-8 of this annual report.

### Achievements in 2011–12

In 2011–12 the Treasury achieved the following outcomes:

- ≈ **The State's Triple-A credit rating was reaffirmed by the credit rating agencies, and the Fiscal Responsibility Bill which commits the NSW Government to maintaining the Triple-A credit rating was introduced to the Parliament.**
- ≈ **Prepared the 2011–12 State Budget in September 2011, showing a positive turnaround of \$5.2 billion in the budget balance over the next four years as a first step to ongoing sustainability.**
- ≈ **Prepared the 2012–13 State Budget in June 2012, which consolidated the Government's focus on ongoing fiscal sustainability despite severe revenue pressures.**
- ≈ **Developed the Enhanced Framework for Budget Compliance, consistent with the devolution of accountabilities to clusters, which was endorsed by the Government in September 2011.**
- ≈ **Developed, in conjunction with the Department of Premier and Cabinet, new procedures and operational rules for the Expenditure Review Committee to improve processes in financial decision-making and support better financial management.**

- ≈ **Provided policy input and administrative support to the Financial Audit 2011 and the NSW Commission of Audit Interim and Final Reports, including evidence based advice on economic, fiscal, and revenue reform strategies.**
- ≈ **Established the Fiscal Effectiveness Office to assist agencies in delivering budget savings, and to support the Expenditure Review Committee in monitoring them.**
- ≈ **Developed a stronger assessment process for industry support proposals in conjunction with the Department of Trade and Investment, Regional Infrastructure and Services.**
- ≈ **Led the financial restructuring of Reliance Rail.**
- ≈ **Worked with the NSW Police Force to achieve reforms to the Police Death and Disability Scheme.**
- ≈ **Actively influenced whole-of-government policy that impacts on State finances.**
- ≈ **Actively managed the State's balance sheet to better deliver for NSW through membership of the Steering Committee of the successful Desalination Plant transaction and leadership of the improved State Owned Corporations capital management.**
- ≈ **Contributed to the NSW Planning System Review to emphasise the importance of the relationship of land use planning to State economic growth.**
- ≈ **Contributed to strategic land use policy to achieve an appropriate balance between mining, agriculture and social uses, within the context of increasing State growth.**
- ≈ **Provided Infrastructure NSW in its start-up phase with staff secondments and maintained close links at officer level as well as through the Secretary's board membership.**



### Budget and Financial Management Directorate



*Mark Ronsisvalle  
Deputy Secretary  
Budget and Financial Management*

#### Achievements

- ≈ **Coordinated the delivery of the Budget for 2011–12 (September 2011), 2011–12 Half-Yearly Review (December 2011) and the Budget for 2012–13 (June 2012)**
- ≈ **Oversaw preparation of the Report on State Finances 2010–11**
- ≈ **Commenced development of a new financial management framework for New South Wales**
- ≈ **Developed and implemented an enhanced framework for Budget compliance**
- ≈ **Commenced Stage 1 of the reform to the Public Finance and Audit Act 1983**
- ≈ **Developed a new classification system for reviewing and assessing funding submissions for the 2012–13 Budget**
- ≈ **Commenced the tender process for the NSW Cash and Banking System**

The Budget and Financial Management Directorate provides policy and advice to the Government on matters of financial significance such as the State Budget and the Report on State Finances, the General Government Sector Financial Management Framework, financial legislation, supporting directions, guidelines, accounting policies and disclosures.

The Directorate also sets objectives and monitors performance of the Crown financial asset and debt portfolios. It advises on management of financial risks, insurance and superannuation liability policy issues, and oversees the operations of the NSW Self Insurance Corporation.

#### The NSW State Budgets

The State Budget aims to ensure state financial management is effective and efficient. Treasury usually delivers one State Budget in a financial year, but due to the 2011 election we delivered two Budgets within nine months.

The State Election was held in March 2011 which led to the 2011–12 NSW Budget being handed down on 6 September 2011. The 2012–13 Budget was handed down on 12 June 2012.

Over the course of 2011–12, Commonwealth goods and services tax (GST) revenues fell resulting in significant pressure on the Budget result for both 2011–12 and 2012–13. Tighter fiscal controls were implemented across the year with improvements made to monthly budget monitoring, the Half-Yearly Review and the 2012–13 Budget process.

## Reporting on State Finances

During 2011–12 Treasury issued monthly general government sector financial statements along with the annual Report on State Finances and the Half-Yearly Review. Accurate, informative and timely reports on State finances help to ensure accountability in the use of public funds.

The Directorate's coordination and early planning, together with cooperation from line agencies and the Audit Office, allowed Treasury to deliver the 2011–12 State Budget and produce the Report on State Finances 2010–11 concurrently for the first time. The Directorate developed a new classification system for reviewing and assessing funding adjustments for the 2012–13 Budget. The process improvements identified in this period have resulted in ongoing improvements to annual financial reporting processes.

## New Directions and Reform Work

The Financial Management Framework consists of legislative and policy instruments designed to achieve effective budget formulation and allocation, value for money, transparency and accountability for service delivery.

In 2011–12 the NSW Commission of Audit, the NSW Financial Audit and an internal NSW Treasury Business Process Redesign Review made recommendations regarding the Financial Management Framework. A Financial Management Framework and Systems reform project has been established as part of the Treasury Transformation program to consider and progress these recommendations.

The proposed reforms to the Financial Management Framework will have sector wide impacts and will require significant cross sector involvement. Current practices in other jurisdictions will be considered with program governance processes established to ensure early engagement with key stakeholders.

## Budget Compliance

Maintaining the State's Triple-A credit rating requires tight expenditure control. As part of this Treasury advised the Government on a number of initiatives to restrain the growth in expenses. These initiatives included the removal of spending tolerance limits, introducing formal Chief Executive Officer accountability for budget compliance and increasing flexibility to reallocate spending within clusters to meet emerging needs.

## Reforms to the Public Finance and Audit Act

Underpinning improved financial management in the State is the need for modern legislation with a performance, rather than a compliance focus. As part of reforms to the accountability framework, Treasury is developing a range of options for consideration by the Government. As a first step in this process, in 2011–12 Treasury commenced Stage 1 of the reform to the *Public Finance and Audit Act 1983*.

## Assessing Funding Submissions

Expenditure control requires a robust framework for assessing agency requests for additional spending authorities. As part of the 2012–13 Budget, considerable emphasis was placed on assessing whether agency funding submissions reflected a policy change or were a result of parameter or technical factors. This work resulted in the publication of a new table in Budget Paper No. 2 which analysed the growth in expenses between policy and non-policy factors.

### Internal Audit and Risk Management Policy

The Internal Audit and Risk Management Policy for the NSW Public Sector (TPP 09-05) strengthens corporate governance ensuring the independence of the internal audit function and adoption of current standards for professional practice.

During 2011–12 recommendations made by the Auditor-General based on the Internal Audit and Risk Management Readiness Survey (2010) were addressed. A process to exempt certain very small agencies from the Internal Audit and Risk Management Policy following an assessment of the relative compliance cost, size and risk profile of those agencies was implemented. In addition, guidance on the operation of shared arrangements and subcommittees was developed in consultation with a stakeholder reference group. This guidance will be issued to agencies in 2012–13.

The Directorate is nearing completion of a Risk Management Toolkit to support agencies to implement the current international Risk Management Standard (ISO 31000). The Toolkit is a comprehensive guide to ISO 31000 and is designed to support agencies to develop and implement their risk management framework and processes.

In May 2012, Treasury assumed policy responsibility for the Prequalification Scheme for Independent Members and Chairs of Audit and Risk Committees. The Scheme and Guidelines were revised by the Directorate and will be reissued in 2012–13 by the Department of Finance and Services.

### Total Asset Management

During 2011–12 Treasury continued to work with key stakeholders to improve asset management and planning in the NSW public sector and has simplified and updated the Total Asset Management (TAM) guidance.

TAM asset strategies and capital expenditure information outline how an agency aligns its asset planning with its service delivery priorities and strategies within the limits of available resources. Individual projects within agency TAM plans were submitted in the annual State Budget process along with supporting business cases for funding approval.

### Accounting, Financial and Reporting Standards

NSW Treasury is responsible for ensuring best practice accounting, financial and reporting standards in the NSW public sector.

During 2011–12, the Directorate advised agencies on changes to Australian Accounting Standards and subsequently implemented policies, including amending the Financial Reporting Code for New South Wales General Government Sector Agencies (TPP 12-1).

Treasury participated in inter-jurisdictional committees such as the Heads of Treasuries meeting and Heads of Treasury Accounting and Reporting Advisory Committee, and working groups, including commenting on numerous proposed changes to Australian Accounting Standards. The Directorate reviewed and progressed recommendations from the NSW Financial Audit and Public Accounts Committee (PAC) reports regarding reforms to the PAC, annual report deadlines and Auditor-General arrangements.

### Early Close Procedures

NSW Treasury mandated early-close procedures for all agencies, commencing in 2012. This follows successful trials in previous years with pilot agencies and with the support of the Audit Office. The objective of the early close procedures is to improve accuracy and timeliness of financial reporting. Early identification and resolution of accounting treatments and other issues facilitate the finalisation of accounts. NSW Treasury's objective is to bring forward the date for publication of agency annual reports and the Report on State Finances.

## Certifying Financial Reporting Systems

To improve the quality of financial information provided to Government, NSW Treasury oversees the process for certifying financial reporting systems. The process requires chief financial officers to certify the quality of the financial information submitted. Agencies must have effective systems, processes and internal controls to ensure the monthly and annual financial information provided to NSW Treasury is relevant and reliable. For the period ending 30 June 2012, Certification Statements were received from 106 entities.

## Treasury Online Entry System

During 2011–12 NSW Treasury upgraded the Treasury Online Entry System (TOES). Agencies now have the ability to streamline and automate their data entry by using an enhanced upload facility. Treasury provided guidelines and training for agency staff. The automated data upload facility saves agencies time and resources, and reduces the risk of errors in data transfer. The agency response to the changes has been positive.

## Chart of Accounts

A review of the Total State Sector Chart of Accounts was completed which included an interrogation of the existing chart and the identification of a number of accounts that could be amalgamated. A high level draft of definitions for accounts has been devised which will be reviewed and expanded. Implementation of the recommendations will occur in the coming twelve months and will inform future system developments.

## Government Finance Statistics

NSW Treasury provided input to the Australian Bureau of Statistics (ABS) project to review and reissue the Australian Government Finance Statistics Manual. Treasury's feedback on the Manual focused primarily on ways to remove or reduce differences between the Manual and Generally Accepted Accounting Principles. The ABS plans to reissue the Australian Government Finance Statistics Manual in 2013.

Treasury proposed improvements to the ABS Government Finance Statistics data collation process. This will enable the ABS to bring forward the delivery of the State's Public Finance data sets to the Commonwealth Grants Commission and result in a more timely review of this information.

## Superannuation and Liability Management

The *Fiscal Responsibility Act 2012* has a target of fully funding superannuation liabilities by 2030. The Crown is responsible for the bulk of the superannuation liabilities for the general government sector and provides more than \$1 billion per annum in funding to State Super to meet benefit payments and to provide funding towards the 2030 full funding target.

During the year, the Crown Asset and Liabilities Management Branch also transferred to State Super \$3.8 billion in funds from electricity sector transactions in 2010 as well as a further \$800 million to provide for NSW public sector superannuation liabilities. Funding arrangements are reviewed every three years following the actuarial review of State Super, with the next review taking place in December 2012.

NSW Treasury has completed a review of the recommendations identified in the NSW Auditor-General's 2011 Report to Parliament and the Financial Audit (Lambert Report). The recommendations include a review of the structure and number of public sector superannuation schemes and administrative services to consider potential efficiency gains and cost savings from consolidation and restructure.

The NSW Treasury review report is being finalised for consideration by the Treasurer and the Minister for Finance and Services.

### Home Warranty Insurance Fund

Following the withdrawal of major insurance providers from the market, the NSW Self Insurance Corporation (SICorp) assumed responsibility for the underwriting of home warranty insurance in July 2010.

The Home Warranty Insurance Fund (HWIF) program is outsourced to service providers and audited for compliance and services standards by the HWIF Management team. The HWIF team has been reviewing service level standards and, as a result, complaints have been minimal.

The claims handling performance of the private schemes before July 2010 and this year's major builder claims have highlighted a need for strengthening the premium reserves. SICorp has established risk management practices, portfolio reporting and is reviewing the distribution model to minimise costs.

### Banking Tender

The whole-of-government bank tender commenced during the financial year for a five-year contract commencing from 1 April 2013.

On 12 June 2012 the tender was issued and coverage is for all State Sector agencies except for State Owned Corporations. During that period a project working group and steering committee were established comprising representatives from agency clusters and PricewaterhouseCoopers was appointed as lead project adviser. Extensive consultation took place with all agencies, including site visits and the collection of data through electronic questionnaires, in order to ascertain their operational banking requirements. Meetings were held to provide prospective tenderers the opportunity to outline their banking capability.

The banking tender has three modules – Transactional Banking, Card and Customer Payment Services. Two new evaluation sections were included – Contribution to State and Community and process improvement initiatives. The result of the tender is expected to be announced before the end of the 2012 calendar year.

## Fiscal and Economic Directorate



*Kevin Cosgriff  
Deputy Secretary  
Fiscal and Economic*

### Achievements

- ≈ **Revised the Fiscal Responsibility Act which was proclaimed in 2012**
- ≈ **Recommended tax changes and other policy reforms to encourage housing supply which became a feature of the 2012–13 Budget**
- ≈ **Consulted over the design of a coal royalty supplement scheme for supplementary royalties**
- ≈ **Produced guidelines for a \$70 million Local Infrastructure Renewal Scheme which led to the implementation of the scheme**
- ≈ **Played a lead role in the COAG reform agenda, particularly in the reform of competition and deregulation**
- ≈ **Prepared submissions to the Commonwealth Grants Commission which argued for an increased GST relativity for NSW**

The Fiscal and Economic Directorate is the NSW Government's central source of advice on State fiscal and economic strategy. The Directorate also advises on, and plays a key role in, coordinating high-impact policy issues that have statewide economic implications.

The Directorate provides policy advice to the NSW Treasurer and works with other public sector agencies, both within New South Wales and across Australia, on matters of economic importance including:

- ≈ economic conditions and fiscal strategy
- ≈ the medium and long-term fiscal impact of government policy decisions
- ≈ revenue and tax policy
- ≈ intergovernmental finances and strategy
- ≈ economic strategy and microeconomic reform
- ≈ Council of Australian Government reform agenda.

### NSW Long-Term Fiscal Pressures Report

The 2011–12 Long-Term Fiscal Pressures Report was published in September 2011 as Budget Paper No. 6. It is a five-year update and presents the results of the Treasury's Long-Term Fiscal Pressures Model which is an integrated demographic, economic and fiscal model.

The key findings of the report are: population growth will slow; the ageing of the population will continue; the aggregate employment participation rate will decline and as a result economic growth will slow; and without policy change, Budget expenditure growth would outpace revenue growth every year for the next 40 years.

The Long-Term Fiscal Pressures Report remains a requirement of the new *Fiscal Responsibility Act 2012*, which prescribes an assessment of long-term fiscal gaps arising from additional spending associated with population ageing and other long-term trends. It is required every five years in conjunction with the Budget papers.

The key metric of the report is the assessment of the fiscal gap, which is the worsening of the primary balance over the 41-year period from 2009-10 to 2050-51. This primary balance is revenues, less expenditures, including net capital expenditure but excluding interest transactions.

The Long-Term Fiscal Pressures Report identified a fiscal gap of 2.8 per cent of Gross State Product in 2050-51, compared with the 3.4 per cent in 2043-44 found in the first report in 2006-07. The net effect of the decisions of the 2011-12 Budget was to reduce the fiscal gap from 2.8 per cent to 1.8 per cent of Gross State Product by 2050-51.

### Fiscal Responsibility Legislation Review

In June 2012 the Treasurer introduced the *Fiscal Responsibility Act (2012)* into Parliament following a review of the *Fiscal Responsibility Act (2005)*. The new Act was assented to on 28 August 2012 and simplifies and streamlines the targets and principles of the prior legislation. The key objective of the new Act is to maintain the State's Triple-A credit rating, with targets of keeping expense growth below long-run average revenue growth and eliminating the unfunded superannuation liability by 2030.

### Evaluation of Commonwealth carbon tax impacts

The Directorate coordinated NSW Treasury's evaluation of the impacts of the Australian Government's Clean Energy Plan following the Prime Ministerial announcement on 10 July 2011. The evaluation involved estimating likely fiscal impacts, including reduced dividends from electricity companies, increased costs of government services and an assessment of the impact on employment and output in NSW regions. Treasury's evaluation was presented to the Australian Government.

### Changes to the Coal Royalty Supplement

During 2011-12 the Directorate consulted mining companies over the design of the coal royalty supplement, intended to compensate the NSW Government for the negative fiscal impact of the carbon tax. Under the Australian Government's Minerals Resource Rent Tax (MRRT), royalties paid to State governments are deducted from companies' MRRT liabilities so that the supplementary royalties will not alter the total tax burden of mining companies.

### Building the State Package and Tax Reform

Tax reform was an important element of the 2012-13 Budget. The Directorate's work on measures to encourage housing supply and lower home prices was a feature of the Building the State Package announced in the Budget. The Budget substantially increased transfer duty concessions and first home owner grants, to a maximum of \$35,240 for first home buyers of newly built homes. It also introduced a grant of \$5,000 to other people buying newly built homes. These new measures replaced previous grants and tax concessions for home buyers.

During 2011-12 the Directorate analysed and prepared policy proposals for reform of State taxes. This involved a review of the efficiency of State taxes and identified proposals for reforms aimed to boost NSW Gross State Product by around two per cent. The proposals underpinned the NSW Government's submission to the Commonwealth's Tax Forum in October 2011 and were incorporated into the NSW Financial Audit (the Lambert Report), released on 22 February 2012.

Following the Commonwealth's Tax Forum, New South Wales and South Australia have begun investigating proposals for tax reform which will be discussed with the Commonwealth later in 2012.

NSW Treasury and the Ministry for Police and Emergency Services prepared a discussion paper on the funding of fire and emergency services – Funding Our Emergency Services. Currently fire and emergency services are largely funded through a tax on insurance companies. The emergency services levy is one of the most inefficient taxes and tends to reduce levels of insurance taken out by households and businesses. The discussion paper is currently on exhibition and submissions on the design of a possible property based levy to replace existing funding mechanisms close on 31 October 2012.

### **Review of the Goods and Services Tax Distribution**

The Directorate prepared two submissions on behalf of the NSW Government to the Goods and Services Tax (GST) Distribution Review, and commenced the preparation of a third submission.

The NSW Government's first submission was forwarded to the Review in October 2011. It argued that the current GST distribution arrangements produce volatile outcomes, discourage economic reform, discourage policies designed to boost a state's fiscal capacity, are complex and confusing and are reliant on the use of data of questionable quality, weakening confidence in the system. The submission recommended a thorough reform of the system to an equal per capita distribution of the GST pool with the Commonwealth separately funding any additional equalisation redistribution to the smaller states.

In March 2012 the NSW Government's second submission argued that linking the GST distribution arrangements to state tax and mineral royalties polices contradicts the Intergovernmental Agreement on Federal Financial Relations, which specifies that GST payments should be untied. It also contradicts the purpose of the GST Distribution Review, which aims to make the GST distribution simpler and more transparent.

The Review issued two interim reports – April 2012 on the initial terms of reference and June 2012 on the additional terms of reference. In response to these interim reports, towards the end of 2011–12 the Directorate began preparing a third submission addressing the new issues raised. The Review is expected to provide a final report to the Commonwealth Treasurer by October 2012.

In addition to preparing the Government submissions, the Directorate contributed to work undertaken by Heads of Treasuries and Deputy Heads of Treasuries in relation to the Review of the GST Distribution.

### **Commonwealth Grants Commission 2012 Update**

The Directorate made submissions to the Commonwealth Grants Commission on new issues to be considered in the 2012 Update of GST Relativities. It also coordinated and provided data in connection with the update.

The Directorate also participated in the Commission's Data Working Party. This group was established to advise the Commission on processes for ensuring the best quality data are used in assessments of States' revenue capacities and spending needs.

### **Local Infrastructure Renewal Scheme**

To implement the Government's Local Infrastructure Backlog Policy, the Directorate developed guidelines for a \$70 million Local Infrastructure Renewal Scheme.

The Directorate worked with the Division of Local Government and the NSW Treasury Corporation to implement the first round of applications which concluded successfully in July 2012. The Directorate will continue to participate in the Scheme's application rounds.



### Assessment of Industry Assistance

In conjunction with the Department of Trade, Investment, Regional Infrastructure and Services (DTIRIS), the Directorate developed a new methodology to assess investment attraction proposals to be brought to Cabinet. The methodology entails the application of a cost-benefit analysis framework to examine the economic impacts on NSW citizens of supporting an investment proposal through government financial assistance. Treasury and DTIRIS will continue to collaborate to ensure consistent application of the framework.

### Economic Development Strategy

The Directorate developed a number of proposals for an Economic Development Strategy which were included in the NSW Financial Audit Report (the Lambert Report).

The proposals outlined the objectives and scope for an Economic Development Strategy, focusing on reforms in the planning system and housing supply; reducing the tax burden; increasing competition and improving regulation; and developing a framework for more effectively assessing industry assistance policies.

Work in these areas is continuing as part of a program to develop further economic reform proposals.

### COAG Reform Agenda

The Directorate played a key role in implementing the Council of Australian Government (COAG) reform agenda. The COAG reform agenda aims to enhance the well-being of the community through better services, social inclusion, environmental sustainability, reduced indigenous disadvantage and greater workforce productivity and participation.

The Directorate's work covered many areas of the reform agenda. In 2011–12, the Directorate:

- ≈ contributed to the development of the future competition and deregulation reform agenda (particularly land transport reform)
- ≈ helped shape housing supply policy and played a leading role in the inter-jurisdictional Housing Supply and Affordability Reform Working Group
- ≈ provided policy and fiscal modelling advice to inform the National Disability Insurance Scheme
- ≈ represented NSW on the COAG Not-for-Profit Working Group
- ≈ prepared a submission to the Commonwealth Government on the future treatment of expiring COAG National Partnership Agreements on behalf of all States and Territories.

### National Disability Insurance Scheme

In response to the Productivity Commission's Report on Disability Care and Support released in August 2011, COAG recognised the need for major reform of disability support services. COAG agreed to discuss funding options for the scheme from mid-2012, recognising that governments must reach agreement on funding to enable design and implementation work to be finalised. In 2011–12 the Directorate, in conjunction with Human and Social Services Directorate, modelled the potential longer term fiscal impacts on State finances.

## Future Competition and Deregulation Reform Agenda

As part of a COAG Taskforce, the Directorate advised on proposals for future economic reform to enhance competition and long-term productivity growth. The advice was presented to COAG in April 2012 and the reform areas included:

- ≈ addressing duplicative and cumbersome environment regulation
- ≈ streamlining the process for approvals of major projects
- ≈ rationalising carbon reduction and energy efficiency schemes
- ≈ delivering energy market reforms to reduce costs
- ≈ improving assessment processes for low-risk, low-impact developments
- ≈ best practice approaches to regulation
- ≈ land transport reform
- ≈ government services reform.

## Land Transport Reform

The Directorate took a lead role in developing a land transport reform agenda on behalf of Heads of Treasuries. The agenda included the three themes of pricing of roads to improve freight movements; and improving road infrastructure decision-making and funding.

The Directorate also took an active role in the COAG heavy vehicle road reform by providing representation on a cross-jurisdictional Steering Committee (comprising Treasury and Transport officials). This Committee built on the work already undertaken by the COAG Road Reform Plan by identifying, examining and assessing packages of pricing, funding and governance reform options.

## Not-for-Profit Reform

The Directorate is the NSW representative on the COAG Not-for-Profit Reform Working Group, which was created to consider options to harmonise taxation and regulatory arrangements across jurisdictions in the not-for-profit sector. In consultation with NSW agencies, the Directorate developed two submissions on behalf of the NSW Government on proposed reforms to the sector.

Also, the Directorate established a NSW interdepartmental committee to develop a NSW position on not-for-profit reform to guide and inform future negotiations at COAG.

## Expiring National Partnership Agreements

In April 2011 the Ministerial Council for Federal Financial Relations agreed that all State and Territory Treasurers would provide advice to the Commonwealth Treasurer about the future of expiring National Partnership Agreements. This advice will be used to inform the Commonwealth Budget process.

In conjunction with the Department of Premier and Cabinet, the Directorate prepared a joint submission for the NSW Treasurer to submit on behalf of all States and Territories.

### Commercial Policy and Financing Directorate



*Tim Spencer  
Deputy Secretary  
Commercial Policy and Financing*

#### Achievements

- ≈ **Negotiated Statements of Corporate Intent for each of the State's 15 State Owned Corporations**
- ≈ **Implemented improved selection process for Board Directors of State Owned Corporations resulting in 65 per cent new appointments**
- ≈ **Integrated the electricity network businesses to form Networks NSW**
- ≈ **Renegotiated the Reliance Rail rolling stock contract to underpin continued delivery of new trains**
- ≈ **Completed 40 Gateway Reviews on 128 projects totalling \$3 billion**
- ≈ **Established a specialised Asset Transaction Unit to build a broader expertise to advise on significant Government transactions**

The Commercial Policy and Financing Directorate operates within the two main areas of commercial government business oversight and commercial finance advice and structuring.

The functions of the commercial business area of the Directorate include shareholder monitoring of the State Owned Corporations, facilitating private financing of public assets, assessment and monitoring of major capital projects, advising on property projects, and managing transactions and their relationship with public policy and regulation.

The commercial finance area of the Directorate fosters private sector involvement in major capital projects through innovative financing structures and an appropriate allocation of risk. It also monitors compliance with agreements on projects with major Government risk, implements procurement policy and supports agency compliance, advises on property purchases and sales, and supports the Government Asset Management Committee.

During the year the Asset Transaction Unit was established as a separate part of the Commercial Policy and Financing Directorate.

The Commercial Policy and Financing Directorate was previously known as the Commercial Management Directorate, and during 2011–12 the name was changed to better reflect the scope of its activities. Tim Spencer was recruited as Deputy Secretary in June 2012.

### Commercial business

#### State Owned Corporations

The Directorate negotiated Statements of Corporate Intent (SCI) outlining the State Owned Corporation (SOC) business strategies and forecast financials for 2011–12, on behalf of Shareholder Ministers. As a result, in 2011–12 Statements of Corporate Intent were signed for each of the State's 15 State Owned Corporations, and the Half-Yearly Reports were tabled as required under the *State Owned Corporations Act 1989*.

At the direction of Shareholder Ministers, the Directorate implemented a new merit based selection process for the board directors of State Owned Corporations (SOCs). The process involves an independent expert with private sector Board experience in the assessment of candidates, and the recommendation of candidates to the voting shareholders. All Board appointments are now approved by Cabinet.

The Directorate extended the NSW Government's Wages Policy to SOCs. This will maintain the wages growth of SOCs at 2.5 per cent per annum, with any increases above 2.5 per cent offset against employee related savings. Savings arising from the policy will contribute towards reducing prices of the services provided by SOCs, such as energy and water.

A new approach to shareholder engagement with the SOCs was developed by the Directorate. This included reinvigorating the governance framework and reporting mechanisms, actively monitoring the industry environment in which the businesses operate and the financial and non-financial performances of the corporations.

In 2011–12 the Directorate developed an improved format for public reporting on the performance of SOCs. This includes public reporting on SOC performance by Treasury using a wider range of key financial indicators and peer comparison, and is supported by the annual SCI which will have a sharper focus on financial indicators and performance measures.

### Improving Board Governance

The new merit based selection process for the appointment of Board Directors resulted in 65 per cent of the 26 appointments to the Boards of SOCs and TCorp being new directors. Women comprised 23 per cent of appointments to Boards.

Merit selection was complemented by the Directorate's ongoing engagement with SOC Boards and the hosting of training opportunities. A Chairman's forum was held in November 2011 to discuss contemporary issues in public sector governance and to share ideas. This was followed by a Director's briefing in December 2011 on 'Enhancing and Measuring Board Performance'.

The Directorate also hosted a full-day professional development workshop in June 2012 for Directors on 'Governance and Risk Management' with an opening address by the Treasurer. The Australian Institute of Company Directors delivered the workshop with over 70 attendees from SOCs comprising Chairs, Directors, Chief Executive Officers and Company Secretaries.

### Performance of Government businesses

During the year Treasury assessed the performance of regulated businesses against their Weighted Average Cost of Capital (WACC). This showed a result that is steady but below target. As the shareholder representative, the Directorate is implementing the following initiatives to improve the result:

- ≈ Adopting more of an equity analyst approach to managing its shareholding in SOCs
- ≈ Using this approach to focus on more critically analysing the performance of the businesses against their forecasts, regulatory allowances and peers to ensure that they are operating as efficiently as possible, with particular regard to operating expenses, efficient investment and appropriate capital structure.

### Urbangrowth NSW

A cross-Directorate working group within NSW Treasury joined with the Department of Premier and Cabinet on the merger of Landcom with the Sydney Metro Development Authority to create Urbangrowth NSW. The new entity will have the task of removing planning and development restrictions and working with the private sector to develop urban areas. Urbangrowth NSW will start operating in the second half of 2012.

### Network Integration Project

The Directorate was heavily involved in the Network Integration Project to restructure the NSW Government's electricity distribution businesses with the aim of delivering more than \$400 million in cost and efficiency savings over four years.

The three separate electricity distribution businesses are referred to collectively as Networks NSW and comprise Ausgrid, Endeavour Energy and Essential Energy. To allow savings initiatives to commence an Interim arrangement was put in place in July 2012. The arrangement included appointing a common Chairman, common Board Members and a common Chief Executive Officer to all three electricity distribution businesses.

### Developments with Forests NSW

In mid-2011 NSW Treasury, Forests NSW and KPMG jointly conducted a Strategic Performance Review of Forests NSW, under the Better Services and Value Taskforce. The Review found that Forests NSW could improve its financial performance by around \$20 million per annum as a State Owned Corporation. As a result, on 17 October 2011 Cabinet agreed to establish a Steering Committee chaired by Treasury to oversee the corporatisation of Forests NSW under the *State Owned Corporations Act 1989*.

The main objectives of corporatisation are to drive productivity improvements, identify cost savings or revenue improvements, assess the sustainability of the business and constraints to financial performance, and assess its structure for the future.

### Commercial finance

#### Reliance Rail

In 2011–12 the Directorate successfully managed a complex renegotiation of the rolling stock arrangements with Reliance Rail to underpin continued delivery of trains and minimise risk to the State's balance sheet. The negotiations were completed in February 2012 and the Directorate continues monitoring against contractual milestones.

#### Metro Transport Sydney

In March 2012, the Directorate led negotiations and completed the Government's purchase of Metro Transport Sydney Pty Ltd (MTS), the owner of the Sydney Light Rail and Sydney Monorail. The purchase of MTS provided financial benefits for the procurement of the Inner West Extension of the Light Rail and maximises flexibility in procuring any further extensions to an expanded light rail system.

The purchase of MTS also provides flexibility in dealing with the Sydney Monorail and its interaction with the Sydney International Convention, Exhibition and Entertainment Precinct project.

#### Other Commercial Projects

The Directorate worked with Infrastructure NSW on the release of expressions of interest for the Sydney International Convention, Exhibition and Entertainment Centre Precinct project and in April 2012 issued the request for detailed proposals to short-listed bidders.

The Directorate participated in detailed private party negotiations with Interlink Roads concerning the M5 South West Motorway PPP Widening. The financial close was reached on 25 June 2012 and completion of construction is expected late 2014.

The Directorate also participated in the Property Asset Utilisation Taskforce developing strategies to reform property asset management functions across NSW government bodies.

These reforms will assist the Government to locate and better understand the assets that each entity owns, and identify better property management and ownership strategies.

### Gateway Reviews

Gateway Reviews provide a level of assurance on the project or program being assessed. The Review teams assess projects against seven criteria – service delivery, affordability and value for money, sustainability, governance, risk management, stakeholder management and change management.

During 2011–12, Treasury facilitated 40 Gateway Reviews on 128 projects with a value totalling \$3 billion. Construction and Information and Communications Technology projects contributed to approximately 85 per cent of the total reviews undertaken, and accounted for 61 per cent of the total project value.

Of the projects listed in the 2011–2012 Infrastructure Statement (Budget Paper No. 4), approximately 93 per cent underwent a mandatory review. Those 93 per cent of projects represented 96 per cent of the total estimated cost of the projects. This represents a significant improvement on last year's result of 80 per cent.

### Public Private Partnerships

The Directorate is developing alternative financing models for Public Private Partnerships (PPPs) that are appropriate for the post-global financial crisis climate and will continue to produce value for money PPP transactions. This work is consistent with recommendations of the NSW Commission of Audit to reconsider risk allocation in toll road PPPs and ensure toll prices are kept as low as possible.

### Asset Transactions

In 2011–12 Treasury established the specialised Asset Transaction Unit to plan, manage, execute and advise on significant Government transactions. The unit was established in response to recommendations made in the NSW Commission of Audit Interim Report.

The unit works with relevant businesses and other areas of Government to ensure all commercial and policy issues related to transactions are addressed. This enables Treasury to take a more strategic view of the State's portfolio of assets and actively manage the State's balance sheet.

The Government announced in the 2011–12 Budget, its intention to undertake a long-term lease of Port Botany. In conjunction with financial advisors, the unit prepared a scoping study into the long-term lease of Port Botany, which was subsequently expanded to include Port Kembla following the announcement in the 2012–13 Budget.

Consistent with the recommendations of the Tamberlin Inquiry<sup>3</sup>, the Unit also began preliminary work for the sale or long-term lease of the State's electricity generation assets and Cobbora coal mine. On 31 May 2012 Legislation was passed to enable sale or long-term lease of the electricity generation State Owned Corporations. Following this the Unit engaged financial advisors to develop detailed transaction strategies including expert advice on market conditions, financial structures and stakeholder needs.

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<sup>3</sup> The Tamberlin Inquiry was the Government's Special Commission of Inquiry into the electricity transactions undertaken by the previous government. The Hon Brian Tamberlin QC conducted the Special Commission in early 2011.

### Resource Allocation Directorates

Our Resource Allocation Directorates contribute to a strong and sustainable financial and economic environment in NSW by supporting the implementation of the Government's fiscal strategy and measures to manage expense growth across government sector agencies.

NSW Treasury has two Resource Allocation Directorates:

**Human and Social Services Directorate** (see page 30)

**Economic, Environment and Services Directorate** (see page 33)

These Directorates represent the total expenditure of the general government sector. Also, the Directorates represent 100 per cent of capital expenditure of the general government sector.

The Resource Allocation Directorates advised the Government on a range of financial and reform issues relating to the formulation and implementation of government spending decisions, delivery of the Government's 2011–12 savings and efficiency targets, structural reforms to improve public sector capability and productivity, and measures to improve economic growth across New South Wales.

The improvement in public financial management and economic growth across New South Wales was achieved in the context of a renewed global economic slowdown, weaker consumer and business confidence and a significant deterioration in GST revenue.

Both Directorates have assisted in Treasury's Fiscal Effectiveness Office roll-out of the rigorous program management methodology. In particular, analysts have supported clusters in developing savings initiatives that will assist clusters manage to budget and provide transparency regarding the progress on delivering upon significant government reforms.

The Directorates provide advice on the efficient and effective use of the State's resources in the areas of: health, family and community services, education and training, justice, police, emergency services, transport, planning, trade and investment, environment and government services.

The Directorates' key deliverables include:

- ≈ Providing high quality advice to government on all portfolio matters in the preparation and monitoring of the State Budget.
- ≈ Promoting sector reforms that recognise and capture economic drivers and develop policy to increase human and social capital and generate productivity growth in the NSW economy.
- ≈ Supporting agencies in their delivery of savings and value for money, and work collaboratively to manage major cost drivers and risks to service provision.
- ≈ Ensuring the State's recurrent and capital investments are prioritised and are economically and fiscally sustainable.

## Human and Social Services Directorate



*Caralee McLiesh  
Deputy Secretary  
Human and Social Services*

### Achievements

- ≈ **Led Treasury's input to COAG negotiations on health, disability services, natural disaster arrangements and skills investment reform**
- ≈ **Facilitated reform of the NSW Police Death and Disability Scheme**
- ≈ **Led development of the Social Benefit Bonds trial**
- ≈ **Supported expenditure reviews and advised on the efficiency and effectiveness of public sector agencies in the human and social services sectors**
- ≈ **Advised on sector wide reforms and whole-of-government planning**
- ≈ **Sponsored Treasury's process redesign program and evidence based approach to policy formulation**

The Human and Social Services Directorate provides advice on the efficient and effective use of the State's resources in the areas of health, family and community services, education and training, justice, police and emergency services.

The Human and Social Services Directorate covers 65 per cent of operating expenses and 35 per cent of the capital program across the general government sector.

### Fiscal Sustainability of General Government Agencies

The Directorate monitors the performance of government sector agencies in the human and social services areas against fiscal targets. It provides support to the agencies in their delivery of savings and value for money, and works collaboratively to manage major cost drivers and risks to service provision.

To achieve this, the Directorate worked with the Expenditure Review Directorate and partnered with agencies to undertake expenditure reviews, identify opportunities for reform in service delivery, efficiency and effectiveness. The agencies that were reviewed included:

- ≈ **NSW Health** – to examine opportunities for reform to support improved service delivery and quality of care while ensuring the long-term financial sustainability of the NSW health system.
- ≈ Three **NSW emergency service agencies** - to examine opportunities for improving efficiency, effectiveness and coordination of the State's emergency response capacity.
- ≈ **TAFE NSW** – to examine the extent services were provided efficiently, effectively and targeted economic needs.

The Directorate was also a key member of the Out-of-Home Care Taskforce providing assistance and advice to support program reforms, the renegotiation of contracts and transfer of responsibility for children and young people in foster care to non-government care providers.



### National Health and Funding Reforms

Key deliverables for the Directorate include promoting sector reforms that recognise and capture economic drivers and develop policy to increase human and social capital and generate productivity growth in the NSW economy.

In 2011–12 the Directorate collaborated with NSW Health and the Department of Premier and Cabinet to develop the structural, financial and legislative frameworks to support new national funding arrangements from 1 July 2012.

The Directorate also participated in:

- ≈ intergovernmental negotiations on performance measurement under the National Healthcare Agreement and participating in COAG Reform Council processes
- ≈ developing and negotiating new National Partnership Agreements with the Commonwealth including for mental health and preventative health.

### Disability Services Reform

The Directorate played an important role in the policy analysis and financial modelling and analysis to support the introduction of the five-year \$2 billion Stronger Together II disability services program. This program provides a foundation to transform disability services through the expansion of five-year person centred approaches and individualised funding models across the disability sector.

### National Disability and Injury Insurance Schemes

In its July 2011 report, *Disability Care and Support*, the Productivity Commission recommended the introduction of two national schemes – a National Disability Insurance Scheme (NDIS) to fund the provision of services to all Australians with a significant and profound disability; and the National Injury Insurance Scheme (NIIS) to fund the provision of services to Australians who have acquired a disability as a result of catastrophic injury or accident.

During 2011–12 the Directorate took the lead role in NSW Treasury in developing policy and financial advice on the implications of the schemes for New South Wales by:

- ≈ providing advice to inform the design, governance and implementation framework for the NDIS
- ≈ collaborating with the Fiscal and Economic Directorate to develop the financial model to determine the impact of the scheme on New South Wales
- ≈ providing policy and financial advice to assist in the development of the NIIS
- ≈ supporting the Treasurer in his position on the Select Council on Disability Reform.

### Skills Investment

In 2011–12 the Directorate contributed to the NSW Skills Reform Reference Group in determining how best to adapt NSW's vocational education and training system to meet the State's needs for high-level skills and contribute to increased productivity and workforce participation.

The Directorate also contributed to the development of the revised National Agreement for Skills and Workforce Development and a new National Partnership Agreement on Skills Reform.

### Agency Restructure

In 2011–12 as part of the restructure of the housing portfolio, the Directorate facilitated the transfer of the NSW Land and Housing Corporation from the Family and Community Services cluster to the Finance and Services cluster.

The Directorate also provided advice on the development of an interdepartmental Memorandum of Understanding and the funding agreement across tenancy management, head-leasing of properties and the Land and Housing Corporation's capital program.

### Police Death and Disability

The Directorate played a key role in a working group comprising representatives from the NSW Police Force, the Ministry for Police and Emergency Services and the Department of Premier and Cabinet, to examine the Police Death and Disability Scheme. As a result of a scheme redesign, and financial analysis and modelling, the Government was able to implement a generous yet sustainable revised Police Death and Disability Scheme to continue providing support to injured police officers. Extensive negotiations with key stakeholders (including the NSW Police Association) were held to determine appropriate transition arrangements and review the draft legislation. Legislation to reform the Police Death and Disability Scheme was passed in November 2011.

### Social Benefit Bonds Trial

In consultation with the Department of Premier and Cabinet, the Directorate led the tender process for a social benefit bonds trial in the areas of out-of-home care in the child protection system and recidivism in the criminal justice system.

Social benefit bonds aim to deliver better outcomes for disadvantaged people by allowing government to re-orient spending away from crisis activities towards early intervention and prevention. Services are funded by investors, who are repaid by government on the basis of outcomes achieved. The Directorate continues to coordinate the trial through the development phase where the details of the proposed Bonds are being designed and agreed.

### National Natural Disaster Relief and Recovery Arrangements

The Directorate supported Council of Australian Government (COAG) initiated reviews on natural disaster policy, including reviews of associated disaster relief and recovery arrangements and insurance arrangements. The Directorate's support included the coordination of State responses on insurance matters with affected stakeholders and the commissioning of a consultancy review to consider the appropriateness of the State's insurance arrangements from a cost-benefit perspective. The Directorate also participated as an active member in the policy and natural disaster administrative reform agenda pursued by the Natural Disaster Relief and Recovery Arrangements (NDRRA) Stakeholders Group.

### Resource Allocation in Schools

The Directorate provided analysis and modelling to support the development of the Department of Education and Communities Resource Allocation Model, announced by the Minister for Education in March 2012, to assist schools to manage their budgets and increase flexibility to meet student needs.

### Treasury's Process Redesign

Treasury's process redesign program is reshaping work processes and systems in a way that enhances Treasury's capacity and effectiveness. The process redesign program is currently implementing recommendations from the internal 2012–13 Budget Review focusing on process, system, governance and communication improvements across Treasury.

### Economic, Environment and Services Directorate



*Matt Roberts  
Deputy Secretary  
Economic, Environment and Services*

#### Achievements

- ≈ **Developed a cost-benefit analysis framework to assist land use decisions for the Department of Planning and Infrastructure's Strategic Regional Land Use Plan process**
- ≈ **Developed and finalised the planning work in the Building the State Package that was the centrepiece of the 2012–13 Budget**
- ≈ **Led a submission to the NSW Planning System Review outlining evidence on the economic impacts of planning**
- ≈ **Contributed to the Government's response to the proposed Murray-Darling Basin Plan, focussing on socio-economic impacts and implementation costs**
- ≈ **Provided advice on the Long Term Transport Master Plan, the Metropolitan Strategy, and the State Infrastructure Strategy**

The Economic, Environment and Services Directorate develops micro-economic reforms and provides advice on the efficient and effective use of the State's resources in the areas of transport, planning, trade and investment, environment and government services.

#### Fiscal Sustainability of General Government Agencies

The Economic, Environment and Services Directorate covers 35 per cent of operating expenses and 65 per cent of the capital program of the general government sector.

The Directorate monitors the performance of Government sector agencies in the economic, environment and services areas against fiscal targets. It provides support to the agencies in their delivery of savings and value for money, and works collaboratively to manage major cost drivers and risks to service provision.

The Directorate partners agencies to identify opportunities for reform in service delivery, efficiency and effectiveness, including:

- ≈ identifying significant savings opportunities across Government's low-value programs as part of the 2012–13 Budget process
- ≈ assisting the development of the Treasury's Fiscal Effectiveness Office to support the delivery of savings across government
- ≈ working with agencies on strategies to reform shared corporate services, to improve services and lower costs, and to develop a whole-of-government strategy for meeting the government's data storage needs in a cost effective and reliable manner.

## Building the State Package

The Directorate led the planning work on the Building the State package that was a reform centrepiece of the 2012–13 Budget. In conjunction with the tax measures developed by Fiscal and Economic Directorate, the objective of the planning work undertaken by the Directorate aims to stimulate the housing sector following a number of years of underperformance. The Package is expected to promote economic growth in New South Wales and assist the Government achieve the State Plan target of 25,000 new dwellings per year in metropolitan Sydney.

Key planning elements of the Package include \$181 million of infrastructure to boost housing supply through the Housing Acceleration Fund, with a further \$300 million to be made available from proceeds of property assets; an additional \$30 million in interest concessions under the Local Infrastructure Renewal Scheme; and a \$50 million pilot incentive program to support Urban Activation Precincts.

## Strategic Regional Land Use Plan

In 2011–12 the Directorate led the development of an economic assessment framework to be included as part of the new Strategic Regional Land Use Plan process currently being finalised by the Government. The objective is to provide the Planning Assessment Commission with a robust and transparent approach to assist with balancing mining and coal seam gas development with the protection of strategic agricultural land.

## Planning System Review

The Directorate worked with the Fiscal and Economic Directorate on a comprehensive submission to the NSW Planning System Review in April 2012. The submission outlined evidence on the economic consequences of the NSW Planning System, provided key principles and made a number of recommendations relating to development decision-making, legislation, strategic planning, zoning and development controls, community involvement, infrastructure provision, complying developments and environmental impact statements.

The submission was posted on the NSW Planning System Review website ([planningreview.nsw.gov.au](http://planningreview.nsw.gov.au)) and elements were incorporated in the Independent Review Panel's Review Paper and the NSW Government's Green Paper.

The Directorate continues to work closely with the Department of Planning and Infrastructure on details of the Planning System Review.

## Water Reform – Murray-Darling Basin Plan

The Directorate was a significant contributor to the NSW Government's response to the Commonwealth's proposed Murray-Darling Basin Plan. The Murray-Darling Basin Authority released the draft Basin Plan for a 20-week public consultation period in November 2011. The Directorate participated in interagency working groups to investigate overall Basin Plan issues, socio-economic impacts and implementation costs.

The NSW Government made a submission on the draft Basin Plan in April 2012. In late May 2012 the Authority released a revised draft Basin Plan. The Directorate has also contributed to the NSW Government's revised draft.

The Directorate also reviewed the funding deeds for four State-led Sustaining the Basin Projects. In June 2012 the NSW Government received \$500 million from the Commonwealth for these projects, which will return water to the environment and help to restore river health.

### Transport, Planning and Infrastructure Strategies

Treasury contributed to, and reviewed, the Long Term Transport Master Plan (LTTMP) with Transport for NSW; the updated Metropolitan Strategy with the Department of Planning and Infrastructure; and the State Infrastructure Strategy with the independent statutory body Infrastructure NSW (INSW).

Treasury provided economic advice on the efficiency and effectiveness on the recommended infrastructure, service measures and reform initiatives in the LTTMP. Treasury will continue to engage with Transport for NSW in improving transport outcomes in NSW within constrained fiscal circumstances.

Treasury worked with the Department of Planning and Infrastructure in advising on the market dynamics that are driving employment and housing growth for the Metropolitan Strategy and participated in a number of Technical Working Groups on the Strategy. This analysis involved the development of a strong evidence base to assist the Government in better targeting infrastructure, services and planning requirements to meet Sydney's growing economy over the next 20 years.

To understand the starting point of the State's infrastructure need, however, INSW consulted with Treasury and other Government Departments in the preparation of the 20-year State Infrastructure Strategy. Treasury provided economic and fiscal advice for consideration by INSW, as well as providing detailed information on budget related processes to assess the State's capital expenditure.

### North West Rail Link Business Case Analysis

In 2011–12 the Directorate assisted in the analysis of the North West Rail Link Business Case and Financial Appraisal. The North West Rail Link is a priority rail project for the NSW Government with a specialised project team within Transport for NSW coordinating work on the project. The Directorate is committed to working with the project team to explore options to achieve the best value for money for Government, develop the strongest possible business case and maximise the Government's prospects for securing funding from the Federal Government.

### Commercial Fisheries Reform

Towards the end of the 2011–12 period, the Directorate participated on a working group led by the Department of Primary Industries to develop the Government's response to the Independent Report into NSW Commercial Fisheries. The NSW Government is expected to release its response to the Independent Report during 2012–13.

### Crown Land Management Reform

In the latter part of the year the Directorate participated in the review of Crown Land Management by contributing to the work of an interagency steering committee to review the overall management of Crown land. The review addresses the overall management of Crown land including legislation, financial management, governance and business structures. A final report will be provided to the NSW Government by June 2013.

### Review of Livestock Health and Pest Authorities

The Directorate provided input to a response to an independent review of the NSW Livestock Health and Pest Authorities model. An interdepartmental executive steering committee is preparing a response for consideration by Government during 2012–13.

### **Reform of the NSW Workers Compensation Scheme**

In 2011–12 a Parliamentary Joint Committee examined the NSW Workers Compensation Scheme. The Directorate, in conjunction with Fiscal and Economic Directorate, provided advice to the Government on the financial and economic impacts of proposed Workers Compensation Scheme reforms. The Committee approved legislative and policy amendments to the Scheme to facilitate the rehabilitation and return to work of injured workers.

### **Reforms to Mobile Radio Services**

During the year the Directorate provided advice to the Independent Pricing and Regulatory Tribunal review into pricing of the Government Mobile Radio Network. The Directorate consulted with the key stakeholders to implement a fairer method of pricing of mobile radio services which are a key support for emergency service agencies.

### **Reforms to Procurement in the NSW Public Sector**

Working with the Department of Finance and Services, the Directorate contributed to the reform of procurement arrangements in the NSW public sector. Treasury undertook modelling and analysis of the financial implications of the reforms. The reforms include removal of management fees on State Contracts which is intended to reduce red tape for suppliers, lowering the cost of doing business with the State government and improving economic efficiency.

### **New Financial Reporting Arrangements**

Transport for NSW was established in November 2011 as the lead agency for the restructured transport portfolio. Transport for NSW is responsible for all planning and policy functions across transport to ensure consistency in service delivery and to drive value for money in delivering transport infrastructure. Roads and Maritimes Services, and other transport operators, focus on service delivery to improve the transport experience for customers.

In 2011–12, in consultation with Transport for NSW, the Directorate provided advice on changes to the financial reporting arrangements to reflect the new organisational structure and the merger of two former entities (Transport Construction Authority and the Country Rail Infrastructure Authority) into Transport for NSW. This is to reflect the role of Transport for NSW as the strategic focal point for Transport policy and financial management and administration.

### **Parliamentary Inquiry into the Parliamentary Budget Office**

The Directorate contributed to the NSW Government's response to the recommendations of the Joint Select Committee on the Parliamentary Budget Office, including providing advice on required legislative amendments.

The Government's response included agreeing to amend the Parliamentary Budget Office Act 2010 to specify a core set of financial indicators of Budget impact, which are consistent with the way the State Budget is monitored and presented.

### **Urbangrowth NSW**

The Directorate, in conjunction with the Commercial Policy and Financing Directorate, participated on the Government's working group for the creation of Urbangrowth NSW. The Directorate's involvement included the provision of economic, financial and regulatory advice. The new entity will remove planning and development restrictions and work with the private sector to develop urban areas. Urbangrowth NSW will integrate and refocus Landcom and the Sydney Metropolitan Development Authority as a key new driver of the Government's approach to housing delivery.

### Expenditure Review Directorate



*Sue Power BSc, MCom, MPA  
Acting Deputy Secretary  
Expenditure Review*



*Josh Shrubbs BA (Hons) MPA  
Acting Deputy Secretary  
Expenditure Review*

#### Achievements

- ≈ **Established the Fiscal Effectiveness Office to support the delivery of savings initiatives across government and the Office will provide progress reporting on savings measures to government**
- ≈ **Identified significant savings opportunities across government, through a range of expenditure reviews of individual agencies and of common functions across agencies, and by identifying low-value programs**
- ≈ **Provided advice on wages policy, including on more than 50 bargaining parameter proposals to ensure that the costs of annual wage outcomes are limited to 2.5 per cent and included in the 2012-13 Budget**

The Expenditure Review Directorate was overseen by Sue Power and Joshua Shrubbs, as joint Acting Deputy Secretaries, from 27 February 2012 to the end of the financial year when the Directorate was restructured. The restructure resulted in functions being placed across Treasury's Human and Social Services Directorate and the Fiscal and Economic Directorate. Prior to 27 February 2012 Stephen Brady was the Deputy Secretary Expenditure Review.

The Directorate plays a lead role in driving value for money in the public sector and monitoring the implementation of savings measures. It covers agency reviews and cross agency functions, supporting prioritisation of expenditure and efficient delivery of services. By working collaboratively with individual agencies and reviewing cross agency functions, it focuses on identifying opportunities for agencies to achieve their savings targets and operate within a sustainable level of expenditure growth.

The Directorate sought to improve agency awareness of the state's fiscal constraints to develop a shared understanding of goals and challenges, supporting the Government's goals of reducing expense growth to match revenues and providing scope for infrastructure renewal.

### Fiscal Effectiveness Office

Evidence shows that a rigorous approach to program management and benefits realisation greatly improves the chances of achieving savings. Given the large savings targets announced by the Government, it was agreed that active management and monitoring of savings plans against milestones was critical to the success of savings programs. Consequently, the Fiscal Effectiveness Office was established in October 2011 to support the effective planning and delivery of savings initiatives across government. The Office worked with all clusters to ensure that major savings initiatives identified over the forward estimates were supported by robust planning and program management practices.

The Office has adopted a rigorous program management methodology across government to implement savings initiatives. It rolled out the methodology along with a training component, and in 2011–12 more than 200 public sector employees were trained.

All clusters reported to the Office on the progress of their savings. For the first time, this provided Treasury and the Expenditure Review Committee of Cabinet with transparency of savings progress. Further, the reporting framework has early warning indicators so that corrective actions can be taken before delivery of savings targets is put at risk.

The actions of the Office have resulted in greater transparency on how clusters will achieve their allocated savings targets as well as a consistent approach to whole-of-government reporting to Expenditure Review Committee of Cabinet.

### Wages Policy

The Directorate provides advice on wages policy across government and contributes to monitoring employee related cost savings to contain wages growth.

During 2011–12 the Directorate worked in partnership with the Department of Premier and Cabinet, the Public Service Commission and NSW Industrial Relations in the Department of Finance and Services to implement the revised policies on wages and excess employees. The Directorate provided advice on more than 50 bargaining parameter proposals to ensure that the costs of annual wage outcomes are limited to 2.5 per cent.

The Directorate also monitored the implementation of initiatives and verified the achievement of employee-related cost savings for annual wage outcomes greater than 2.5 per cent.

### General Government Expenditure Reviews

To support Treasury's goals under the *NSW 2021*, all agencies are subject to efficiency and expenditure reviews on a rolling basis.

In 2011–12 the Directorate undertook reviews of the expenditure of three general government agencies and a cross agency review of the Emergency Service sector. Working in collaboration with each of the agencies and applying an evidence-based approach, the reviews identified a range of opportunities to improve value for money and assist agencies to meet their Budget targets.

The following agencies were reviewed:

- ≈ **TAFE NSW** - In response to state and national reforms to vocational education and training (VET) the Directorate, along with the Human and Social Services Directorate, partnered with the Department of Education and Communities, with the support of other central agencies, to undertake a review of TAFE NSW. The review confirmed the role of TAFE as a public provider of VET services and developed recommendations to support long-term financial sustainability for TAFE NSW.



- ≈ **NSW Health** - In the context of the NSW Commission of Audit and major structural and funding reforms in NSW Health, the Directorate partnered with NSW Health to review a number of its areas of operations. The review examined opportunities for reform to support improved service delivery and quality while ensuring long-term financial sustainability. This review was finalised early in 2012–13.
- ≈ **The Treasury** – The Directorate supported a review of Treasury’s business processes and operating model, building on a previous expenditure review which identified process redesign as a core efficiency improvement measure. Together with recommendations from the NSW Commission of Audit, the Treasury review forms the basis of a wide-ranging business Transformation Program to strengthen the efficiency and effectiveness of Treasury’s contribution to the sector.
- ≈ **Emergency Services** – The Directorate also supported a joint review of Fire and Rescue NSW, the Rural Fire Service and the State Emergency Service, in partnership with the Ministry for Police and Emergency Services. This review, which examines opportunities for improving the efficiency, effectiveness and coordination of the State’s emergency response capacity, will be completed in 2012–13.

The Directorate also commenced a review of the Office of the Director of Public Prosecution which is due to be completed in 2012–13.

In response to a commitment in the 2011–12 Budget, the Directorate also developed and coordinated a whole-of-government process for agencies to identify program savings options for consideration by the Government. Program savings totalling \$1.24 billion over four years were announced in the 2012–13 Budget.

### Whole-of-Government Expenditure Reviews

Whole-of-government expenditure reviews focus on functions that apply across the public sector to identify potential efficiencies. The reviews capture all general government agencies and non-commercial public trading enterprises.

In 2011–12 NSW Treasury conducted the following six whole-of-government reviews which identified savings and/or efficiency opportunities:

- ≈ **Telecommunications** - A comprehensive review of selected agency spending on telecommunication services was conducted.
- ≈ **Purchasing cards** - Purchasing and payment processes were reviewed across government agencies resulting in recommendations to significantly improve the efficiency of procurement and payment methods.
- ≈ **Information Communication Technology (ICT) benchmarking and strategy** - A benchmarking program was established allowing agencies to enhance the value from their ICT services. This program provided transparency on ICT expenditure, enabling ongoing measurement of changes and greater collaboration between agencies.
- ≈ **ICT state contracts** - The review analysed government agency expenditure on ICT through existing State Contracts and other channels such as agency specific contracts to ensure Government was making the most of its aggregated buying power.
- ≈ **Fleet Efficiency Review** - Recommendations included a review of fleet numbers, extending vehicle lease terms, standardising vehicle options, improving fleet management and governance, and investigating charges for private vehicle use.
- ≈ **Merchant fees** - A review of merchant interchange fees on transactional services resulted in the implementation of a recoup arrangement through standard surcharges on credit and debit card payments.

The Directorate also worked with the Department of Finance and Services to support delivery of procurement savings and corporate services reforms across the sector, and with the Department of Premier and Cabinet on the establishment of Services NSW to implement the Simpler Government Services Plan.

## Corporate Directorate



*Anne Ellison  
Deputy Secretary  
Corporate*

### Achievements

- ≈ **Restructured the Corporate Directorate to focus on developing corporate strategies**
- ≈ **Established the Transformation Program to improve key Treasury internal and external operations and processes**
- ≈ **Transferred the internal finance function from the Office of State Revenue to NSW Treasury**
- ≈ **Developed and implemented a contemporary human resources framework**
- ≈ **Developed a new performance management system supported by a Treasury specific capability framework**
- ≈ **Reviewed and implemented a streamlined recruitment application process and rebuilt the Workplace Health & Safety policy and processes**
- ≈ **Redeveloped Treasury's intranet to make it the primary internal communication channel**

The Corporate Directorate delivers services to Treasury across a range of corporate areas including finance and administration, human resources, information management and technology, executive and ministerial services, communications, corporate planning and risk management.

The Directorate provides leadership for strategies and structures that promote a high performance culture and a capable, change-ready workforce; produce timely, high quality advice to the Treasurer and the Expenditure Review Committee of Cabinet; produce systems and processes that support the business and comply with good governance; and ensure Treasury manages within its budget and delivers required savings.

### Corporate Directorate Restructure

Two primary recommendations of the Treasury Capability Review (2011) were the redesign of core business processes and the development of a comprehensive performance management system.

In November 2011, as the first step in implementing the recommendations, Treasury restructured the Corporate Directorate to provide clear reporting lines and the ability to focus efforts on coordinated and integrated corporate strategies.

The Corporate Directorate now has the following three core branches:

**People and Performance** - focuses on human resources and services for staff, organisational development, internal and external communication strategies and communication channels, coordination of Treasury's internal budget, administrative services, accommodation and facilities.

The branch also provides a liaison point for Treasury's General Counsel at the Crown Solicitor's Office; review and oversight of procurement and contract management; a Treasury-wide project management office (PMO); and a corporate advisory role across Treasury.

**Information Management Systems** - develops Treasury's information management strategy and supports core information management systems, manages and supports our asset database, telecommunication and electronic devices, and core office systems; and supports Treasury's records management, developing and implementing strategies for information management and knowledge sharing.

**Executive and Ministerial Services** - provides executive support within Treasury services to the Treasurer's Office and Executive Government. The Branch also provides information disclosure – including Government Information (Public Access) and Privacy and Public Interest Disclosures.

### Transformation Program

Transformation is a very significant program of reform that will move Treasury's business model to one that is more strategic, consultative and efficient. Treasury will provide leadership to deliver major financial reform across the sector and meet the Government's expectations for strong financial management and efficiency savings.

The Transformation Program will be wide ranging and will impact everyone at Treasury and our partners across the sector. It involves four key projects:

- ≈ **Financial Management Reform** will deliver a new financial management framework, improved financial capability, accountability and a new IT system to support the new environment
- ≈ **Commercial initiatives** will implement new arrangements for State Owned Corporations and build more strategic approaches to achieve a better return to taxpayers
- ≈ **Process Redesign** of key internal processes will improve quality, consistency, speed and effectiveness of Treasury advice
- ≈ **Strategic Projects** will develop an internal framework for selecting, resourcing and managing the highest priority projects across Treasury.

When completed, Treasury staff will be working more strategically, collaboratively and efficiently with higher quality results.

### Our Values

As a further step in implementing Capability Review recommendations, in 2011–12 Treasury's new organisational values were developed as a component of the People Strategy 2012–2015.

Treasury's values reflect those in the *Public Sector Management Act* and highlight behaviours crucial to successfully delivering the organisation's priorities.

Treasury's values are:

- ≈ strive for **excellence** in everything we do
- ≈ display **integrity** at all times
- ≈ hold ourselves **accountable** in our responsibilities
- ≈ show **trust** in all our relationships.

These core values guide Treasury's work and underpin people strategies and the commitment to staff.

## People Strategy 2012–2015

On 24 May 2012 a three-year People Strategy was launched. The strategy supports the Corporate Plan and is crucial to Treasury’s success as a high performance organisation.

The four streams in the People Strategy are:

- ≈ **Culture:** having a high performance culture and being a values driven organisation
- ≈ **Leadership and Management:** inspiring leaders that proactively manage and recognise people
- ≈ **HR Foundation:** becoming a high performing organisation fit for purpose
- ≈ **Development:** having innovative learning and development that meets current and future needs.

The Strategy is based on a structured human resources framework developed as a result of staff consultation, recommendations from Treasury’s Human Resources Advisory Committee, Treasury’s human resource expertise and best practice industry research.

## Performance Management System

Developing a comprehensive performance management system for NSW Treasury was a priority recommendation of the Capability Review. In May 2012 Treasury finalised a new performance management system supported by a Treasury specific capability framework. The Performance Excellence Framework was introduced in June 2012 and describes the performance management principles, processes and systems that underpin effective people management within Treasury.

### Treasury’s Performance Excellence Framework



## Performance Excellence Program

The Framework led to a new performance management process called the Performance Excellence Program. Treasury uses this to plan, review and provide feedback about individual employee’s performance.

The individual’s performance cycle includes goal setting, monitoring, coaching and review. The manager and staff member plan for the next 12 months and discuss performance objectives and standards. The plan also considers the learning and development required to meet Treasury objectives, strengthen position capabilities and assist with career development.

Managers provide ongoing informal feedback and coaching throughout the performance cycle. The annual review brings together the formal and informal feedback given over the previous 12 months. This involves reviewing results and outcomes against objectives, commenting and rating progress.

### Treasury Capability Framework

The Treasury Capability Framework was developed in early 2012. The framework is based on the core capabilities required across the organisation to attain excellence and demonstrate creativity, energy and solutions.

The framework contains standards expected of staff and descriptors of those standards at each level.

#### Treasury's Performance Excellence Framework

Thinking skills	People skills	Delivery skills
Thinking strategically	Influential Communication	Managing Relationships
Analysis and Use of Evidence	Valuing People	Managing Resources
Learning Agility	Managing People	Achieving Results
CREATIVITY	ENERGY	SOLUTIONS

This capability framework has been integrated into various human resource processes, tools and support within Treasury.

As an example, the capability framework is incorporated into the Performance Excellence Program process to demonstrate capabilities, provide a basis for systematic identification of learning and development, and create Treasury Development Pathways.

Treasury Development Pathways is a Treasury-specific career development tool which supports learning and development planning to strengthen capabilities and aid career progression within the organisation.

### Learning and Development

In May 2012 Treasury introduced a new learning and development policy articulating its commitment to provide training, development and learning opportunities for all staff. This includes:

- ≈ a systematic approach to identifying learning and development needs to ensure relevant and effective development activities that support Treasury's organisational objectives and staff to realise their full potential
- ≈ implementation of the 70:20:10 model that recognises most learning is in the workplace – 70 per cent experience, 20 per cent exposure and 10 per cent through education
- ≈ clear links to the Performance Excellence Program encouraging transfer of learning to the workplace and recognising the impact of informal learning.

## Management Support and Leadership Development

Treasury implemented a number of initiatives to support managers and promote a Leadership Development Strategy with a strong practical learning focus.

In May 2012 a program of communication and training commenced which included:

- ≈ performance management skills training
- ≈ management development training (a four module performance and engagement program running over a six-month period. Each module includes a skills workshop, peer coaching and group mentoring)
- ≈ manager's toolkit (a desktop guide which includes job aids, tips and resource documents relating to people and performance management)
- ≈ policies and procedures for managing performance
- ≈ access to internal and external coaching to support managers dealing with poor performance and difficult conversations.

## Recruitment and Succession Planning

Treasury aims to be an employer of choice to attract and recruit high quality employees. To support this Treasury implemented a number of initiatives including:

- ≈ a streamlined application process
- ≈ revised recruitment policy
- ≈ streamlined eligibility list and bulk recruitment processes
- ≈ improved communication with applicants
- ≈ revised recruitment information including electronic presentation
- ≈ revised reference check process.

Additionally, to increase transparency and fairness, Treasury implemented recruitment and job application sessions for staff covering the new application process.

## Graduate Recruitment Program

The recruitment of university graduates with high potential continues to be a core element of Treasury's strategy for attracting and retaining high-quality people.

During 2011–12 Treasury worked to build a reputation as the preferred employer of high-calibre graduates by:

- ≈ participating at the career fairs of the State's five major universities
- ≈ sponsoring scholars through the University of NSW Co-op program
- ≈ offering mentoring opportunities through the Lucy Program to female undergraduates of the University of Sydney and the University of Western Sydney (see also the Equal Employment Opportunity section in the Appendices, page 91).

Treasury's Graduate Recruitment Program for 2012 attracted 479 applications. Of these, we offered positions to eleven graduates from a range of disciplines (including accounting, commerce, economics, and law). Eight of these graduates are completing a 12-month program featuring the opportunity to work in three areas of Treasury and three are working in the Treasury's research consultancy unit.

The **Human Resources Advisory committee** is chaired by the Deputy Secretary Corporate. The Committee meets monthly and makes recommendations to the Treasury Executive on human resource issues, providing our staff with a forum to contribute to the development of Treasury's people and development strategies.

During 2011–12 the committee provided valuable input to the new performance management system, capability framework, updates of some human resources policies and enhancements to the Graduate Recruitment Program.

### Work Health and Safety

In 2011–12 Treasury developed the Work Health and Safety (WHS) Toolkit. The WHS Toolkit includes Treasury's WHS consultation statement, policy and new format checklists for reporting, recording and investigating incidents.

The new forms and checklist for reporting, recording and investigating incidents, along with emergency procedure documents, are included in a staff induction pack for all new employees joining Treasury.

In addition, an online Work Health and Safety training module has been developed as a component of Treasury's Work Health and Safety portal on the intranet.

The WHS committee representatives meet monthly and monitor workplace risks, develop preventive safety strategies and promote workplace safety. The Committee's functions include reviewing policies and practices to ensure the health, safety and welfare of staff, investigating matters that may be a risk to health and safety at the workplace, and requesting investigations by an inspector if required. The WHS committee provided key input in developing the WHS Toolkit.

### Executive and Ministerial Services Reviews of Processes

Following a reassessment of Treasury's process, a number of changes were introduced including:

- ≈ new Cabinet process which strengthened relationships with other central agencies at executive level and provided meaningful data to the Expenditure Review Committee of Cabinet, Senior Management Council and senior staff in Treasury
- ≈ new format and review of content for briefings to the Treasurer which resulted in improvements in the presentation and quality of information submitted
- ≈ improved ministerial correspondence which resulted in faster turnaround times and quality of responses.

### Government Information (Public Access)

In 2011–12 Corporate Directorate conducted a review of information held by Treasury to identify more information that could be made publicly available. As a result, the following new information was released publicly:

- ≈ Social Benefit Bonds
- ≈ Social Benefit Bonds Trial Proposal Outcomes
- ≈ Social Benefit Bonds Trial in NSW FAQs
- ≈ NSW Social investment Expert Advisory Group FAQs
- ≈ Treasury Audit Manual
- ≈ Audit and Risk Committee Charter
- ≈ Internal Audit Function Charter
- ≈ Audit and Risk Committee conflict of interest declaration
- ≈ Audit and Risk Committee Self-Assessment Guide.

Further information on the *Government Information (Public Access) Act 2009* (GIPA Act) and the statistical tables outlining information according to the provisions of the *Government Information (Public Access) Regulation 2009* can be found on page 94 in this Annual Report.

## Public Interest Disclosures

On 22 November 2011 the Directorate coordinated a presentation on the *Public Interest Disclosures Act 1994* (PID Act) by the Deputy Ombudsman, Mr Chris Wheeler, to senior managers at the Executive & Directors Forum. In addition, the internal brochure *Guide to Making a Public Interest Disclosure* was distributed to staff. Further information on the *Public Interest Disclosures Act 1994* can be found on page 97 in this Annual Report.

## Stakeholder Communication

The Communication team supports all Treasury activities including Treasury's Corporate Plan, Transformation Program and *NSW 2021*, providing a framework for communication at all levels within Treasury. In particular, the timely exchange of relevant and up-to-date information with government agencies is critical to our goal of building strong partnerships and supporting the delivery and affordability of public services.

Treasury's externally focused communication achievements during 2011–12 included producing and publishing:

- ≈ State financial reports
- ≈ operational documents including the Corporate Plan 2012–13 to 2015-16
- ≈ Treasury Circulars
- ≈ NSW Treasury Policy and Guidelines Papers
- ≈ NSW Treasury Research and Information Papers
- ≈ new recruitment brochures
- ≈ new brochures and advertisements for Treasury sponsorship arrangements
- ≈ web content and publications to meet the requirements of the *Government Information (Public Access) Act 2009*.

These publications are available at the NSW Treasury website – [www.treasury.nsw.gov.au](http://www.treasury.nsw.gov.au).

## Intranet and Internal Communication

Treasury's internal communication tools include regular directorate meetings, Secretary briefings, internal e-newsletter "Messenger" updates, project and "hot topic" forums with the intranet as the primary channel to facilitate ongoing communication.

During 2011–12 the Treasury intranet was extensively reviewed and redesigned. This process involved a comprehensive communication plan and a process of internal consultation and user forums to ensure that the content met our business needs. In addition, research was undertaken to develop benchmarks and best-practice principles to make the intranet more user-friendly and make information more accessible.

As a final step the overall appearance of the home page was redesigned to ensure that the intranet's look was well-received by our staff and appropriate to the organisation's corporate identity. The new-look intranet was launched in January 2012.

## Web-Based Information and Electronic Service Delivery

Treasury's website plays a major role in stakeholder communications and the efficient and effective delivery of information and services to government agencies, and the people and businesses of NSW.

The table below presents the web page rankings by the number of hits<sup>4</sup> for Treasury's website for the 2011–12 year.

<sup>4</sup> A hit is a request for a page made by a user. A hit occurs when a page is requested from the web server and successfully loaded into the user's web-browser.



The Treasury home page received the highest number of hits – a total of 125,513. The home page has been excluded from the following table in its function as a 'landing page'. This information allows the Directorate to focus improvement efforts on high-value information.

2011–12 Ranking	Web page name	Overview of page contents
1	Publications Index	Periodic Reports on State Finances including Budget Papers, Half-Yearly Review, Report on State Finances, Annual Reports and General Government Financial Statements
2	Budget Papers Index	Index to the State Budget Papers from 1988–89 to 2011–12
3	Treasury Circulars Index	Index to Treasury Circulars from 2007 to 2012, including Circulars that have been withdrawn
4	About Us	Treasury information including structure, organisation chart, Corporate Plan and Guarantee of Service
5	Treasury Circulars (2011)	Index to Treasury Circulars issued in 2011
6	Treasury Circulars (2012)	Index to Treasury Circulars issued in 2012
7	Treasury Policy Papers Index	Index to Treasury Policy and Guidelines papers
8	Contact Us	How to Contact NSW Treasury
9	External Links	Web links to other public sector agencies, other Australian Treasuries and Commonwealth Grants Commission, State Owned Corporations, Legislation, Accounting Policy Links
10	Budget Papers 2010–11	Index to the 2010–11 State Budget Papers

Note: NSW Budget Papers for 2012–13 are published on the Budget website [www.budget.nsw.gov.au](http://www.budget.nsw.gov.au)

### Treasury's Internal Finance Function

The operations of NSW Treasury previously included the Office of Financial Management and the Office of State Revenue, with each office functioning as an independent organisation. Following the machinery of government changes in April 2011, the Office of State Revenue ceased to be an administrative unit within Treasury and was transferred to the NSW Department of Finance and Services.

As the Office of State Revenue had previously taken the lead in much of the management of Treasury's internal finances, an internal capacity had to be established within Treasury. As a result, the Finance and Administration Unit within the Corporate Directorate undertakes this internal financial function under an expanded role.

The Finance and Administration Unit works closely with the Crown Asset and Liabilities Management (CALM) branch. The Director CALM has assumed the role of Chief Financial Officer for the organisation.

### Operating Expenditure

The 2011–12 financial year represented the first full year of operations without the Office of State Revenue. As a result the overall operating expenditure of NSW Treasury reduced significantly from 2010–11. Total expenses for NSW Treasury in 2011–12 were \$75.1 million.

The Better Services and Value program continued to work with agencies to improve service delivery and contain expenditure growth across the government sector agencies. Consultancies were used in combination with internal staff to accelerate the program. Information on this expenditure on consultants is outlined on page 101 of this annual report.

The performance of NSW Government agencies is based on a Net Cost of Services (NCS) level, broadly represented by total agency expenses less revenue. On an NCS basis Treasury recorded savings of \$0.5 million after rolling over \$3.5 million into 2012–13 as a contribution towards funding required for a delayed program.

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

Benchmark ≤ 100%	2007–08 Actual	2008–09 Actual	2009–10 Actual	2010–11 Actual	2011–12 Actual
% of Actual NCS to Budget	95.8%	100%	94.7%	97.8%	99%

Employee related costs represent the main component of Treasury's budget. Tight management of this throughout the year allowed a contribution to savings requirements while continuing with the delivery of services.

Treasury's annual capital allocation was \$385,000 of which \$381,000 was spent. The allocation predominately funds the replacement of assets including computers, laptops and multi-functional devices (integrated photocopier, scanner and printer). The allocation is also used to cover minor office refurbishment and information technology system programming updates.

## Corporate Planning

The Executive Board commenced its strategic and corporate planning for 2012–13 in November 2011. Treasury's new Corporate Plan was finalised early in 2012 and links to the Treasurer's targets in the State Plan *NSW 2021*.

The Corporate Plan sets out Treasury's vision, mission and values, which reflect the values of the Public Sector Management Act and focus them on the way we work to produce outcomes and a culture specific to this organisation. The Plan contains Treasury's longer-term priorities as well as the more detailed activities planned for 2012–13.

In 2011–12 Treasury's business planning coped with the demands of an incoming government, including its requests to co-ordinate two State Budgets in a 12-month period and to undertake a major piece of work in support of the NSW Financial Audit.

The NSW Treasury's **Corporate Plan 2012–13 to 2015–16** is presented on pages 7–8 of this Annual Report.

## Framework for an Ethical Organisation

Through Treasury's Code of Conduct, Anti-Corruption Statement, Fraud Policy and Guarantee of Service, staff are made aware of what the organisation expects of them and of the point at which conduct becomes inappropriate.

The following policies and guidelines, which apply across the NSW public sector, complete the framework for an ethical organisation:

- ≈ Code of Conduct and Ethics for Public Sector Executives 1998 (amended 2009)
- ≈ Conduct Guidelines for Members of NSW Government Boards and Committees 2001 (amended 2008)
- ≈ Personnel Handbook, Chapter 8: Model Code of Conduct 2009
- ≈ Circular C2006–29 SES Grievance and Dispute Resolution Procedures 2006.

In 2011–12 an audit of fraud and corruption controls was conducted for NSW Treasury, the Crown and SICorp. Further details are outlined in the Report from the Audit & Risk Committee on page 50 of this annual report.

## Good Governance

### Insurance

Treasury has insurance in place to cover all its assets and major risks. Its insurance policies include workers compensation, building contents (including office equipment) and public liability. These policies are with the NSW Government's self-insurance scheme, the Treasury Managed Fund.

To minimise the likelihood and impact of workplace injury, Treasury's workers compensation risks are actively managed with pre-emptive workplace inspections, early intervention, an active Workplace Committee and active rehabilitation programs.

The Treasury Managed Fund Premium Incentive Scheme encourages effective risk management. Agencies that manage risk well receive lower premiums, while those with poor risk management are penalised.

In 2011–12, as a result of the effective management of risk, Treasury secured an incentive adjustment (refund of premium) through the Treasury Managed Fund. The adjustment is retrospective, so the 2011-12 adjustment refers to risk management in 2010–11.

### Audit and Risk Management

The 2011–12 report from Treasury's Audit and Risk Management Committee is presented on pages 50–51. It is followed by the Secretary's disclosure statement for the year.

Highlights from Treasury's audit and risk function during the year included:

- ≈ The Secretary and Executive Board approved a new Audit Plan for 2012–13, based on a revised Treasury Risk Register and Management Plan.
- ≈ For the three years from 1 July 2012, Ernst & Young have been appointed as Treasury's provider of internal audit services. It is expected the consistency provided by this arrangement will improve the value internal audit is able to add to Treasury's business.
- ≈ Risks at Treasury's interfaces with other agencies were reduced. For the first full year, the risk interface we shared with the Office of State Revenue ceased to exist. ServiceFirst<sup>5</sup> responded to Treasury's request for greater assurance regarding risks at its interface by developing a Management Assurance Framework which allows it to provide all of its clients with greater transparency around the controls it has in place to safeguard and accurately report on their transactions.
- ≈ The Audit and Risk Committee welcomed a new Chair and a new independent member, replacing members who had reached their maximum term of engagement.
- ≈ Regular meetings were arranged with the risk manager of the NSW Self-Insurance Corporation (SICorp) to ensure that risk management issued are being dealt with as consistently as possible in each entity, and that SICorp has an up to date understanding of matters engaging Treasury as a whole in relation to internal audit<sup>6</sup>.

<sup>5</sup> ServiceFirst is a business unit of the Department of Finance and Services. It is the shared service provider for a number of agencies with regard to financial transactions and operational human resources and IT services.

<sup>6</sup> SICorp falls under Treasury's Audit & Risk Committee.

## Report from the Audit & Risk Committee

Dear Secretary

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

- ≈ oversee the internal audit function, risk management, corporate governance, and other internal assurance processes that operate within NSW Treasury, including the Crown Entity and the NSW Self Insurance Corporation (SICorp)
- ≈ assess risks arising from NSW Treasury's operations and the adequacy of measures in place to control those risks
- ≈ liaise with external audit
- ≈ ensure the integrity of NSW Treasury's external financial reporting and internal management reporting.

NSW Treasury's Audit and Risk Management Committee (hereafter referred to as "the Committee") is separately tasked with oversight of the controls on the preparation of the total state sector accounts, which are published annually in the Report on State Finances.

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

### Committee Membership

In compliance with NSW Treasury policy, during 2011–12 the Committee operated with five members, three of whom are independent of NSW Treasury:

- ≈ Jim Mitchell (Independent Chair until April 2012)
- ≈ Peter Lucas (Independent Chair from 18 April 2012)
- ≈ Christine Feldmanis (Independent Member)
- ≈ Carolyn Burlew (Independent Member)
- ≈ Mark Ronsisvalle (Deputy Secretary, Budget and Financial Management Directorate)
- ≈ Sue Power (Program Leader, Transformation Program).

From August 2011-April 2012 Peter Lucas attended meetings as an observer to assist with a smooth transition, but he did not become a member until Mr Mitchell had left the Committee.

Meetings were also regularly attended by the Chief Audit Executive and representatives of the NSW Audit Office, both in the role of observers.

### Committee Meetings

The Committee met on ten occasions during 2011–12, including a number of extraordinary meetings to ensure Treasury's many financial statements were all fully reviewed. During its meetings the Committee:

- ≈ gave assurance to the Secretary concerning 2010–11 end-of-year financial reporting for NSW Treasury, the Crown Entity, SICorp, and the total state sector
- ≈ reviewed and provided advice to management on early close statements for 2011–12

- ≈ oversaw the implementation of the audit program outlined below
- ≈ commended to the Secretary a new Risk Register and Management Plan, a comprehensive Treasury Audit Manual and the 2012–13 Internal Audit Plan, among other better practice documents
- ≈ reviewed its charter and that of the internal audit function as required by TPP 09-05
- ≈ assessed the internal and external audit functions and provided advice to the Secretary on potential improvements where required.

The independent members also held a special meeting to help familiarise themselves with Treasury's draft Risk Register and Management Plan prior to its approval.

### Audit Program

The following reports were tabled before the Committee during 2011–12 and commended, with management responses, to the Secretary for approval:

- ≈ Review of insurance agents' compliance with the financial management conditions and requirements of the Home Warranty Insurance Fund (HWIF)
- ≈ Review of the SICorp Governance Framework and Advisory Board
- ≈ Development of a Legal and Regulatory and Compliance Register
- ≈ Review the Options for the Establishment of a Whole-of-Government Audit and Risk Committee
- ≈ Audit of Fraud and Corruption Controls in Crown and Treasury
- ≈ Audit of Fraud and Corruption Controls in SICorp.

The following project was still in progress at 30 June:

- ≈ Review of information security and configuration management in SICorp.

The Committee regularly monitors the appropriateness and timeliness of management responses to completed reviews and to Audit Office management letters.

### Meetings with the Secretary

In 2011–12 the independent members met three times with the Treasury Secretary. These meetings allowed the external members to raise any concerns or ideas directly with the Secretary, and to learn about the emerging issues and risks impacting Treasury's operations.



Peter Lucas,

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

## Internal Audit and Risk Management Statement for the 2011-2012 Financial Year for NSW Treasury

I, the Secretary of NSW Treasury, am of the opinion that during 2011–12 Treasury had internal audit and risk management processes in place that were, excluding the exceptions described below, compliant with the core requirements set out in Treasury Circular NSW TC 09/08 *Internal Audit and Risk Management Policy*.

I, the Secretary of NSW Treasury, am of the opinion that the internal audit and risk management processes for Treasury departed from the following core requirements set out in Treasury Circular NSW TC 09/08 during 2011–12, and that (a) the circumstances giving rise to these departures were determined by the Treasurer and (b) Treasury implemented the following practicable alternative measures to achieve a level of assurance equivalent to the requirement:

Ministerially Determined Departure	Reason for Departure and Description of Practicable Alternative Measures Implemented
<p><b>Core Requirement 1</b></p> <p>The department head must establish an Audit &amp; Risk Committee to oversee and monitor governance, risk and control issues affecting the operations of the department.</p>	<p>The strict application of the Policy (TPP09-05) would mean separate audit and risk management committees for each of the entities listed in Annexure 1 of the Audit &amp; Risk Committee's Charter. However, these entities are so closely managed by Treasury it is not considered value for money to provide them with individual audit committees and functions.</p>
<p><b>The Treasurer has determined:</b></p> <p>That, for the purposes of its audit and risk functions, "Treasury" is determined to include the agency of that name, the Crown Entity, the NSW Self Insurance Corporation and such other entities as are named in Annexure 1 of the agency's Audit &amp; Risk Committee Charter, which is publicly available on Treasury's website. Treasury Corporation is to maintain its own audit and risk functions, separate from those of Treasury. This exception is to be regarded as permanent unless explicitly revoked by myself or a future Treasurer.</p>	
<p><b>Core Requirement 3</b></p> <p>An Audit &amp; Risk Committee Chair must be appointed for a period of at least three years, with a maximum term of four years.</p> <p>For members, the initial term must not exceed four years. There is an option for reappointment for a further term of maximum four years.</p>	<p>TPP 09-05 also requires that wherever possible, departures from a Committee should be staggered to ensure that knowledge loss is minimised at any one time.</p> <p>Prior to TPP 09-05, terms of membership were not limited, thus some members of the Committee must either exceed their new maximum terms, or leave within a short time of other members' review dates.</p>
<p><b>The Treasurer has determined:</b></p> <p>That an exception is granted to enable the departures of Jim Mitchell (Chair), Christine Feldmanis and Mark Ronsisvalle from the Committee to be separated by enough time to maintain stability within the Committee. This exception will remain in force until Mr Ronsisvalle is replaced in October 2012, after which full compliance will be achieved.</p>	
<p><b>Core Requirement 5</b></p> <p>An enterprise risk management process that is appropriate to the department must be established.</p>	<p>As at 30 June 2012 most of the elements of enterprise risk management were in place, but documentation of the overarching framework remained in draft. Finalisation is expected by September 2012.</p>
<p><b>The Treasurer has determined:</b></p> <p>That an exception is granted to enable Treasury to finalise its enterprise risk management framework to appropriate standards. Treasury expects it will be able to attest to full compliance in this area before the end of September 2012.</p>	

I, the Secretary of NSW Treasury, am of the opinion that the Audit & Risk Committee for Treasury is constituted and operates in accordance with the independence and governance requirements of Treasury Circular NSW TC 09/08, other than as detailed in the exceptions above. The Chair and Members of the Audit & Risk Committee in 2011–12 were:

- ≈ Jim Mitchell, independent Chair (appointed 2008, extended 2011: last meeting 23 March 2012)
- ≈ Peter Lucas, independent Chair (18 April 2012 to June 2015)
- ≈ Christine Feldmanis, independent member (term extended in 2010: last meeting 28 June 2012)
- ≈ Carolyn Burlew, independent member (appointed 2009: extended in September 2011 to September 2015)
- ≈ Mark Ronsisvalle, non-independent member (appointed 2004: extended in 2011 to October 2012 by Ministerial exception)
- ≈ Sue Power, non-independent member (2009 to July 2013)

I, the Secretary of NSW Treasury, declare that this Internal Audit and Risk Management Attestation is made on behalf of the following agencies and controlled entities:

- ≈ NSW Treasury
- ≈ NSW Self Insurance Corporation (SICorp)
- ≈ Crown Entity (CE)
- ≈ Electricity Tariff Equalisation Ministerial Corporation
- ≈ Liability Management Ministerial Corporation
- ≈ State Rail Authority Residual Holding Corporation
- ≈ Lotteries Assets Ministerial Holding Corporation
- ≈ Building Insurers' Guarantee Corporation
- ≈ Residual Business Management Corporation.

Treasury's Audit & Risk Committee and risk management processes also cover the preparation of the Total State Sector Accounts.



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Philip Gaetjens, Secretary

Date: 18 July 2012



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Treasury contact officer:

Nadia Fletcher, Chief Audit Executive, ext. 4445

Date: 18 July 2012

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## INDEPENDENT AUDITOR'S REPORT

### The Treasury

To Members of the New South Wales Parliament

I have audited the accompanying financial statements of the Treasury, which comprise the statement of financial position as at 30 June 2012, the statement of comprehensive income, statement of changes in equity, statement of cash flows, service group statements and a summary of compliance with financial directives for the year then ended, notes comprising a summary of significant accounting policies and other explanatory information.

### Opinion

In my opinion, the financial statements:

- give a true and fair view of the financial position of the Treasury as at 30 June 2012, and of its financial performance and its cash flows for the year then ended in accordance with Australian Accounting Standards
- are in accordance with section 45E of the *Public Finance and Audit Act 1983* (the PF&A Act) and the Public Finance and Audit Regulation 2010

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

### Secretary's Responsibility for the Financial Statements

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

### Auditor's Responsibility

My responsibility is to express an opinion on the financial statements based on my audit. I conducted my audit in accordance with Australian Auditing Standards. Those standards require that I comply with relevant ethical requirements relating to audit engagements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the Treasury's preparation of the financial statements that give a true and fair view in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Treasury's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the Secretary, as well as evaluating the overall presentation of the financial statements.

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

My opinion does *not* provide assurance:

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

## Independence

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

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



A T Whitfield  
Acting Auditor-General

2 October 2012  
SYDNEY

## The Treasury

### Statement by the Treasury Head

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

- (a) the accompanying financial statements in respect of the year ended 30 June 2012 have been prepared in accordance with applicable Australian Accounting Standards, the requirements of the *Public Finance and Audit Act 1983*, applicable clauses of the *Public Finance and Audit Regulation 2010*, the requirements of the Financial Reporting Directions published in the Financial Reporting Code for NSW General Government Sector Entities and the Treasurer's Directions;
- (b) the financial statements exhibit a true and fair view of the financial position of The Treasury as at 30 June 2012 and the financial performance for the year then ended, and
- (c) there are no circumstances which would render any particulars included in the financial statements to be misleading or inaccurate.



**Philip Gaetjens**  
**Secretary**  
**28 September 2012**

## The Treasury

### Statement of comprehensive income for the year ended 30 June 2012

	Notes	Actual 2012 \$'000	Budget 2012 \$'000	Actual 2011 \$'000
<b>Expenses excluding losses</b>				
Operating expenses				
Employee related	2(a)	49 657	46 271	122 753
Other operating expenses	2(b)	24 262	28 677	53 559
Depreciation and amortisation	2(c)	997	663	5 288
Grants and subsidies	2(d)	169	169	18 251
<b>Total expenses excluding losses</b>		<b>75 085</b>	<b>75 780</b>	<b>199 851</b>
<b>Revenue</b>				
Recurrent appropriation	3(a)	59 902	63 981	168 217
Capital appropriation	3(a)	381	385	6 622
Sale of goods and services	3(b)	12 076	8 400	32 003
Investment revenue	3(c)	737	500	2 066
Retained taxes, fees and fines	3(d)	–	–	87
Grants and contributions	3(e)	–	–	55
Acceptance by the Crown Entity of employee benefits and other liabilities	3(f)	3 439	2 907	6 885
Other revenue	3(g)	9	15	327
<b>Total Revenue</b>		<b>76 544</b>	<b>76 188</b>	<b>216 262</b>
Gain / (loss) on disposal	4	(9)	–	(15)
Other gains / (losses)	5	–	–	41
<b>Net result</b>	16	<b>1 450</b>	<b>408</b>	<b>16 437</b>
<b>Other comprehensive income for the year</b>		<b>–</b>	<b>–</b>	<b>–</b>
<b>TOTAL COMPREHENSIVE INCOME</b>		<b>1 450</b>	<b>408</b>	<b>16 437</b>

The accompanying notes form part of these financial statements.

## The Treasury

### Statement of financial position as at 30 June 2012

	Notes	Actual 2012 \$'000	Budget 2012 \$'000	Actual 2011 \$'000
<b>ASSETS</b>				
<b>Current Assets</b>				
Cash and cash equivalents	7	18 261	12 729	10 834
Receivables	8	2 166	1 930	3 109
<b>Total Current Assets</b>		<b>20 427</b>	<b>14 659</b>	<b>13 943</b>
<b>Non-Current Assets</b>				
Plant and equipment	9	1 754	1 023	1 113
Intangible assets	10	674	729	917
<b>Total Non-Current Assets</b>		<b>2 428</b>	<b>1 752</b>	<b>2 030</b>
<b>Total Assets</b>		<b>22 855</b>	<b>16 411</b>	<b>15 973</b>
<b>LIABILITIES</b>				
<b>Current Liabilities</b>				
Payables	11	6 568	3 152	3 079
Provisions	12	6 155	5 218	5 261
<b>Total Current Liabilities</b>		<b>12 723</b>	<b>8 370</b>	<b>8 340</b>
<b>Non-Current Liabilities</b>				
Provisions	12	1 105	56	56
<b>Total Non-Current Liabilities</b>		<b>1 105</b>	<b>56</b>	<b>56</b>
<b>Total Liabilities</b>		<b>13 828</b>	<b>8 426</b>	<b>8 396</b>
<b>Net Assets</b>		<b>9 027</b>	<b>7 985</b>	<b>7 577</b>
<b>EQUITY</b>				
Accumulated funds		9 027	7 985	7 577
<b>Total Equity</b>		<b>9 027</b>	<b>7 985</b>	<b>7 577</b>

The accompanying notes form part of these financial statements.

## The Treasury

### Statement of changes in equity for the year ended 30 June 2012

Notes	Accumulated Funds \$'000
<b>Balance at 1 July 2011</b>	7 577
Net result for the year	1 450
Total other comprehensive income	-
<b>Total comprehensive income for the year</b>	<b>1 450</b>
Transaction with owners in their capacity as owners	-
<b>Balance at 30 June 2012</b>	<b>9 027</b>
<b>Balance at 1 July 2010</b>	52 587
Net result for the year	16 437
Total other comprehensive income	-
<b>Total comprehensive income for the year</b>	<b>16 437</b>
Transaction with owners in their capacity as owners	
Increase /(decrease) in net assets from equity transfers	1 (a) 1 (k)
	<b>(61 447)</b>
<b>Balance at 30 June 2011</b>	<b>7 577</b>

The accompanying notes form part of these financial statements.

## The Treasury

### Statement of cash flows for the year ended 30 June 2012

	Notes	Actual 2012 \$'000	Budget 2012 \$'000	Actual 2011 \$'000
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>				
<b>Payments</b>				
Employee related		(45 066)	(43 341)	(116 281)
Grants and subsidies		(169)	(169)	(24 219)
Other		(24 691)	(31 949)	(60 664)
<b>Total Payments</b>		<b>(69 926)</b>	<b>(75 459)</b>	<b>(201 164)</b>
<b>Receipts</b>				
Recurrent appropriation	3	59 902	63 981	168 217
Capital appropriation (excluding equity appropriations)	3	381	385	6 622
Sale of goods and services		14 165	9 430	32 684
Retained taxes, fees and fines		–	–	87
Interest received		703	480	2 664
Other		2 582	3 463	4 204
<b>Total Receipts</b>		<b>77 733</b>	<b>77 739</b>	<b>214 478</b>
<b>NET CASH FLOWS FROM OPERATING ACTIVITIES</b>	16	<b>7 807</b>	<b>2 280</b>	<b>13 314</b>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>				
Proceeds from sale of plant and equipment		1	–	5
Purchases of plant and equipment and intangibles		(381)	(243)	(6 706)
Other		–	(142)	1
<b>NET CASH FLOWS FROM INVESTING ACTIVITIES</b>		<b>(380)</b>	<b>(385)</b>	<b>(6 700)</b>
<b>NET INCREASE / (DECREASE) IN CASH</b>		<b>7 427</b>	<b>1 895</b>	<b>6 614</b>
Opening cash and cash equivalents		10 834	10 834	30 226
Cash Transferred in / (out) as a result of administrative restructuring		–	–	(26 006)
<b>CLOSING CASH AND CASH EQUIVALENTS</b>	7	<b>18 261</b>	<b>12 729</b>	<b>10 834</b>

The accompanying notes form part of these financial statements.

## Supplementary Financial Statements

## Service group statements for the year ended 30 June 2012

THE TREASURY'S EXPENSES & INCOME	State Resource Management*		Revenue Administration Services*		Infringement Processing and Fine Enforcement Management*		Benefit Services*		Not Attributable**		Total	
	2012	2011	2012	2011	2012	2011	2012	2011	2012	2011	2012	2011
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
<b>Expenses excluding losses</b>												
Operating expenses	49 657	46 999	-	38 900	-	32 467	-	4 387	-	-	49 657	122 753
Employee related	24 262	26 653	-	12 430	-	13 220	-	1 334	-	-	24 262	53 559
Other operating expenses	997	668	-	2 400	-	1 978	-	242	-	-	997	5 288
Depreciation and amortisation	169	347	-	17 904	-	-	-	-	-	-	169	18 251
Grants and subsidies	75 085	74 667	-	71 634	-	47 665	-	5 963	-	-	75 085	199 851
<b>Total expenses excluding losses</b>												
<b>Revenue</b>												
Recurrent appropriation	59 902	-	-	-	-	-	-	-	-	168 217	59 902	168 217
Capital appropriation	381	-	-	-	-	-	-	-	-	6 622	381	6 622
Sale of goods and services	12 076	10 610	-	2 377	-	19 084	-	10	-	-	12 076	32 003
Investment revenue	737	680	-	910	-	373	-	103	-	-	737	2 066
Retained taxes, fees and fines	-	-	-	-	-	87	-	-	-	-	-	87
Grants and contributions	-	-	-	-	-	55	-	-	-	-	-	55
Acceptance by the Crown Entity of employee benefits and other liabilities	3 439	-	-	-	-	-	-	-	-	6 885	3 439	6 885
Other revenue	9	18	-	297	-	3	-	9	-	-	9	327
<b>Total revenue</b>	<b>76 544</b>	<b>11 308</b>	-	<b>3 584</b>	-	<b>19 602</b>	-	<b>122</b>	-	<b>181 724</b>	<b>76 544</b>	<b>216 262</b>
Gain / (loss) on disposal	(9)	3	-	(14)	-	(3)	-	(1)	-	-	(9)	(15)
Other gains / (losses)	-	-	-	-	-	-	-	41	-	-	-	41
<b>Net result</b>	<b>1 450</b>	<b>(63 356)</b>	-	<b>(68 064)</b>	-	<b>(28 066)</b>	-	<b>(5 801)</b>	-	<b>181 724</b>	<b>1 450</b>	<b>16 437</b>
<b>Other Comprehensive Income</b>												
<b>TOTAL COMPREHENSIVE INCOME</b>	<b>1 450</b>	<b>(63 356)</b>	-	<b>(68 064)</b>	-	<b>(28 066)</b>	-	<b>(5 801)</b>	-	<b>181 724</b>	<b>1 450</b>	<b>16 437</b>

\* The name and purpose of each service group is summarised in Note 6.

\*\* Appropriations and acceptance by the Crown Entity of employee benefits and other liabilities are made on an agency basis and not to individual service groups. Consequently, government contributions must be included in the 'Not Attributable' column when there is more than one service group.

**Note:** OSR was transferred from The Treasury to DFS effective from 4 April 2011 under the Public Sector Employment and Management (Departments) Order 2011 (No 184). Consequently OSR service group amounts for 2012 are reported under DFS.



**Supplementary Financial Statements**  
**Service group statements (continued)**

THE TREASURY'S ASSETS and LIABILITIES	State Resource Management*		Revenue Administration Services*		Infringement Processing and Fine Enforcement Management*		Benefit Services*		Not Attributable		Total	
	2012	2011	2012	2011	2012	2011	2012	2011	2012	2011	2012	2011
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
<b>Current Assets</b>												
Cash and cash equivalents	18 261	10 834	-	-	-	-	-	-	-	-	18 261	10 834
Receivables	2 166	3 109	-	-	-	-	-	-	-	-	2 166	3 109
<b>Total Current Assets</b>	<b>20 427</b>	<b>13 943</b>									<b>20 427</b>	<b>13 943</b>
<b>Non-Current Assets</b>												
Plant and equipment	1 754	1 113	-	-	-	-	-	-	-	-	1 754	1 113
Intangibles	674	917	-	-	-	-	-	-	-	-	674	917
<b>Total Non-Current Assets</b>	<b>2 428</b>	<b>2 030</b>									<b>2 428</b>	<b>2 030</b>
<b>TOTAL ASSETS</b>	<b>22 855</b>	<b>15 973</b>									<b>22 855</b>	<b>15 973</b>
<b>Current Liabilities</b>												
Payables	6 568	3 079	-	-	-	-	-	-	-	-	6 568	3 079
Provisions	6 155	5 261	-	-	-	-	-	-	-	-	6 155	5 261
<b>Total Current Liabilities</b>	<b>12 723</b>	<b>8 340</b>									<b>12 723</b>	<b>8 340</b>
<b>Non-Current Liabilities</b>												
Provisions	1 105	56	-	-	-	-	-	-	-	-	1 105	56
<b>Total Non-Current Liabilities</b>	<b>1 105</b>	<b>56</b>									<b>1 105</b>	<b>56</b>
<b>TOTAL LIABILITIES</b>	<b>13 828</b>	<b>8 396</b>									<b>13 828</b>	<b>8 396</b>
<b>NET ASSETS</b>	<b>9 027</b>	<b>7 577</b>									<b>9 027</b>	<b>7 577</b>

\* The name and purpose of each service group is summarised in Note 6.

**Note:** OSR was transferred from The Treasury to DFS effective from 4 April 2011 under the Public Sector Employment and Management (Departments) Order 2011 (No 184). Consequently there are no comparatives relating to Treasury's Assets and Liabilities.

**Supplementary Financial Statements**  
**Service group statements (continued)**

ADMINISTERED EXPENSES and INCOME	State Resource Management		Revenue Administration Services		Infringement Processing and Fine Enforcement Management		Benefit Services		Not Attributable		Total	
	2012	2011	2012	2011	2012	2011	2012	2011	2012	2011	2012	2011
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
<b>Administered Expenses</b>												
Other (Note 19)	-	-	-	38 233	-	-	-	213 881	-	-	-	252 114
<b>Total Administered Expenses</b>	-	-	-	<b>38 233</b>	-	-	-	<b>213 881</b>	-	-	-	<b>252 114</b>
<b>Administered Income</b>												
Revenues earned (Note 20)	-	-	-	13 205 086	-	244 182	-	-	-	-	-	13 449 268
Taxes, fees and fines	-	-	-	631 104	-	-	-	-	-	-	-	631 104
Other	-	-	-	<b>13 836 190</b>	-	<b>244 182</b>	-	-	-	-	-	<b>14 080 372</b>
<b>Total Administered Income</b>	-	-	-	<b>13 797 957</b>	-	<b>244 182</b>	-	-	-	-	-	<b>13 828 258</b>
<b>Administered Income less Expenses</b>												
	-	-	-	-	-	-	-	(213 881)	-	-	-	-

\* The name and purpose of each service group is summarised in Note 6.

**Note:** OSR was transferred from The Treasury to DFS effective from 4 April 2011 under the Public Sector Employment and Management (Departments) Order 2011 (No 184). Consequently, the comparatives relate to OSR's operating results up to 3 April 2011.

Summary of compliance with financial directives

	2012				2011			
	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
<b>Original Budget Appropriation/ Expenditure</b>								
• Appropriation Act	63 981	59 902	385	381	191 486 (25 990)	164 979	9 860 (7 293)	5 508
• S 24 PF&AA – transfers of functions between entities	–	–	–	–	900	359	–	–
• s 26 PF&AA – Commonwealth specific purpose payments	–	–	–	–	–	–	–	–
• s 33 Appropriation Act – transfers from another agency	(379)	–	–	–	–	–	–	–
<b>Other Appropriations/ Expenditure</b>								
• Treasurer's Advance	–	–	–	–	4 200	2 879	4 100	1 114
<b>Total Appropriations/ Expenditure/ Net Claim on Consolidated Fund (includes transfer payments)</b>	63 602	59 902	385	381	170 596	168 217	6 667	6 622
<b>Amount drawn down against Appropriation</b>		59 902		381		168 217		6 622
<b>Liability to Consolidated Fund</b>		–		–		–		–

**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'.

## 1. Summary of Significant Accounting Policies

### (a) Reporting entity

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

Under the Public Sector Employment and Management (Departments) Order 2011 (No 184) dated 3 April 2011, the Office of State Revenue (OSR) was transferred from The Treasury to the Department of Finance and Services (DFS) effective from 4 April 2011. Consequently, the comparatives within The Treasury Financial Statements include OSR's operating results up to 3 April 2011.

The Treasury serves the Treasurer and the Government by providing economic, budgetary and financial advice. It includes the effective management of and accounting for the State's finances and for providing timely and relevant information on the overall State finances. The OSR is responsible for the administration and collection of specific taxes imposed by the State of New South Wales and income tax equivalents from State Government businesses. OSR is also responsible for the processing and enforcement of fines, administration and payment of grants under the First Home Owner Grant Scheme (FHOGS) and Unclaimed Money.

These financial statements for the year ended 30 June 2012 have been authorised for issue by the Secretary on 28 September 2012.

### (b) Basis of preparation

The Treasury's financial statements are general purpose financial statements which have been prepared in accordance with:

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

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

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

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

### (c) Statement of compliance

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

### (d) Administered activities

As a result of the administrative restructure referred to in Note 1(a) administered activities were transferred to DFS on the 4 April 2011. Therefore, results for 2011 represents amounts up to this date. From 1 July 2010 to 3 April 2011 the Treasury administered, but did not control certain activities on behalf of the Crown Entity and commercial clients. It was accountable for the transactions relating to those administered activities but had no discretion, for example, to deploy those 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 income, expenses, assets and liabilities, but are disclosed in the accompanying schedules as 'Administered Income', 'Administered Expenses', 'Administered Assets' and 'Administered Liabilities'.

The accrual basis of accounting and applicable accounting standards have 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.

**Notes to the Financial Statements  
30 June 2012**

**(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 the cost of acquisition of an asset 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 generally recognised as income when The Treasury obtains control over the assets comprising the appropriations / contributions. Control over appropriations / 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

Revenue is recognised when the service is provided.

(iv) Investment revenue

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

**(h) Assets**

(i) Acquisition of assets

The cost method of accounting is used for the initial recording of all acquisitions of assets controlled by The Treasury. Cost is the amount of cash or 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 specific 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.

Fair value is the amount for which an asset could be exchanged between knowledgeable, willing parties in an arm's length transaction.

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

(ii) Capitalisation thresholds

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

(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 07-1). This policy adopts fair value in accordance with AASB 116 *Property, Plant and Equipment*.

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

### Notes to the Financial Statements 30 June 2012

- (iv) Impairment of plant and equipment  
As a not-for-profit entity with no cash generating units, AASB 136 'Impairment of Assets' effectively is not applicable. AASB 136 modifies the recoverable amount test to the higher of fair value less costs to sell and depreciated replacement cost. This means that, where an asset is already measured at fair value, impairment can only arise if selling costs are material. Selling costs for the entity are regarded as immaterial.
- (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 shorter 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 to the original condition 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 when incurred, except where they relate to the replacement of a part or component of an asset, in which case the costs are capitalised and depreciated.
- (viii) Leased assets  
Operating lease payments are charged to the statement of comprehensive income in the periods in which they are incurred. The Treasury has not entered into any finance leases.
- (ix) Intangible assets  
The Treasury recognises intangible assets only if it is probable that future economic benefits will flow to The Treasury and the cost of the asset can be measured reliably. Intangible assets are measured initially at cost. Where an asset is acquired at no or nominal cost, the cost is its fair value as at the date of acquisition.  
All research costs are expensed. Development costs are only capitalised when certain criteria are met.  
The useful lives of intangible assets are assessed to be finite.  
Intangible assets are subsequently measured at fair value only if there is an active market. As there is no active market for The Treasury's intangible assets, the assets are carried at cost less any accumulated amortisation.  
The Treasury's intangible assets are amortised using the straight line method over a period ranging from 4 to 7 years depending upon the nature of the application.  
Intangible assets are tested for impairment where an indicator of impairment exists. If the recoverable amount is less than its carrying amount, the carrying amount is reduced to recoverable amount and the reduction is recognised as an impairment loss.
- (x) Receivables  
Receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. These financial assets are recognised initially at fair value, usually based on the transaction cost or face value. Subsequent measurement is at amortised cost using the effective interest method, less an allowance for any impairment of receivables. Any changes are recognised in the net result for the year when impaired, derecognised or through the amortisation process.  
Short-term receivables with no stated interest rate are measured at the original invoice amount where the effect of discounting is immaterial.

## The Treasury

### Notes to the Financial Statements 30 June 2012

(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) De-recognition 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

During 2011, Treasury received monies through OSR in a trustee capacity for various trusts as set out in Note 17. As OSR transferred from The Treasury to DFS on the 4 April 2011 as a result of the administrative order 2011 (No 184) only comparatives are reported. The Treasury performed only a custodial role in respect of these monies, and because the monies cannot be used for the achievement of The Treasury's own objectives, these funds are not recognised in the financial statements.

#### (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, usually based on the transaction cost or face value. Subsequent measurement is at amortised cost using the effective interest method. Short-term payables with no stated interest rate are measured at the original invoice amount where the effect of discounting is immaterial.

(ii) Employee benefits and other provisions

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

Liabilities for salaries and wages (including non-monetary benefits), annual leave and paid sick leave that are due to be settled within 12 months after the end of the period in which employees render the service are recognised and measured in respect of employees' services up to the reporting date at undiscounted amounts based on the amounts expected to be paid when the liabilities are settled.

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.

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

### Notes to the Financial Statements 30 June 2012

#### (b) Long service leave (LSL) and superannuation

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

LSL is measured at present value in accordance with AASB 119 Employee Benefits. This is based on the application of certain factors (specified in NSWTC 12/06) 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 (specified in NSW TC11/04).

#### (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.

#### (j) Equity

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

#### (k) Equity Transfers

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

#### (l) Budgeted amounts

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

#### (m) Comparative information

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

#### (n) New Australian Accounting Standards issued but not effective

Certain new standards and interpretations have recently been issued or amended but are not yet effective for the annual reporting period ended 30 June 2012. It is considered impracticable to presently determine the impact of adopting those new standards and interpretations.

Treasury has not early adopted any new accounting standards, amendments and interpretations in compliance with NSW Treasury mandates per Treasury Circular NSW TC12/04.



## The Treasury

Notes to the Financial Statements  
30 June 2012

### 2. Expenses Excluding Losses

	2012 \$'000	2011 \$'000
<b>(a) Employee related expenses</b>		
Salaries and wages (including annual leave)	40 407	102 045
Superannuation – defined benefit plans	705	3 252
Superannuation – defined contribution plans	2 506	6 385
Long service leave	2 695	3 458
Workers' compensation insurance	146	1 250
Payroll tax and fringe benefits tax	2 683	6 422
On-costs on LSL not assumed by Crown	515	(59)
	<u>49 657</u>	<u>122 753</u>
<p>No employee related expenses (2010–2011 \$1.7 million) have been incurred for capital projects. For 2010-2011 these costs relate to OSR (refer Note 1(a)) and are included in plant and equipment and intangible costs as transfers to DFS in Notes 9 and 10. Except as noted, there are no other employee related payments included in asset and expenditure accounts.</p>		
<b>(b) Other operating expenses include the following:</b>		
Auditor's remuneration		
- audit of financial statements	92	476
Operating lease rental expense		
- minimum lease payments	4 523	9 922
Maintenance (i)	304	594
Insurance	20	78
Consultants	11 782	14 071
Contractors	310	6 155
Printing and advertising	393	6 313
Centralised corporate support charges	3 778	3 912
Computer maintenance and software licences	236	1 277
Data access fees	–	1 445
Training	735	1 160
Building maintenance and utilities	236	1 553
Legal fees	8	623
Travel	221	609
Minor plant, equipment and stores	218	713
Postal charges	9	235
Bank charges	3	988
Other	1 394	3 435
	<u>24 262</u>	<u>53 559</u>
(i) Reconciliation – Total maintenance		
Maintenance expense – contracted labour and other (non–employee related), as above	304	594
Employee related maintenance expenses included in Note 2(a)	–	4 677
Total maintenance expenses included in Note 2(a) + 2(b)	<u>304</u>	<u>5 271</u>
<b>(c) Depreciation and amortisation expense</b>		
Depreciation (Note 9)		
- Computer hardware	145	1 841
- Office equipment	29	643
- Office furniture	44	212
- Leasehold Improvements	420	763
	<u>638</u>	<u>3 459</u>
Amortisation (Note 10)	359	1 829
Total depreciation and amortisation	<u>997</u>	<u>5 288</u>
<b>(d) Grants and subsidies</b>		
Australian Accounting Standards Board	169	169
Department of Finance and Services	–	17 904
Other	–	178
	<u>169</u>	<u>18 251</u>

## The Treasury

Notes to the Financial Statements  
30 June 2012

### 3. Revenues

	2012 \$'000	2011 \$'000
<b>(a) Appropriations</b>		
<b>Recurrent appropriations</b>		
Total recurrent draw-downs from NSW Treasury (per Summary of compliance)	59 902	168 217
Less: Liability to Consolidated Fund (per Summary of compliance)	<u>—</u>	<u>—</u>
	<b><u>59 902</u></b>	<b><u>168 217</u></b>
Comprising:		
Recurrent appropriations (per Statement of comprehensive income)	59 902	168 217
Transfer payments	<u>—</u>	<u>—</u>
	<b><u>59 902</u></b>	<b><u>168 217</u></b>
<b>Capital appropriations</b>		
Total capital draw-downs from NSW Treasury (per Summary of compliance)	381	6 622
Less: Liability to Consolidated Fund (per Summary of compliance)	<u>—</u>	<u>—</u>
	<b><u>381</u></b>	<b><u>6 622</u></b>
Comprising:		
Capital appropriations (per Statement of comprehensive income)	<b><u>381</u></b>	<b><u>6 622</u></b>
<b>(b) Sale of goods and services</b>		
<b>Rendering of services</b>		
Recoupment of costs (i)	12 063	10 609
Penalty notice fees (ii)	—	19 073
Land tax search fees	—	1 913
Other	<u>13</u>	<u>408</u>
	<b><u>12 076</u></b>	<b><u>32 003</u></b>
<b>(c) Investment revenue</b>		
Interest	<u>737</u>	<u>2 066</u>
	<b><u>737</u></b>	<b><u>2 066</u></b>
<b>(d) Retained taxes, fees and fines</b>		
Annulment fees	<u>—</u>	<u>87</u>
<b>(e) Grants and contributions</b>		
Other grants	<u>—</u>	<u>55</u>
<b>(f) Acceptance by the Crown Entity of employee benefits and other liabilities</b>		
The following liabilities and/or expenses have been assumed by the Crown Entity:		
Superannuation – defined benefit	705	3 252
Long service leave	2 695	3 458
Payroll tax	<u>39</u>	<u>175</u>
	<b><u>3 439</u></b>	<b><u>6 885</u></b>
<b>(g) Other revenue</b>		
Legal fees recouped	—	221
Other	<u>9</u>	<u>106</u>
	<b><u>9</u></b>	<b><u>327</u></b>

- (i) Relates to the recoupment of administrative costs composed mainly of salaries and accommodation relating to the Crown Entity, NSW Self Insurance Corporation, Home Warranty Insurance Fund and Builders Insurance Guarantee Corporation.
- (ii) Penalty notice fees represent a service provided by OSR to a range of local government and public sector clients. As a function of OSR, this service was transferred to DFS on 4 April 2011.

## The Treasury

Notes to the Financial Statements  
30 June 2012

### 4. Gain / (Loss) on Disposal

	2012 \$'000	2011 \$'000
Gain / (loss) on disposal of plant and equipment		
Proceeds from disposal	1	5
Written down value of assets disposed	<u>(10)</u>	<u>(20)</u>
<b>Net gain / (loss) on disposal of plant and equipment</b>	<u>(9)</u>	<u>(15)</u>
<b>Total net gain / (loss) on disposal of non-current assets</b>	<u>(9)</u>	<u>(15)</u>

### 5. Other Gains / (Losses)

	2012 \$'000	2011 \$'000
Impairment of Receivables	<u>—</u>	<u>41</u>
	<u>—</u>	<u>41</u>

### 6. Service Groups of the Treasury

(a) <b>Service Group</b>	<b>State Resource Management</b>
Purpose:	Ensuring state finances support the delivery and long run affordability of services. Implementing policy settings that promote a competitive state economy.
<b>Office of State Revenue (i)</b>	
(b) <b>Service Group</b>	<b>Revenue Administration Services</b>
Purpose:	Ensure effective and equitable collection of revenue from taxes, duties and other sources due to the State of New South Wales.
(c) <b>Service Group</b>	<b>Infringement Processing and Fine Enforcement Management</b>
Purpose:	Ensure effective and timely infringement processing and fine enforcement services.
(d) <b>Service Group</b>	<b>Benefit Services</b>
Purpose:	Ensure eligible applicants receive payments due under State Government schemes.

(i) OSR was transferred from The Treasury to the Department of Finance and Services (DFS) effective from 4 April 2011. Consequently amounts shown under 2012 relate only to the State Resource Management Service Group.

## The Treasury

Notes to the Financial Statements  
30 June 2012

### 7. Current Assets – Cash and Cash Equivalents

	2012 \$'000	2011 \$'000
Cash at bank	18 261	10 834
	<u>18 261</u>	<u>10 834</u>

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 as follows:

Cash and cash equivalents (per statement of financial position)	<u>18 261</u>	<u>10 834</u>
Closing cash and cash equivalents (per statement of cash flows)	<u>18 261</u>	<u>10 834</u>

Refer to [Note 21](#) for details regarding credit risk, liquidity risk and market risk arising from financial instruments.

### 8. Current Assets - Receivables

	2012 \$'000	2011 \$'000
<b>Current</b>		
Sale of goods and services	250	2 288
Interest	374	340
Prepayments	11	40
GST receivable from ATO	799	339
Other	<u>732</u>	<u>102</u>
<b>Total</b>	<u>2 166</u>	<u>3 109</u>

The comparatives include certain Treasury assets which were transferred to DFS on 4 April 2011. Refer Note 1(a). Receivables for Sale of goods and services represent administrative services provided to the Crown Entity, NSW Self Insurance Corporation, Home Warranty Insurance Fund and Builders Insurance Guarantee Corporation.

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

	2012 \$'000	2011 \$'000
<b>Receivables – Sale of goods &amp; services and Other</b>		
Current amount	868	2 281
Overdue amount	<u>114</u>	<u>109</u>
	982	2 390
Less: Allowance for impairment	<u>—</u>	<u>—</u>
	<u>982</u>	<u>2 390</u>

#### Overdue Amounts

Receivable	Less than 3 months		3 to 6 months		More than 6 months		Total		Allowance for impairment		Net	
	2012 \$'000	2011 \$'000	2012 \$'000	2011 \$'000	2012 \$'000	2011 \$'000	2012 \$'000	2011 \$'000	2012 \$'000	2011 \$'000	2012 \$'000	2011 \$'000
Other	<u>106</u>	<u>14</u>	—	<u>42</u>	<u>8</u>	<u>53</u>	<u>114</u>	<u>109</u>	—	—	<u>114</u>	<u>109</u>
<b>Total</b>	<u>106</u>	<u>14</u>	<u>—</u>	<u>42</u>	<u>8</u>	<u>53</u>	<u>114</u>	<u>109</u>	<u>—</u>	<u>—</u>	<u>114</u>	<u>109</u>

Refer to Note 21 for details regarding credit risk, liquidity risk and market risk including financial assets that are either past due or impaired.

## The Treasury

Notes to the Financial Statements  
30 June 2012

### 9. Non-Current Assets – Plant and Equipment

	2012	2011
	\$'000	\$'000
<b>At 1 July – fair value</b>		
Gross carrying amount	3 285	2 340
Accumulated depreciation and impairment	<u>(1 531)</u>	<u>(1 227)</u>
<b>Net carrying amount at 30 June</b>	<b><u>1 754</u></b>	<b><u>1 113</u></b>

#### Reconciliation

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

	2012	2011
	\$'000	\$'000
<b>Year ended 30 June</b>		
Net carrying amount at start of year	1 113	14 002
Additions	1 284	1 229
Disposals	(345)	(1 274)
Depreciation expense	(638)	(3 459)
Other movements:		
Write back on disposal	335	1 254
Transfer from The Treasury to DFS (refer note 1(a))	–	(10 639)
Reclassification of intangibles to plant and equipment	5	–
<b>Net carrying amount at end of year</b>	<b><u>1 754</u></b>	<b><u>1 113</u></b>

### 10. Intangible Assets

	2012	2011
	\$'000	\$'000
<b>At 1 July</b>		
Cost (gross carrying amount)	2 233	2 118
Accumulated amortisation and impairment	<u>(1 559)</u>	<u>(1 201)</u>
<b>Net carrying amount at 30 June</b>	<b><u>674</u></b>	<b><u>917</u></b>

#### Reconciliation

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

	2012	2011
	\$'000	\$'000
<b>Year ended 30 June 2012</b>		
Net carrying amount at start of year	917	23 447
Additions:		
Internal development	–	6 009
Acquired separately	121	14
Transfer from WIP to Software	–	(481)
Amortisation (recognised in 'depreciation and amortisation')	(359)	(1 829)
Other movements:		
Reclassification of intangibles to plant and equipment	(5)	–
Transfer from The Treasury to DFS (refer note 1(a))	–	(26 004)
Costs Expensed	–	<u>(239)</u>
<b>Net carrying amount at end of year</b>	<b><u>674</u></b>	<b><u>917</u></b>

Notes to the Financial Statements  
30 June 2012**11. Current Liabilities - Payables**

	2012 \$'000	2011 \$'000
Accrued salaries, wages and on-costs	1 079	899
Creditors	<u>5 489</u>	<u>2 180</u>
	<b><u>6 568</u></b>	<b><u>3 079</u></b>

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

**12. Current / Non-Current Liabilities - Provisions**

	2012 \$'000	2011 \$'000
<b>Current</b>		
<b>Employee benefits and related on-costs</b>		
Recreation leave	4 053	3 723
Provision for Payroll Tax on Annual Leave Liability	221	203
Provision for On-costs on Annual Leave Liability	330	256
Provision for Payroll Tax on Long Service Leave Liability	626	547
Provision for On-costs on Long Service Leave Liability	907	512
Provision for fringe benefits tax	<u>18</u>	<u>20</u>
	<b><u>6 155</u></b>	<b><u>5 261</u></b>
<b>Non-current</b>		
<b>Employee benefits and related on-costs</b>		
Provision for Payroll Tax on Long Service Leave Liability	33	29
Provision for On-costs on Long Service Leave Liability	<u>47</u>	<u>27</u>
	<u>80</u>	<u>56</u>
<b>Other</b>		
Restoration costs	1 025	—
	<b><u>1 105</u></b>	<b><u>56</u></b>
<b>Aggregate employee benefits and related on-costs</b>		
Provisions – current	6 155	5 261
Provisions – non-current	1 105	56
Accrued salaries, wages and on-costs (Note 11)	<u>1 079</u>	<u>899</u>
	<b><u>8 339</u></b>	<b><u>6 216</u></b>
<b>Movements in provisions (other than employee benefits)</b>		
<b>2012</b>		
Carrying amount at the beginning of financial year	—	—
Additional provisions recognised	1 025	—
Carrying amount at end of financial year	<b><u>1 025</u></b>	<b><u>—</u></b>

Notes to the Financial Statements  
30 June 2012

### 13. Commitments for expenditure

	2012 \$'000	2011 \$'000
<b>Operating Lease Commitments</b>		
Future non-cancellable operating lease rentals not provided for and payable:		
Not later than one year	5 044	5 604
Later than one year and not later than five years	7 359	13 482
Later than five years	—	—
Total (including GST)	<u>12 403</u>	<u>19 086</u>

Leasing arrangements are generally for rental of premises and equipment to be paid one month in advance. The total commitments for expenditure as at 30 June 2012 include input tax credits of \$1.1 million (\$1.7 million in 2010–2011) which are recoverable from the Australian Taxation Office.

### 14. Contingent Liabilities and Contingent Assets

There are no contingent assets or liabilities as at the reporting date (2011 Nil).

### 15. Budget Review

#### Net result

The actual net result was a surplus of \$1.5 million compared to budget of \$408 000. This was due to a combination of factors including lower other operating expenses resulting from deferred consultancy projects and higher revenue represented by corporate services cost recoupments from the Crown Entity and the Self Insurance Corporation.

#### Assets and liabilities

Current assets increased by \$5.8 million mainly from a higher cash balance. This was primarily due to an increase in creditor accruals at year end. Non-current assets increased by \$676 000 mainly as a result of an increase in leasehold assets.

Current liabilities increased by \$4.4 million largely due to higher accruals, mainly in consultant payments. Non-current liabilities increased by \$1.0 million due to the recognition of a provision for restoration of leased premises.

#### Cash flows

The net cash flows from operating activities was \$7.8 million representing a \$5.5 million increase to budget and is a result of lower payments. This is largely due to consultancy accruals expected to be paid in July 2012.

## The Treasury

Notes to the Financial Statements  
30 June 2012

### 16. Reconciliation of cash flows from operating activities to net result

		2012 \$'000	2011 \$'000
	Notes		
Net cash used on operating activities		7 807	13 314
Depreciation and amortisation	2(c)	(997)	(5 288)
Allowance for impairment		–	95
Decrease / (increase) in provisions		(918)	408
Increase / (decrease) in receivables		(943)	6 103
Decrease / (increase) in payables		(3 490)	2 101
Other movements – investing activities		–	(281)
Net gain/(loss) on sale of plant and equipment	4	(9)	(15)
<b>Net result</b>		<b><u>1 450</u></b>	<b><u>(16 437)</u></b>

### 17. Trust Funds

Monies held in trust for the Crown Entity and others are not recognised in the financial statements, as the Treasury cannot use them for the achievement of its objectives. They are held in either a trust bank account or public monies bank account. Results for 2011 represents amounts held by OSR up to 3 April 2011 (refer Note 1(d)). The following is a summary of the transactions in these accounts:

#### (a) Unclaimed Money trust accounts

	Testamentary & Trust Common Fund		Testamentary & Trust Interest		Companies Liquidation		Total	
	2012 \$'000	2011 \$'000	2012 \$'000	2011 \$'000	2012 \$'000	2011 \$'000	2012 \$'000	2011 \$'000
Cash balance at the beginning of the financial year	–	4 342	–	8 481	–	18	–	12 841
Add: Receipts	–	–	–	534	–	–	–	534
Less: Expenditure	–	–	–	–	–	–	–	–
Transfers to Crown	–	–	–	–	–	(1)	–	(1)
Transferred to DFS under administrative restructure	–	(4 342)	–	(9 015)	–	(17)	–	13 374
Cash balance at the end of the financial year	<u>–</u>	<u>–</u>	<u>–</u>	<u>–</u>	<u>–</u>	<u>–</u>	<u>–</u>	<u>–</u>

#### (b) SDRO client funds account – fines

	2012 \$'000	2011 \$'000
Cash balance at the beginning of the financial year	–	9 721
Add: Receipts	–	105 034
Less: Payments	–	(99 638)
Transferred to DFS under administrative restructure	–	(15 117)
Cash balance at the end of the financial year	<u>–</u>	<u>–</u>

Funds held in this account represent amounts collected on behalf of clients and are remitted to clients in the month following collection.

#### (c) SDRO public monies accounts – fines

	2012 \$'000	2011 \$'000
Cash balance at the beginning of the financial year	–	7 772
Add: Receipts	–	138 277
Less: Payments	–	(128 221)
Transferred to DFS under administrative restructure	–	(17 828)
Cash balance at the end of the financial year	<u>–</u>	<u>–</u>

Amounts held in the SDRO Public Monies account represent receipts collected during the debt management process and are remitted in the month following receipt.



## The Treasury

### Notes to the Financial Statements 30 June 2012

#### 18. Administered Income – Debts Written Off / Remissions

Amounts relate to administered income of OSR. OSR was transferred from The Treasury to DFS effective from 4 April 2011 under the Public Sector Employment and Management (Departments) Order 2011 (No 184). Consequently, the comparatives relate to OSR's operating results up to 3 April 2011.

##### Debts written off

	Tax \$'000	2012 Penalties/ Interest \$'000	Total \$'000	Tax \$'000	2011 Penalties/ Interest \$'000	Total \$'000
Total debts written off	–	–	–	6 099	2 752	8 851

A debt is only considered irrecoverable where it is either uneconomic to recover, the debtor cannot be located, the personal or financial circumstances of the debtor does not warrant the taking of recovery action, legal proceedings through the courts have proved unsatisfactory or legal advice suggests follow up would be ineffective.

##### Remissions

In accordance with the *Taxation Administration Act 1996* administered by The Department of Finance and Services, the Chief Commissioner or his delegate has the discretionary power to remit partially or wholly a statutory penalty and/or interest.

Penalties and interest remitted during the year amounted to:

	Penalties \$'000	2012 Interest \$'000	Total \$'000	Penalties \$'000	2011 Interest \$'000	Total \$'000
Total remissions	–	–	–	94	25 476	25 570

Interest and penalty can be remitted in part or full if the client can provide a satisfactory explanation for the default.

#### 19. Administered Expenses - Other

Amounts relate to expenses of OSR. OSR was transferred from The Treasury to DFS effective from 4 April 2011 under the Public Sector Employment and Management (Departments) Order 2011 (No 184). Consequently, the comparatives relate to OSR's operating results up to 3 April 2011 and current year amounts are reported under the DFS.

OSR incurred the following expenses on behalf of the Crown Entity:

	2012 \$'000	2011 \$'000
Total administered expenses	–	252 114

## The Treasury

### Notes to the Financial Statements 30 June 2012

#### 20. Administered Income – Crown Entity

Amounts relate to income of OSR. OSR was transferred from The Treasury to DFS effective from 4 April 2011 under the Public Sector Employment and Management (Departments) Order 2011 (No 184). Consequently, the comparatives relate to OSR's operating results up to 3 April 2011.

Administered income information is presented below:

	Actual 2012 \$'000	Budget 2012 \$'000	Actual 2011 \$'000
<b>Revenue earned</b>			
Taxes, penalties and interest	–	–	11 985 535
Gaming and racing	–	–	1 219 551
Fines	–	–	244 182
Total taxes, fines, penalties and interest	–	–	<b>13 449 268</b>
Other	–	–	631 104
<b>Total revenue earned (i)</b>	<b>–</b>	<b>–</b>	<b>14 080 372</b>

(i) Included in the revenue earned figures up to 31 March 2011 are interest and penalties amounting to \$79.7 million.

#### 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 2012 \$'000	Carrying amount 2011 \$'000
Cash and cash equivalents	7	N/A	18 261	10 834
Receivables (i)	8	Receivables (at amortised cost)	1 356	2 730
Financial liabilities	Note	Category	Carrying amount 2011 \$'000	Carrying amount 2010 \$'000
Payables (ii)	11	Financial liabilities measured at amortised cost	5 484	2 180

(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.

## The Treasury

### Notes to the Financial Statements 30 June 2012

#### Cash

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

#### Receivables

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

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

The only financial assets that are past due or impaired are sales of goods and services and other receivables disclosed in Note 8.

#### (c) Liquidity risk

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

The liabilities are recognised for amounts due to be paid in the future for goods or services received, whether or not invoiced. Amounts owing to suppliers (which are unsecured) are settled in accordance with the policy set out in NSW TC11/12. If trade terms are not specified, payment is made no later than the end of the month following the month in which an invoice or a statement is received. For small business suppliers, where payment is not made within the specified time period, simple interest must be paid automatically unless an existing contract specifies otherwise. For payments to other suppliers, the Head of an authority may automatically pay the supplier simple interest. No interest for late payment was made during the 2011–2012 year (2010–2011 \$nil).

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

Maturity Analysis	\$'000				
	Weighted Average Effective Int. Rate	Nominal Amount	<1 yr	1 – 5 yrs	>5 yrs
<b>2012</b>					
<b>Financial liabilities</b>					
Creditors	–	<u>5 484</u>	<u>5 484</u>	== =	== =
<b>2011</b>					
<b>Financial liabilities</b>					
Creditors	–	<u>2 180</u>	<u>2 180</u>	== =	== =

## The Treasury

### Notes to the Financial Statements 30 June 2012

#### (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.

<b>Interest rate risk</b>					
		-1%		+1%	
	Carrying amount \$'000	Net Result \$'000	Equity \$'000	Net Result \$'000	Equity \$'000
<b>2012</b>					
<b>Financial assets</b>					
Cash and cash equivalents	18 261	(183)	(183)	183	183
Receivables	1 356	-	-	-	-
<b>Financial liabilities</b>					
Payables	5 484	-	-	-	-
<b>Total increase / (decrease)</b>		<b><u>(183)</u></b>	<b><u>(183)</u></b>	<b><u>183</u></b>	<b><u>183</u></b>
<b>2011</b>					
<b>Financial assets</b>					
Cash and cash equivalents	10 834	(108)	(108)	108	108
Receivables	2 730	-	-	-	-
<b>Financial liabilities</b>					
Payables	2 180	-	-	-	-
<b>Total increase / (decrease)</b>		<b><u>(108)</u></b>	<b><u>(108)</u></b>	<b><u>108</u></b>	<b><u>108</u></b>

#### (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 events subsequent to reporting date requiring disclosure.

**End of audited Financial Statements**

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## Senior executive performance, grades and remuneration<sup>1</sup>

### Secretary | Philip Gaetjens

BA(Hons), GradDip ProfAcc, SES Level 8. Remuneration \$397,544

Advised the Government on the financial and economic management of the State, helping to retain the State's Triple-A rating with a stable outlook. Oversaw delivery of the 2012–13 State Budget and the initiation of a Transformation Program to improve capability within Treasury and across the sector.

### Deputy Secretary | Mark Ronsisvalle | Budget & Financial Management

BEC PSM, SES Level 6. Remuneration \$344,332

Directed preparation of two State Budgets for 2011–12 and 2012–13, the 2011–12 Half-Yearly Review and Report on State Finances. Oversaw the extension of State managed insurance arrangements and the development of a new system for assessing funding arrangements.

### Deputy Secretary | Kevin Cosgriff | Fiscal & Economic

BSc (Hons) MA (Econ), SES Level 6. Remuneration \$344,332

Updated the Fiscal Responsibilities Act and developed proposals for the reform of State taxes. Led Treasury's input to the COAG reform agenda and developed guidelines for the Local Infrastructure Renewal Scheme.

### Deputy Secretary | Tim Spencer | Commercial Policy & Financing

BSc (Hons), SES Level 6. Remuneration<sup>2</sup> \$18,816

Led the establishment of a specialist transaction unit and oversaw the renegotiation of Reliance Rail financing. Developed improved governance for Government businesses including an improved appointment process for Board appointments.

### Deputy Secretary | Caralee McLiesh | Human & Social Services

BEC (Hons) PhD (Finance), SES Level 6. Remuneration \$326,843

Advised on the development of revised death and disability arrangements for NSW Police and COAG initiatives. Advised on the development of a National Disability Insurance Scheme. Led the development of a Social Benefit Bond trial and advised on resource allocation reforms across the Human and Social Services clusters.

### Deputy Secretary | Matt Roberts | Economic, Environment & Services

BEC MEc, SES Level 6. Remuneration \$282,445

Developed a cost-benefit analysis framework to assist land use decisions for the Department of Planning and Infrastructure's Strategic Regional Land Use Plan process. Initiated housing reform through the Building the State Package and advised on resource allocation reforms in the Economic, Environment and Services clusters.

### Deputy Secretary | Anne Ellison | Corporate

BA Dip Ed MComm, SES Level 5. Remuneration \$234,381

Sponsored the review of Treasury's operating model and process effectiveness leading to establishment of the Transformation Program. Led development of a new people strategy and capability framework. Reviewed and updated Treasury's human resource policies streamlining the recruitment application process and rebuilding the Workplace Health & Safety policy and processes. Oversaw improved processes for Expenditure Review Committee support and internal communication.

### During 2011–12 the following senior executive officers also held positions with NSW Treasury:

Michael Lambert BA (Econ) (Hons) MSc (Econ) MComm (Econ), Acting Secretary  
SES Level 8. Remuneration \$82,664. Last day of service 15 August 2011

Stephen Brady BCom (Hons) LLB (Hons), Deputy Secretary Expenditure Review  
SES Level 6. Remuneration \$234,474. Last day of service 24 February 2012

Richard Timbs BEc (SocSci) F Fin, Deputy Secretary Commercial Management  
SES Level 6. Remuneration \$309,366.

<sup>1</sup> Executive remuneration is the total monetary remuneration and the value of employment benefits paid in the financial year. In line with public sector policy, there were no performance-related incentive payments.

<sup>2</sup> Tim Spencer commenced with NSW Treasury as Deputy Secretary on 4 June 2012.

## Performance Measurement Framework

Key Performance Measures		Target	2007–08	2008–09	2009–10	2010–11	2011–12	
<b>Strong state finances supporting the delivery and long-run affordability of government services</b>	Maintaining a triple-A credit rating for NSW	Triple A	Triple A	Triple A	Triple A	Triple A	<b>Triple A</b>	
	Maintaining a downward trend in general government sector net financial liabilities compared to Gross State Product (GSP)	≤ 7.5% by June 2010 ≤ 6.0% by June 2015	8.1%	12.3%	12.7%	11.3%	<b>15.8<sup>1</sup></b>	
	Maintaining infrastructure spending over the medium term – average annual nominal growth since 2005–06	Average annual growth since 2005–06: 4.6% over 10 years to 2015–16	15.7%	17.0%	18.3%	12.9%	<b>9.2%<sup>2</sup></b>	
	Deviation of underlying actual expenses from budget	≤ +1%	+1.8%	+2.7%	+0.3%	<0%	<b>&lt;0%</b>	
	Keeping the State Budget in surplus	Budget result	\$935m	-\$862m	\$989m	\$1,340m	<b>\$680m</b>	
	State superannuation liabilities on track to be fully funded by 30 June 2030	100% by June 2030	69.2%	56.6%	61.7%	58.5%	<b>64.1%</b>	
	To ensure full funding by the 2030 target, the payments schedule is reviewed as required, including following each triennial funding review. Funding percentage variations reflect volatile investment returns particularly due to the global financial crisis and variations in the discount rate used to value liabilities.							
	NSW's share of GST revenue relative to an equal per capita share	Improved NSW GST relativity	0.89079	0.91060	0.93186	0.95205	<b>0.95776</b>	
Commercial government business agencies achieving an appropriate rate of return on equity <sup>3</sup>	Increased number of agencies	n.a.	3	4	3	<b>3</b>		
<b>Policy settings promoting a competitive state economy</b>	NSW's total state revenue <sup>4</sup> per capita to be less than the average for the other states	NSW	NSW	NSW	NSW	NSW	<b>NSW</b>	
		≤ Other States	\$6,728	\$7,106	\$7,803	\$7,816	<b>\$8,065</b>	
		Others	Others	Others	Others	Others	<b>Others</b>	
		\$7,452	\$7,834	\$8,446	\$8,719	<b>\$9,228</b>		

<sup>1</sup> Gross State Product (GSP) data for NSW is consistent with the 2011-12 Report on State Finances.

<sup>2</sup> This in large measure reflects the impact of adverse weather on the 2011-12 annual program.

<sup>3</sup> Prior to 2011–12 this performance measure was “Achieving an appropriate rate of return on equity in commercial government businesses”.

<sup>4</sup> Commonwealth-specific purpose payments through the states to local government and other bodies are excluded from state revenue for all states.

## Performance Measurement Framework

Other Measures of Effectiveness		Target	2007–08	2008–09	2009–10	2010–11	2011–12
<b>Advice on economic and fiscal strategies</b>	Treasury's tax revenue estimation variation compared with that of other Treasuries	NSW ≤	NSW 5.3%	NSW -3.8%	NSW 5.8%	NSW 1.0%	<b>NSW 0.5%</b>
		Other states	Others 8.7%	Others -7.4%	Others 5.2%	Others 1.2%	<b>Others -2.4%</b>
	Treasury's economic forecasting variation compared with that of other Treasuries	NSW ≤	NSW 0.8%	NSW 0.6%	NSW 1.9%	NSW 0.8%	<b>NSW nya<sup>1</sup></b>
		Other states	Others 1.0%	Others 1.0%	Others 1.6%	Others 0.9%	<b>Others nya<sup>1</sup></b>
<b>Advice on the efficiency and effectiveness of public sector agencies</b>	Percentage of required government businesses with a signed Statement of Corporate or Business Intent	100%	SOCs 100%	SOCs 95%	SOCs 100%	SOCs 100%	<b>SOCs 100%</b>
			All 90%	All 84%	All 79%	All 50%	<b>All 84%</b>
	Deviation of actual government business dividend and tax equivalent payments from budget estimate	≤ ±10%	+20.7%	+14.9%	+1.9%	+16.3%	<b>+15.4%<sup>2</sup></b>
<b>Budget management</b>	Treasury's general government expenses estimation variation compared with other Treasuries (ABS basis)	NSW ≤	NSW 3.9%	NSW 6.1%	NSW 2.6%	NSW 1.9%	<b>NSW -2.3%</b>
		Other states	Others 3.8%	Others 6.0%	Others 3.4%	Others 1.2%	<b>Others nya<sup>3</sup></b>
<b>Infrastructure, asset management, and procurement</b>	Percentage of state physical assets covered by a Total Asset Management Plan submission for nominated agencies	100%	New	98.8%	98%	100%	<b>100%</b>
<b>Financial asset and liability management</b>	Deviation of actual superannuation, debt, and insurance expenses from the budget estimate	≤ ±10%	-17.9%	-16.7%	15.8%	-7.1%	<b>2.5%</b>

<sup>1</sup> GSP data for NSW and all other states was not available at the statutory deadline for this annual report.

<sup>2</sup> Excludes variances due to non-cash notional payments.

<sup>3</sup> Budget outcomes have not been produced for all other states at the statutory deadline for this annual report.



## Performance Measurement Framework

Other Measures of Efficiency		Target	2007–08	2008–09	2009–10	2010–11	2011–12
<b>Staff development and wellbeing</b>	Staff turnover	≤ 20%	11.3%	10.7%	8.9%	9.8%	<b>10.2%</b>
	Training days per officer	≥ 5 days	4.5 days	4.9 days	3.0 days	4.3 days	<b>3.3 days</b>
	Sick days per officer	≤ 5 days	5.6 days	5.5 days	6.0 days	5.2 days	<b>5.5 days</b>
<b>Project management</b>	Treasury's actual net cost of services to be less than or equal to its budget allocation	≤ 100%	95.8%	100%	94.8%	97.8%	<b>99%</b>
	Registered correspondence and projects completed by due date	≥ 80%	86%	83%	81%	71% <sup>1</sup>	<b>80%</b>
<b>Performance management</b>	Staff participating in Treasury's Performance Agreement and Review scheme	100%	83%	66%	79%	65%	<b>NA<sup>2</sup></b>
<b>Adherence to Treasury values</b>	Staff believing Treasury's values are adhered to <sup>3</sup>	≥ 90%	87%	89%	92%	91%	<b>NA<sup>4</sup></b>

<sup>1</sup> The 2010–11 result was due to the increased workload associated with the NSW election (as evidenced in the performance reports for February and March 2011). NSW Treasury met the KPI in 2011–12.

<sup>2</sup> In 2011–12 NSW Treasury was transitioning to a new performance management system and as a result data was not continuous and it is not possible to report a meaningful result.

<sup>3</sup> This includes both "favourable" and "neutral" responses.

<sup>4</sup> Treasury revised its values during 2011–12 and has not yet developed a new survey to capture staff feedback.

## NSW Treasury Staff Statistics<sup>1</sup>

Treasury has a diverse and highly educated workforce. Accounting, business, commerce, economics, finance, law, politics and public policy feature in the degree qualifications of staff.

At the end of 2011–12 Treasury had 357.5 full-time equivalent (FTE) staff. This equates to a headcount of 397 officers, some of whom worked part-time.

Table 1 shows the number of FTE staff working in each of Treasury's seven directorates. It also shows the total number of new graduates and indigenous cadets who worked in a number of directorates over the 2011–12 period.

These staff numbers are correct as at 30 June 2012 and include all staff on the NSW Treasury payroll and Treasury staff working with the NSW Self Insurance Corporation (SICorp) but it excludes staff on unpaid leave or other secondments within the NSW public sector.

**Table 1: Full-time equivalent (FTE) staff by directorate**

Directorate	FTEs with SICorp	FTEs without SICorp	SICorp FTE
Expenditure Review	32.5	32.5	
Budget and Financial Management with SICORP	93.1	52.6	40.5
Fiscal and Economic	41.3	41.3	
Human and Social Services	43.1	43.1	
Commercial Policy & Financing	31.7	31.7	
Economic, Environment and Services	35.0	35.0	
Corporate <sup>2</sup>	60.8	60.8	
Executive	8.0	8.0	
Graduates and Indigenous Cadets	12.0	12.0	
<b>Total</b>	<b>357.5</b>	<b>317.0</b>	<b>40.5</b>

**Table 2: Actual number of staff by age (including SICorp)**

Age range	Staff number
20-24 years	25.0
25-29 years	60.0
30-34 years	45.0
35-39 years	43.0
40-44 years	52.0
45-49 years	49.0
50-54 years	56.0
55-59 years	41.0
60+ years	27.0

<sup>1</sup> Staff statistics are correct as at 30 June 2012.

<sup>2</sup> Includes 16.2 secretarial staff deployed across Treasury Directorates.

**Table 3: Senior Executive Service (SES) Levels**

SES Level	2010–11		2011–12	
	Male	Female	Male	Female
Level 8	1.0	0.0	1.0	0.0
Level 7	0.0	0.0	0.0	0.0
Level 6	5.0	1.0	5.0	1.0
Level 5	0.0	1.0	0.0	1.0
Level 4	0.0	0.0	0.0	0.0
Level 3	3.0	1.0	3.0	1.0
Level 2	12.6	4.0	12.6	5.0
Level 1	0.0	0.0	0.0	0.0
<b>Total</b>	<b>21.6</b>	<b>7.0</b>	<b>21.6</b>	<b>8.0</b>

**Table 4: Full-time equivalent (FTE) staff by grades**

Grade	FTEs	Without SICorp	SICorp
Executive	8.0	8.0	0.0
Branch Director	22.6	21.6	1.0
Treasury Technical Officer	51.2	45.2	6.0
Grades 7-12	175.6	148.1	27.5
Grades 3-6	85.4	79.4	6.0
Grades 1-2	2.7	2.7	0.0
Clerical Officer	0.0	0.0	0.0
Department Professional Officer	11.0	11.0	0.0
Indigenous Cadet	1.0	1.0	0.0
<b>Total</b>	<b>357.5</b>	<b>317</b>	<b>40.5</b>

**Table 5: Part-time<sup>1</sup> staff by grade**

Grade	Actual Staff Numbers	FTEs
Branch Director	1.0	0.6
Treasury Technical Officer	7.0	4.7
Grades 7-12	22.0	13.6
Grades 3-6	5.0	2.4
Grades 1-2	1.0	0.7
<b>Total</b>	<b>36.0</b>	<b>22.0</b>

<sup>1</sup> Part-time staff represent nine per cent of the actual total number of staff and six per cent of the total FTEs.

## Occupational Health and Safety

### *Work Health and Safety Committee*

NSW Treasury recognises that the best way to ensure a safe and healthy workplace is for senior management to work together with staff to identify and solve workplace health and safety problems. Our Work Health and Safety Committee elected employee representatives meet monthly and monitor workplace risks, develop preventive safety strategies and promote workplace safety. The Committee's functions include reviewing policies and practices to ensure the health, safety and welfare of staff; investigating matters that may be a risk to health and safety at the workplace, requesting investigations by an inspector if required.

### *Proactive Work Health and Safety Risk Management*

Treasury has mechanisms in place to minimise the potential risks to workplace health and safety, thereby minimising the number and severity of workplace injuries. For example, when an employee experiences postural discomfort in the workplace we conduct an ergonomic assessment to identify appropriate action.

In 2011–12 Treasury continued its proactive approach to WH&S risk management by ensuring that workplace assessments were conducted when required.

**Table 6: Workplace health and safety incidents and assessments**

	2008–09	2009–10	2010–11	2011–12
Reported workplace incidents	10	14	15	14
OH&S assessments conducted	5	6	21	9

Note: Figures do not include journey claims.

### *First Aid Officers*

At Treasury we ensure there are fully trained first aid officers in the workplace to respond immediately to a health and safety incident. Treasury has First Aid officers on all floors and exceeds the statutory requirements.

### *Employee Assistance Program*

On 1 December 2011 Treasury launched a new Employee Assistance Program. The new employee assistance program provider is *AccessEAP*. The new program provides emergency on call counselling 24 hours, seven days a week, 365 days a year and all services can be accessed from a 'free call' telephone number.

The Employee Assistance Program is a confidential professional counselling and advice service available to all staff to support their health, wellbeing, and job performance. Staff can access the program, which is free of charge, in response to work or personal problems experienced directly or by an immediate member of their family.

### *Flu Vaccination Program*

To reduce the incidence of seasonal flu within the workplace, Treasury offers free of charge flu vaccinations to all staff.

**Table 7: Staff participation in the flu vaccination program**

	2008–09	2009–10	2010–11	2011–12
Actual number of staff	138	165	153	139

### Healthy Living

NSW Treasury promotes a work-life balance. As part of this concept, Treasury regularly encourages staff to take accrued leave. Indeed, all staff must take at least one break of two week's duration in each year.

Treasury staff are also encouraged to participate in health and fitness activities including:

- » cycling: e.g. the Wollongong Bike Ride and Ride to Work Day
- » running: e.g. City to Surf, Corporate Cup, Sydney Running Festival
- » walking: e.g. the Annual Secretary's Walk/Run
- » swimming: e.g. Mini Triathlon and the Sydney Harbour Swim
- » team sport: e.g. soccer, touch football, netball, and basketball.

### Disability Strategic Plan

NSW Treasury promotes employment opportunities for people with disabilities by partnering with disability organisations.

Treasury works with *JobSupport*, an employment service for people with intellectual disabilities to provide job design and the on the job training to support our identified administrative support position.

In October 2011 NSW Treasury engaged the Mai-Wei Group to provide an e-recycling service enabling our employees to discard their obsolete electrical equipment in an environmentally friendly way. The Mai-Wei Group provides a range of services and employment opportunities for people with disabilities. This initiative supported e-recycling and sustainable employment opportunities for people with disabilities.

### Multicultural Policies and Services Program

NSW Treasury does not provide services directly to the public. However, the policy advice we provide to government impacts on these services either directly or indirectly. In fulfilling our policy advice responsibilities, NSW Treasury considers the needs of relevant ethnic groups and communities. NSW Treasury values and uphold diversity principles and objectives as part of our core business.

### Equal Employment Opportunity

Treasury is committed to the NSW Government's goals of a workplace culture displaying fair practices and behaviours, and improved employment access and participation for equal employment opportunity (EEO) groups. Treasury is also committed to meeting relevant planning and reporting obligations.

In 2011–12 Treasury

- » encouraged increased employee completion of the EEO data collection form
- » reviewed existing human resource policies to ensure they are non-discriminatory and, where possible, support the achievement of intended EEO outcomes
- » incorporated equity and diversity principles in the Treasury Capability Framework which documents standards expected of staff at all levels
- » ensured Treasury's new performance management system (Performance Excellence Program) includes opportunity to review employee behaviours within the context of equity and diversity principles
- » ensured recruitment information and processes are accessible and non-discriminatory in the recruitment review
- » provided women's development programs including *Drive your career* – women's mentoring program and the Springboard Program.

### *Encouraging the Participation of Women*

NSW Treasury continued its involvement with the Lucy Program in 2011/12. The Lucy Program supports students from a diverse range of socio- economic backgrounds traditionally under represented at universities. Treasury Senior Executives mentored four women undergraduates from the Lucy Program. Participants worked on a group project and were encouraged to consider the NSW Treasury Graduate Program as a future career option.

In 2011/12 11 Graduates were recruited to the NSW Treasury Graduate Program, 45% of whom were women.

### *Encouraging the Participation of Aboriginal and Torres Strait Islanders*

NSW Treasury continues to encourage the participation of Aboriginal and Torres Strait Islanders. During 2011–12:

- » our indigenous cadet successfully completed Year 1 Bachelor of Commerce degree course at the University of NSW and worked for 12 weeks in our Human and Social Services Directorate
- » we continued our partnership with Nura Gili the Indigenous Education Unit at the University of New South Wales by hosting a Treasury career forum for indigenous undergraduates
- » we offered a targeted position for an Aboriginal and Torres Strait Islander Graduate on our Graduate Program.

### *Encouraging the Participation of People with Disabilities*

- » our employee recruited under the Ready, Willing and Able disability program was permanently appointed to an administrative support position in 2012
- » staff were encouraged to update their disability status to ensure we have accurate data to develop targeted policies and strategies for our employees with disabilities
- » a Workplace, Health and Safety portal was established on the Treasury intranet providing a range of information
- » our Workplace Health and Safety Officer coordinated Ergonomic Workplace Assessments to support employees with disabilities that required workplace adjustment.

The following tables present our EEO statistics. Disclosure of EEO status is voluntary for all EEO classifications other than gender and because of this the statistics do not capture those employees who chose not to disclose their EEO status.

**Table 8: EEO Group Representation as a Percentage of Actual Total Permanent Staff**

<b>EEO Group</b>	<b>Benchmark / Target %</b>	<b>2008–09 %</b>	<b>2009–10 %</b>	<b>2010–11 %</b>	<b>2011–12 %</b>
Women	50.0	45.0	48.0	47.0	<b>48.2</b>
Aboriginal and Torres Strait Islanders	2.6	0.5	0.6	0.0	<b>0.0</b>
People whose first language is not English	19.0	23.0	23.0	27.0	<b>27.7</b>
People with a disability	n/a	2.0	2.0	2.0	<b>2.0</b>
People with a disability requiring work-related adjustments	1.1	0.7	0.7	0.6	<b>0.4</b>

Note: The statistics are based on staff numbers as at 30 June and do not include casual staff.  
n/a = not applicable

**Table 9: Trends in the distribution of EEO groups as measured by the distribution index**

EEO Group	Benchmark /Target	2008–09	2009–10	2010–11	2011–12
Women	100	88	90	93	<b>92</b>
Aboriginal and Torres Strait Islanders	100	–	–	–	–
People whose first language is not English	100	87	88	91	<b>91</b>
People with a disability	100	–	–	–	–
People with a disability requiring work-related adjustments	100	–	–	–	–

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

In Table 9 above, a Distribution Index of 100 indicates that the centre of the distribution of the EEO group across salary levels is the same as other staff. Values less than 100 indicate that the EEO group tends to be more concentrated at lower salary levels compared with other staff. The lower the index, the more pronounced this tendency. Values greater than 100 indicate that the EEO group is less concentrated at lower salary levels.

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

## Privacy Management Plan

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 and a designated Privacy Officer.

Mechanisms have been established to make NSW Treasury staff aware of the PPIP Act and their privacy obligations.

A review of Treasury's Privacy Management Plan will be finalised in accordance with Section 33 of the PPIP Act during the 2012-13 period.

There have been no Internal Reviews conducted by or on behalf of NSW Treasury under Part 5 of the PPIP Act during the reporting period.

The Privacy Officer can be contacted at:

Information & Parliamentary Coordinator  
 NSW Treasury, Executive & Ministerial Services  
 Level 27, Governor Macquarie Tower, 1 Farrer Place, SYDNEY NSW 2000  
 Tel: (02) 9228 4611; Fax: (02) 9221 7029

## Government Information (Public Access)

The *Government Information (Public Access) Act 2009* (GIPA Act) aims to maintain and advance a system of responsible and representative democratic government that is open, accountable, fair and effective. In creating additional rights to information, the GIPA Act encourages government agencies to release information proactively and makes it easier for individuals to access government and personal information from government agencies.

Under section 7 of the GIPA Act, agencies must review their programs for the proactive 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.

Our agency's program for the proactive release of information involves a Proactive Release Procedure and a communication strategy that provides clearly defined guidance to promote processing efficiencies and compliance with proactively releasing government information pursuant to section 7 of the GIPA Act.

During the reporting period, Treasury reviewed this program by:

- » training staff in GIPA processes including proactive release
- » providing support and advice for those processes throughout the year from the Executive & Ministerial Services Unit
- » identifying the type of government information held that could be made publicly available without imposing unreasonable additional costs on the department
- » identifying information for future proactive release.

As a result of this review, Treasury released the following information proactively:

- » Social Benefit Bonds
- » Social Benefit Bonds Trial Proposal Outcomes
- » Social Benefit Bonds Trial in NSW FAQs
- » NSW Social investment Expert Advisory Group FAQs
- » Treasury Audit Manual
- » Audit and Risk Committee Charter
- » Internal Audit Function Charter (Note: the two Charters are posted separately but are also appendices to the Audit Manual)
- » Audit and Risk Committee conflict of interest declaration
- » Audit and Risk Committee Self-Assessment Guide
- » Audit and Risk Committee Member Assessment Tool
- » Audit and Risk Committee Chair Assessment Tool
- » Post-audit performance assessments for:
  - (a) service provider, (b) audited area and (c) Chief Audit Executive to fill out
- » Template for Audit and Risk Committee's Annual Report to the CEO
- » Template table for assessing the audit function's level of compliance with TPP 09-05
- » Quality Assurance and Improvement Program
- » Procedure for managing formal access requests under the *Government Information (Public Access) Act 2009*
- » Public interest disclosures internal reporting policy

During the reporting period, Treasury received a total of 23 formal access applications under the GIPA Act, of these four were withdrawn by the applicants, two were transferred to other agencies and two carried forward to 2012/13.



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

The GIPA Officer can be contacted at:

Information & Parliamentary Coordinator  
NSW Treasury, Executive & Ministerial Services  
Level 27, Governor Macquarie Tower, 1 Farrer Place, SYDNEY NSW 2000  
Tel: (02) 9228 4611; Fax: (02) 9221 7029

The statistical tables below are set out according to the provisions 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	1	6	1	1	1	1	0	2
Members of Parliament	0	4	0	0	0	0	0	0
Private sector business	1	0	0	0	0	0	0	2
Not for profit organisations or community groups	0	0	0	0	0	0	0	0
Members of the public (application by legal representative)	0	0	0	0	0	0	0	0
Members of the public (other)	1	0	0	0	0	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)	2	11	1	1	1	1	0	4
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**

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

**Table D: Conclusive presumption of overriding public interest against disclosure**

<b>Matters listed in Schedule 1 of the Act</b>	<b>Number of times consideration used</b>
Overriding secrecy laws	0
Cabinet information	8
Executive Council information	3
Contempt	0
Legal professional privilege	0
Excluded information	0
Documents affecting law enforcement and public safety	0
Transport safety	0
Adoption	0
Care and protection of children	0
Ministerial code of conduct	0
Aboriginal and environmental heritage	0

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

**Table E: Other public interest considerations against disclosure**

<b>Matters listed in table to section 14 of the Act</b>	<b>Number of occasions when application not successful</b>
Responsible and effective government	1
Law enforcement and security	0
Individual rights, judicial processes and natural justice	0
Business interests of agencies and other persons	3
Environment, culture, economy and general matters	0
Secrecy provisions	0
Exempt documents under interstate Freedom of Information legislation	0

**Table F: Timeliness**

	Number of applications
Decided within the statutory timeframe (20 days plus any extensions)	9
Decided after 35 days (by agreement with applicant)	6
Not decided within time (deemed refusal)	2
<b>Total</b>	<b>17</b>

**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 ADT	0	0	0
<b>Total</b>	<b>0</b>	<b>0</b>	<b>0</b>

The Information Commissioner does not have the authority to vary decisions, but can make recommendation to the original decision maker. The data in this case indicates that a recommendation to vary or uphold the original decision has been made.

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

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

## Public Interest Disclosures

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, including corruption, maladministration, serious and substantial waste, breaches of the GIPA Act 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.

Section 31 of the PID Act requires public authorities to report annually to Parliament on their obligations under the PID Act. There were no public interest disclosures received by NSW Treasury during the reporting period.

NSW Treasury has taken the following actions in ensuring our public interest disclosures obligations are met:

- » established a public interest disclosures internal reporting policy
- » appointment of Disclosures Coordinator and Disclosures Officers
- » PID training for staff and disclosure officers
- » written endorsement of internal reporting policy and commitment to the objectives of the PID Act by the Secretary

- » creation and distribution of a staff brochure titled *Guide to Making a Public Interest Disclosure*
- » facilitating a public interest disclosures presentation by the Deputy Ombudsman, Mr Chris Wheeler, at the Executive & Directors Forum on 22 November 2011
- » email and e-newsletter notifications to all staff on the internal reporting policy and the PID Act.

### Waste Reduction and Purchasing Policy

Treasury's Waste Reduction and Purchasing Policy is consistent with the whole of government sector strategy.

To reduce paper consumption and waste Treasury uses multi-functional devices (MFDs) that photocopy, print and scan to email replacing office equipment that separately performs each of these functions. The result is a reduction in:

- » capital outlay
- » volume of toners
- » space to accommodate the MFDs
- » fumes that may impact on the office environment.

To disseminate information and communicate with our stakeholders we rely on email, our intranet and websites. Printing and photocopying is done only when necessary and as much as possible it is double sided. Receptacles to collect recycling material are provided at each workstation, in kitchens and common areas.

#### *e-recycling*

In 2011–12 Treasury participated in an e-recycling service as a resource recovery strategy. As part of a Green Office initiative Treasury procured the Mai-Wei Group that provides a range of services and employment opportunities for people with disabilities, and during an e-Cycling Week staff were given the opportunity to discard obsolete electrical equipment in an environmentally friendly way. Staff brought in unusable electrical items which were collected by Mai-Wei Group for recycling.

During our e-Cycling Week in October 2011 NSW Treasury collected over 566 kg of e-waste, made up of unused and obsolete electrical equipment from the office and homes. This initiative also supported sustainable employment opportunities for people with disabilities.

Treasury continues to use electronic communication including email and publishes most documents on its intranet and website.

Where possible, Treasury continues to purchase items with recycled content including toners, paper and some stationery items. Empty printer toner cartridges are given to The Cartridge Recycler who donates \$1.00 from the sale of recycled cartridges to the Breast Cancer Institute of Australia.

## Credit Card Certification

Treasury's Credit Card Policies and Procedures Statement are available on our intranet. The Procedures Statement outlines requirements for the issue, use and administration of card usage. The rules are consistent with the Government Policy as outlined in the Treasurer's Directions and Treasury 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.

## Accounts Payable Performance

Treasury contracts ServiceFirst (a business unit of the Department of Finance and Services) to provide financial services. Treasury's service agreement with ServiceFirst to process for payment Treasury's tax invoices after they have been certified and approved for payment by delegated Treasury officers.

During 2011–12 there were no instances where penalty interest was paid (as per Section 13 of the *Public Finance and Audit Regulation 2010*).

There were a small number of instances where Treasury did not pay the tax invoices of some public sector agencies 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 where it is necessary to wait for full delivery before full payment could be made; and general errors in invoice information or tax invoices were incorrectly redirected. In general these issues were resolved and accounts paid correctly.

**Table 10: Outstanding invoices by timeframe at the end of each quarter**

Quarter	Less than 30 days overdue	Between 30 days and 60 days overdue	Between 61 days and 90 days overdue	More than 90 days overdue
	\$	\$	\$	\$
September 2011	0	0	0	0
December 2011	0	1,180	0	4,200
March 2012	0	0	0	1,180
June 2012	0	0	0	0

**Table 11: Accounts paid on time at the end of each quarter**

Quarter	Target %	Actual by Number %	Value \$	Total Amount Paid \$
September 2011	88	100.0	\$5,125,721	\$5,086,162
December 2011	88	99.8	\$4,925,582	\$4,516,570
March 2012	88	100.0	\$9,016,935	\$9,180,720
June 2012	88	99.4	\$10,817,989	\$11,145,250

## Expenditure on Consultants

Table 12: NSW Treasury expenditure on consultants

Consultants	Project	Amount (ex. GST) \$
<b>Consultants costing \$50,000 or more</b>		
<b><i>Finance and Accounting/Tax</i></b>		
PriceWaterhouseCoopers	Resource Allocation Model for NSW public schools to assist developing a resource allocation model for NSW public schools as part of Local Schools, Local Decisions	90,909
The Sysdoc Group Pty Ltd	Internal Process Mapping - comprehensive suite of process and procedure documentation outlining key responsibilities and tasks performed.	129,865
David Evans	Rail Rollingstock PPP - Senior Project Group Representative in the ongoing project management of the Waratah Train PPP Project.	72,692
Finity Consulting Pty Ltd	Independent review of Local and State Insurance Arrangements	80,000
<b><i>Economic Assessment</i></b>		
Three Rivers Consulting Pty Ltd	Implementation of National Health Reforms - Phase Three - preliminary support for Implementation of National Health Reforms	75,000
Frontier Economics Pty Ltd	Computerised general equilibrium (CGE) modelling of Carbon Price Policy	69,375
NERA Economic Consulting	Road Governance and User Charging, Assessment of Merits of Reform – road governance and user charging arrangements for road provision and use in NSW and Australia for COAG consideration	114,845
Deloitte Access Economics	Options for replacing revenue currently raised through the Emergency Services Levy	110,000
Deloitte Touche Tohmatsu	Rewrite Business Case Guidelines – update the NSW Treasury Capital Business Case guidelines to include contemporary business case guidance material and resources.	58,988
Deloitte Access Economics	Computerised general equilibrium (CGE) modelling of the impact of the Strategic Regional Land Use Policy	102,952
<b><i>Organisational Review</i></b>		
The Boston Consulting Group	Establishment of an internal centre of excellence for resource allocation activities	143,000
<b><i>Management Services</i></b>		
KPMG	Social Benefits Bond trial	147,626
<b><i>Subtotal</i></b>		<b>\$1,195,252</b>
<b>Consultants costing less than \$50,000</b>		
Finance and Accounting/Tax	6 Projects	114,487
Economic Assessment	18 Projects	362,140
Management Services	1 Project	20,353
<b><i>Sub total</i></b>		<b>\$496,980</b>
<b>Total Expenditure on Consultants (excluding Expenditure Review activities)</b>		<b>\$1,692,232</b>

**Table 13: Consultancies relating to Expenditure Review activities**

Consultants	Project	Amount (ex. GST) \$
<b>Consultants costing \$50,000 or more</b>		
<b>Management Services</b>		
PricewaterhouseCoopers	Assessment and costing of identified opportunities relating to NSW Health revenue, clinical variations, workforce and local health district reconfiguration	256,709
KPMG	Review and evaluate existing and new revenue improvement opportunities and issues in NSW Health	403,139
Third Horizon Consulting Partners	Review efficiency of the Government's Infrastructure and Communication Technology (ICT) expenditure by leveraging the aggregated buying power of Government through State Contracts	873,537
Department of Education & Communities (Social Policy Research Centre, UNSW)	Review of NSW Government funding for early childhood education in NSW	100,000
KPMG	Review of the base funding arrangements of the Office of Director of Public Prosecution	243,663
PricewaterhouseCoopers	Review of Government Emergency Services agencies expenditure to identify savings and opportunities to increase efficiency	362,283
NSW Health (Ernst & Young)	Identify and evaluate workforce improvement opportunities in NSW Health in both clinical and medical areas	908,636
The Allen Consulting Group	Review of the business and governance model of TAFE NSW and reforms to the vocational education and training sector	635,049
Ernst & Young	Review of benchmarking processes and tools in NSW Health to validate appropriateness of on-going benchmarking to measure cost drivers in NSW Health	493,550
KPMG	Preparation of expert advice to address clinical variations in NSW hospitals	130,000
The Boston Consulting Group	Services to establish Treasury's Fiscal Effectiveness Office including designing its operating model, tailoring software and training other agency staff	2,650,000
The Boston Consulting Group	Provision of services to build capability and support development of an agency rollout of Treasury's Fiscal Effectiveness Office management methodology	1,120,000
The Boston Consulting Group	Design and development of implementation processes and reporting frameworks capability to enable the delivery of recommendations from the NSW Health review and other future reviews	499,540
<b>Organisational Review</b>		
NSW Corrective Services (Keith Hamburger)	Structural review of NSW Corrective Services	107,100
The Boston Consulting Group	Review of Treasury's operating processes to identify opportunities for improvement and initiate Treasury's business process improvement program	1,325,500
<b>Information Technology Services</b>		
Gartner Australasia Pty Ltd	ICT benchmarking services	76,510
KPMG	Finalisation of ICT Benchmarking Report for Whole of Government	61,735
<b>Sub total</b>		<b>\$10,246,951</b>
<b>Consultants costing less than \$50,000</b>		
Miscellaneous	2 projects	\$31,594
<b>Total Expenditure Review activities expenditure on consultants</b>		<b>\$10,278,545</b>

## Overseas Visits

### *Whole of Government expenditure reviews*

Dr Ruth Lawrence, Principal Advisor, Strategic Review & Policy Coordination Branch (FED) travelled to New Zealand from 12 to 14 September 2011. Dr Lawrence met with senior officials from the NZ Treasury for discussions and made a presentation on whole of Government expenditure reviews to New Zealand Treasury. The New Zealand Treasury invited, hosted and covered all costs associated with Dr Lawrence's attendance and presentation to the Treasury.

### *Australia and New Zealand School of Government (ANZSOG)*

John Healey, Principal Advisor, Economic, Environment and Services Directorate, travelled to New Zealand from 29 November to 2 December 2011. Mr Healey attended the final compulsory subject of the ANZSOG Executive Master of Public Administration degree program. NSW Treasury sponsored Mr Healey for this degree program. The program is a multijurisdictional course with subjects taught in each of the jurisdictions. The final compulsory subject was held in Wellington.

ANZSOG covered part of the cost of accommodation and meals and NSW Treasury covered the costs of travel and the balance of meals and accommodation.

### *Budget process and performance measures in New Zealand*

As a part of its Budget and Financial Framework Advisory Committee (BAFFAC) Secretariat duties, representatives from NSW Treasury conducted a series of interjurisdictional meetings with BAFFAC member states in Australia and New Zealand. The purpose of the meetings was to provide an opportunity for NSW Treasury to share information about the reforms and developments that are underway in NSW following the recent change of government and to learn about similar issues and developments in the visited jurisdictions.

Mark Pellowe, Senior Director and Naushee Rahman, Principal Policy Analyst in the Financial Management and Accounting Policy Branch, travelled to New Zealand on 13 to 14 December 2011 and met with senior officers from the New Zealand Treasury and the Ministry of Social Development. The purpose of this meeting was to gain an overall understanding of the budget preparation process, budget execution, performance measures used and how this is collected by New Zealand Treasury.

The costs associated with travel, meals and accommodation were met by NSW Treasury.

### *Government Self-Insurance*

Steve Hunt, Director, NSW Self Insurance Corporation (SICorp) travelled to the United Kingdom and Singapore from 6 to 18 May 2012. Mr Hunt oversees the NSW Government's self-insurance arrangements. Reinsurance represents a key risk management strategy in the management of the government's self-insured liabilities.

In company with SICorp's reinsurance service provider AON Benfield, Mr Hunt met with major international reinsurers in London, the traditional capital of the world reinsurance market and in Singapore which is emerging as a major market focussing on the Asia Pacific Region.

SICorp covered all costs associated with Mr Hunt's travel.

### *Climate change mitigation and adaptation policy*

At the invitation of the US State Department, Ophelia Cowell, Principal Advisor, Economic Strategy Branch, Fiscal and Economic Directorate, travelled to the United States of America from 13 June to 8 July 2012. Ms Cowell met with the US State Department and various other US agencies and discussed climate change mitigation and adaptation policy.

The costs associated with domestic travel, meals and accommodation were met by the US State Department. NSW Treasury met the cost of Ms Cowell's travel to the United States.



## NSW Treasury Circulars

NSWTC11/12 <b>Payment of Accounts</b>	14/07/2011
NSWTC11/11 <b>Goods and Services Tax (GST) exemption for certain government taxes, fees and charges (Division 81 of the GST Act)</b>	14/07/2011
NSWTC11/13 <b>Machinery of government changes: Goods and Services Tax, Fringe Benefits Tax and income tax issues</b>	18/10/2011
NSWTC11/14 <b>Gateway Review System and Business Case Guidelines</b>	30/11/2011
NSWTC11/15 <b>Use of Purchasing Cards and Electronic Payment Methods</b>	13/12/2011
NSWTC11/17 <b>Determining the present value of a provision</b>	16/12/2011
NSWTC11/16 <b>Accounting for Commonwealth Paid Parental Leave</b>	16/12/2011
NSWTC11/19 <b>Financial and Annual Reporting requirements arising from personnel service arrangements</b>	21/12/2011
NSWTC11/18 <b>Financial reporting requirements for NSW Government entities including those affected by restructures</b>	21/12/2011
NSWTC11/21 <b>Annual Reporting on Payment of Accounts</b>	23/12/2011
NSWTC11/20 <b>Implementation of Penalty Interest on Late Payment of Accounts</b>	23/12/2011
NSWTC12/01 <b>Funding for Redundancy Payments</b>	13/01/2012
NSWTC12/02 <b>Guideline for Reimbursing Agency Expenditures Related to Disaster Emergency and Recovery Operations</b>	25/01/2012
NSWTC12/03 <b>Mandatory early close procedures commencing in 2012</b>	16/02/2012
NSWTC12/04 <b>Mandates of Options and Major Policy Decisions under Australian Accounting Standards</b>	07/03/2012
NSWTC12/05 <b>Fair Value of Specialised Physical Assets</b>	12/03/2012
NSWTC12/06 <b>Accounting for Long Service Leave and Annual Leave</b>	14/03/2012
NSWTC12/07 <b>2011–12 Financial Accounting Arrangements for the Crown Entity</b>	21/03/2012
NSWTC12/09 <b>Budget Controls - Capital Expenditure Authorisation Limits</b>	23/04/2012
NSWTC12/08 <b>Budget Controls - Net Cost of Services</b>	23/04/2012
NSWTC12/10 <b>Protected Items and Funds</b>	01/05/2012
NSWTC12/12 <b>Mandatory Use of the Treasury Managed Fund (TMF) for All Government Insurance Requirements</b>	03/05/2012
NSWTC12/11 <b>Mandatory principal arranged insurance (PAI) for all major capital works projects</b>	03/05/2012
NSWTC12/13 <b>Agency recouping of merchant interchange fees</b>	24/05/2012

Treasury publications are available at the NSW Treasury website – [www.treasury.nsw.gov.au](http://www.treasury.nsw.gov.au).

## Treasurer's Legislation - List of Legislation<sup>1</sup>

- Annual Reports (Departments) Act 1985 No 156
- Annual Reports (Statutory Bodies) Act 1984 No 87
- Appropriation Act 2011 No 42
- Appropriation (Supply and Budget Variations) Act 2011 No 14
- Australia and New Zealand Banking Group Limited (NMRB) Act 1991 No 35
- Bank Integration Act 1992 No 80
- Bank Mergers Act 1996 No 130
- Bank Mergers (Application of Laws) Act 1996 No 64
- Canberra Advance Bank Limited (Merger) Act 1992 No 17
- Capital Debt Charges Act 1957 No 1
- Commonwealth Powers (State Banking) Act 1992 No 104
- Conversions of Securities Adjustment Act 1931 No 63
- Decimal Currency Act 1965 No 33
- Electricity Generator Assets (Authorised Transactions) Act 2012 No 35
- Finances Adjustment Act 1932 No 27
- Financial Agreement Act 1944 No 29
- Financial Agreement Act 1994 No 71
- Financial Agreement (Amendment) Act 1976 No 35
- Financial Agreement (Decimal Currency) Act 1966 No 39
- Financial Agreement Ratification Act 1928 No 14
- Financial Sector Reform (New South Wales) Act 1999 No 1
- Fiscal Responsibility Act 2005 No 41
- Freight Rail Corporation (Sale) Act 2001 No 35
- General Government Liability Management Fund Act 2002 No 60
- Government Guarantees Act 1934 No 57
- Government Insurance Office (Privatisation) Act 1991 No 38
- Home Building Act 1989 No 147, Part 6A (remainder, the Minister for Fair Trading)
- Inscribed Stock Act 1902 No 79
- Inscribed Stock (Issue and Renewals) Act 1912 No 51
- Intergovernmental Agreement Implementation (GST) Act 2000 No 44
- NSW Grain Corporation Holdings Limited Act 1992 No 31
- NSW Lotteries (Authorised Transaction) Act 2009 No 60
- NSW Self Insurance Corporation Act 2004 No 106
- Pacific Power (Dissolution) Act 2003 No 17
- Parliamentary Budget Officer Act 2010 No 83
- Public Authorities (Financial Arrangements) Act 1987 No 33
- Public Finance and Audit Act 1983 No 152 (except parts, the Premier)
- Public Loans Act 1902 No 81
- Restart NSW Fund Act 2011 No 32
- Road Improvement (Special Funding) Act 1989 No 95
- Secondary Mortgage Market (State Equity Participation) Act 1985 No 131
- State Bank (Corporatisation) Act 1989 No 195
- State Bank of South Australia (Transfer of Undertaking) Act 1994 No 47
- State Bank (Privatisation) Act 1994 No 73
- Totalizator Act 1997 No 45, section 76 (remainder, the Minister for Tourism, Major Events, Hospitality and Racing)
- Totalizator Agency Board Privatisation Act 1997 No 43
- Treasury Corporation Act 1983 No 75
- Waste Recycling and Processing Corporation (Authorised Transaction) Act 2010 No 8.

<sup>1</sup> The above list of legislation is correct as at 30 June 2012

## Treasurer's Legislation - Changes During 2011–12

### *Public Finance and Audit Act 1983*

### *Public Finance and Audit Regulation 2010*

The *Public Finance and Audit Regulation 2010* was amended to require authorities to pay:

- » accounts for goods and services supplied to authorities under contracts in accordance with Treasurer's directions and
- » suppliers' penalty interest (if applicable) in accordance with such directions if payments are late.

In conjunction with these legislative amendments, new Treasurer's directions were issued regarding small business payment of accounts requirements.

In addition, during 2011–12, other minor changes were made to the *Public Finance and Audit Act 1983* and the *Public Finance and Audit Regulation 2010* to keep the schedules of applicable departments and statutory bodies current.

### *Appropriation Act 2011*

(Act No 42, assented on 20 September 2011)

The Act appropriates from the Consolidated Fund various sums of money required during the 2011–2012 financial year for the recurrent services and capital works and services of the Government, including:

- a) the principal departments
- b) various special offices
- c) the Legislature.

The Consolidated Fund largely comprises receipts from, and payments out of, taxes, fines, some regulatory fees, Commonwealth grants and income from Crown assets. The Bill contains an additional appropriation which allocates revenue raised in connection with gaming machine taxes to the Minister for Health for spending on health related services.

The Act provides for appropriation for the whole of the 2011–12 financial year and incorporates the supply appropriation effected by the *Appropriation (Supply and Budget Variations) Act 2011*.

The amounts appropriated are:

- a) (a) \$53,386,605,000 for recurrent services
- b) (b) \$6,545,038,000 for capital works and services.

### *Appropriation Act 2012*

(Act No 44, assented on 25 June 2012)

The Act appropriates from the Consolidated Fund various sums of money required during the 2012–2013 financial year for the recurrent services and capital works and services of the Government, including the principal departments and various special offices.

The Consolidated Fund largely comprises receipts from, and payments out of, taxes, fines, some regulatory fees, Commonwealth grants and income from Crown assets. The Bill contains an additional appropriation which allocates revenue raised in connection with gaming machine taxes to the Minister for Health for spending on health related services.

The Act provides for appropriation for the whole of the 2012–13 financial year.

The amounts appropriated are:

- a) \$50,023,809,000 for recurrent services
- b) \$2,546,434,000 for capital works and services.

#### ***Appropriation (Parliament) Act 2012***

(Act No 45, assented on 25 June 2012)

The Act appropriates out of the Consolidated Fund sums for recurrent services and capital works and services of the Legislature for 2012–13:

- a) \$117,812,000 for recurrent services
- b) \$6,244,000 for capital works and services.

#### ***Appropriation (Budget Variations) Act 2012***

(Act No 50, assented on 27 June 2012)

The Act appropriates additional amounts from the Consolidated Fund for recurrent services and capital works and services for 2010–11 and 2011–12 for the purpose of giving effect to certain budget variations required by exigencies of government.

The additional amounts appropriated for 2011–12 are:

- a) \$93,542,000 in adjustment of the vote 'Advance to the Treasurer'
- b) \$61,200,000 for recurrent services, and capital works and services in accordance with section 22(1) of the *Public Finance and Audit Act 1983*
- c) \$800,000,000 for other additional capital works and services

The additional amounts appropriated for 2010–11 are \$23,145,000 in adjustment of the vote 'Advance to the Treasurer'.

#### ***Public Authorities (Financial Arrangements) Amendment (Reliance Rail) Regulation 2012, (under the Public Authorities (Financial Arrangements) Act 1987)***

The Regulation gives the Treasurer (on behalf of the Crown) the ability to enter in the agreement to restructure Reliance Rail, which was then executed on 3 February 2012. The amendment inserts clause 13A, Schedule 5 of the Regulation to allow the Treasurer, as an authority, to hold:

- a) direct or indirect investments in shares, options over shares in Reliance Rail Holdings Pty Limited (ACN 111 280 169), Reliance Rail Pty Limited (ACN 111 280 427) and Reliance Rail Finance Pty Limited (ACN 120 380 805).
- b) direct or indirect investments in units or notes, options over units or notes in Reliance Rail Holding Trust and the Reliance Rail trust

Date Approved by Executive Council: 18 January 2012

Date of Commencement: 3 February 2012 (being the day the Regulation was published on the NSW Legislation website).

## Annual Reports Legislation

The Treasurer administers the Annual Reports legislation governing departments and statutory bodies. Since the end of 1991, as part of this responsibility, the Treasury has conducted an annual reports review program. The annual reports review program is part of Treasury's strategy aimed at enhancing statutory compliance and the overall quality and relevance of agencies' annual reports.

The general objectives of the program are two-fold:

- » to monitor compliance with annual reporting legislation
- » to promote best practice in public sector annual reporting.

The 2010-2011 annual reports review program examined compliance with the relevant annual reporting legislation and identified instances of "better" reporting practices.

The Treasury website has been updated summarising the results of the 2010-2011 annual reports review.

**Table 14: Exemptions and Variations from Reporting Requirements under Acts and Regulations**

Agency	Applicable Financial Year(s)	Exemption / Variation	Reason(s) for Approval
Newsouth Seven Pty Ltd	2011-12	Exemption from requirement for preparation and audit of final financial statements	Entity deregistered
ACN 153 973 481 Ltd	2011-12	Extended financial year for the period 27 October 2011 to 31 December 2012	First financial year
UNSW Global India Private Limited	2011-12	Changed financial year end from 31 December to 31 March	Align entity with local statutory authority and tax reporting requirements
ACN 125 694 546 Pty Ltd	2011	Exemption from requirement for preparation and audit of final financial statements	Entity deregistered
UWS Early Learning Ltd	2011-12	Extended financial year to 31 December 2012	First financial year
Television Sydney Foundation and Television Sydney Foundation Ltd	2011-12	Extended final financial year to date of wind up and exemption from requirement for preparation and audit of final financial statements	Entities wound up
MU Hospital Pty Ltd; MUPH Clinic Pty Ltd; MUPH Hospital Pty Ltd; Macquarie University Property Investment Company No 2 Pty Ltd; Macquarie University Property Investment Company No 3 Pty Ltd and COH Property Trust	2011-12	Extended final financial year to date of wind up and exemption from requirement for preparation and audit of final financial statements	Entities wound up

<b>Agency</b>	<b>Applicable Financial Year(s)</b>	<b>Exemption / Variation</b>	<b>Reason(s) for Approval</b>
Timber and Carbon Plantations Pty Ltd	2011–12	Extended final financial year and exemption from requirement for preparation and audit of final financial statements	Entity wound up
SGSM Ltd and UWS Residential Colleges Limited	2011	Exemption from requirement for preparation and audit of final financial statements	Entities deregistered
Trustees of the Anzac Memorial Building	2011–12	Changed financial year from a 31 December to 30 June year end and granted extended financial year from 1 January 2011 to 30 June 2012	To align the Trustees' financial year with the financial year of its service provider
Parklands Foundation Limited	2011–12	Exemption from requirement for preparation and audit of final financial statements	Entity wound up
Superannuation Administration Corporation	2011–12	Exemption from requirement to comply with the Financial Reporting Code for General Government Sector Entities	From 2012/13, the Corporation is no longer a General Government Sector entity
NSW Self Insurance Corporation	2011–12 and subsequent financial years	Exemption from fixed format presentation in the Financial Reporting Code	Allow inclusion of additional line items appropriate to the insurance industry
Superannuation Administration Corporation	2011–12 and subsequent financial years	Exemption from certain requirements in the Annual Reports legislation	In-competition exemptions
Transport for NSW	2011–12 and subsequent financial years	Exemption from requirement to prepare consolidated financial statements	Consolidated information is provided by the Department of Transport and individual transport entities prepare separate financial statements

**Table 15: Extensions of Time Granted to Reporting Dates under Acts and Regulations**

**1. To Submit Financial Statements**

<b>Agency</b>	<b>Applicable Financial Year(s)</b>	<b>Exemption/Variation</b>	<b>Reason(s) for Approval</b>
Vocational Training and Accreditation Board	2010–11	Extension to 30 November 2011 for financial report	Delays in compiling and finalising data for both 2009/10 and 2010/11
10 Health Professional Councils	2010–11	Extension to 18 August 2011 for financial report	Delays compiling and finalising data (Submitting for the First Time)
Roads and Traffic Authority	2010–11	Extension to 23 January 2012 for financial report	Amalgamation of Roads and Traffic Authority and Maritime Authority
Redfern-Waterloo Authority	2011	Extension to 16 March 2012	Agency dissolved/ amalgamated with Sydney Metropolitan Development Authority

**2. To Submit Annual Reports**

<b>Agency</b>	<b>Applicable Financial Year(s)</b>	<b>Exemption/Variation</b>	<b>Reason(s) for Approval</b>
10 Health Professional Councils	2010–11	Extension to 30 November 2011	Delays compiling and finalising data (Submitting for the First Time)
Department of Health	2010–11	Extension to 12 December 2012	Restructure of Health Districts
Roads and Traffic Authority	2010–11	Extension to 11 April 2012	Amalgamation of RTA and Maritime
Redfern Waterloo Authority	2011	Extension to 15 June 2012	Agency dissolved/ amalgamated with Sydney Metropolitan Development Authority
Department of Trade and Investment, Regional Infrastructure and Services	2010–11	Extension to 30 November 2011	Transfer of activities of the former Land and Property Management Authority

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## Abbreviations and acronyms

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AASB	Australian Accounting Standards Board
BSVP	Better Services and Value Plan
CE	Crown Entity
CGC	Commonwealth Grants Commission
COAG	Council of Australian Governments
CRC	COAG Reform Council
DFS	Department of Finance and Services
DPC	Department of Premier and Cabinet
EAP	Employee Assistance Program
EEO	Equal Employment Opportunity
FMF	Financial Management Framework
FTE	Full-Time Equivalent
GFC	Global Financial Crisis
GIPA	Government Information (Public Access) Act 2009
GSP	Gross State Product
GST	Goods and Services Tax
HoTs	Heads of Treasuries
HWIF	Home Warranty Insurance Fund
ICT	Information and Communication Technology
IPART	Independent Pricing and Regulatory Tribunal
MRRT	Minerals Resource Rent Tax
NCOS	Net Cost of Services
NDRRA	Natural Disaster Relief and Recovery Arrangements
NHRA	National Health Reform Agreement
OH&S	Occupational Health and Safety
OSR	Office of State Revenue
PAFA	Public Authorities (Financial Arrangements) Act 1987
PEP	Performance Excellence program
PF&A	Public Finance and Audit Act 1983
PPE	Property Plant and Equipment
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
SBI	Statement of Business Intent
SCI	Statement of Corporate Intent
SICorp	NSW Self Insurance Corporation
SOC	State Owned Corporation
TAM	Total Asset Management
TCorp	NSW Treasury Corporation
TMF	Treasury Managed Fund
TOES	Treasury Online Entry System

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