



**The
Treasury**

NSW Treasury 2012-13 Annual Report

www.treasury.nsw.gov.au

NSW Treasury

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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 2013, 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 2012 to 30 June 2013.

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

A second volume contains the financial statements for the Treasury Cluster Statutory Entities.

Yours sincerely



Philip Gaetjens
Secretary
31 October 2013

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*Philip Gaetjens
Secretary
NSW Treasury*

In 2012–13 a significant program of organisational change continued to improve NSW Treasury's collaboration and the strategic involvement with clusters, agencies and other stakeholders. Our Executive and management teams were bolstered, new structures were developed and core functions were improved.

On 12 September 2012 NSW Industrial Relations was transferred to Treasury from the Finance and Services cluster as a result of machinery of government changes. NSW Industrial Relations chairs the Wages Policy Taskforce as well as advises on Enterprise Bargaining negotiations and matters heard by the Industrial Relations Commission. Given that public sector wage expenses account for nearly 50 per cent of public sector expenses and industrial relations is a key economic policy matter, Industrial Relations is a good fit in the Treasury cluster.

A major focus for Treasury this year was the scoping and planning of the Financial Management Transformation program which will address the need for whole-of-government reform to financial management systems, policies, processes and the capabilities of staff in this critical area. The program has been developed by Treasury in response to recommendations in the NSW Commission of Audit (Schott Report).

The Organisational Change Transformation program ensured we have the structures, processes and resources in place to deliver on required fiscal management and economic reform objectives expected by the Government and our other stakeholders.

During 2012–13 Treasury increased its focus on the quality and robustness of financial reporting. To this end, Treasury implemented improved early close procedures for financial reports, Chief Executive Officer attestation of financial reports and budget accountability, and a strengthened Chief Financial Officer role and qualifications. For the first time the Audit Office conducted assurance reviews of the December 2012 Half-Yearly Review and the 2013–14 Budget released in June 2013.

The new financial framework introduced by Treasury has helped in constraining public sector expense growth and maintaining the State's Triple-A credit rating within a climate of multiple fiscal and economic challenges. Through 2012–13 the global economy remained fragile, the Euro zone was still in recession and in early 2013 China – one of the State's major trading partners - experienced a modest slowing of growth.

The Government's prudent fiscal strategy included the leasing of large assets which enabled the State to invest in new infrastructure without pushing debt to levels that could trigger a rating downgrade. Highlights included the long-term lease of Port Botany and Port Kembla and the removal of risk to the State by terminating the so-called Gentrader agreements. Transactions covering the sale of electricity generation assets and the long-term lease of Newcastle Ports Corporation remain underway.

In 2012–13 Treasury played a key role in advising the NSW Government in becoming the first State to reach agreement with the Commonwealth Government to establish the National Disability Insurance Scheme and the National Education Reform Agreement.

To seek innovative ways to deliver State services, Treasury successfully negotiated the contracts for Australia's first two Social Benefit Bonds Schemes with UnitingCare Burnside and with The Benevolent Society in the areas of children and families.

On tax, NSW Treasury led negotiations with the Commonwealth to commence work to reduce the GST exemption threshold for online purchases. We were also instrumental in changes to Government policy to increase the payroll tax rebate under the Jobs Action Plan and to increase the payroll tax threshold while removing indexation.

On Industrial Relations, we delivered a new regulation to the Public Sector Wages Policy to confirm superannuation increases are within the 2.5 per cent remuneration cap across the public sector, and we worked in partnership with the Fair Work Ombudsman on complaint investigations, workplace audits and field inspections. This work under the Fair Work Ombudsman contract concluded on 30 June 2013 when the Commonwealth Fair Work Ombudsman did not renew the contract with NSW Industrial Relations. This triggered a restructure of the Compliance Branch and from 1 July 2013 a new, smaller State Compliance Unit will enforce state based employment legislation including shop trading hours, public holidays and long service leave. A Construction Compliance Unit was also set up to enforce procurement guidelines for the building and construction industry.

Treasury influenced whole-of-government decisions by executive representation on numerous boards and high-level committees. Through the Infrastructure NSW Board, Treasury has helped develop the 20 year State Infrastructure Strategy, with the majority of the recommendations supported by the Government.

Treasury contributed to the development and release of a range of reforms to the planning system including the release of the White Paper - A New Planning System for NSW and the Strategic Land Use Policy.

These achievements, and others in this report, have been possible due to the incredibly hard work, expertise and professionalism of NSW Treasury staff. In a year of many internal and external changes, I thank them all for their significant contribution.



Philip Gaetjens
Secretary

About NSW Treasury

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

This Annual Report outlines the NSW Treasury's operations and performance for the 2012–13 reporting period. Our report is both quantitative, encompassing a broad spectrum of effectiveness and efficiency measures, and qualitative recounting the major achievements of our organisation.

During 2012–13 NSW Treasury had administrative responsibility for the following entities:

- ≈ NSW Self Insurance Corporation (SICorp)
- ≈ Long Service Corporation¹
- ≈ Crown Entity
- ≈ State Rail Authority Residual Holding Corporation
- ≈ Liability Management Ministerial Corporation
- ≈ Electricity Assets Ministerial Holding Corporation
- ≈ Lotteries Assets Ministerial Holding Corporation
- ≈ Ports Assets Ministerial Holding Corporation

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

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

Treasury's Structure

As at 30 June 2013 NSW Treasury's structure incorporated the following groups:

- ≈ Fiscal and Economic
- ≈ Resource Allocation
- ≈ Commercial Policy and Financing
- ≈ NSW Industrial Relations
- ≈ Corporate

The functions, responsibilities and performance of each area are outlined in pages 17 to 53 of this annual report.

Advice on economic, financial, industrial relations and policy issues is coordinated across the organisation allowing broad perspectives to be provided to the Government on a whole-of-Treasury basis.

¹ On 12 September 2012 Long Service Corporation, as part of NSW Industrial Relations, was transferred to the NSW Treasury Cluster from the Department of Finance and Services.

Primary legislation administered by NSW Treasury

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

- ≈ *Annual Reports Acts (Departments, 1985; Statutory Bodies, 1984)*
- ≈ *Fiscal Responsibility Act 2012*
- ≈ *Industrial Relations Act 1996*
- ≈ *Long Service Corporation Act 2010*
- ≈ *NSW Self Insurance Corporation Act 2004*
- ≈ *Public Finance and Audit Act 1983*
- ≈ *Public Authorities (Financial Arrangements) Act 1987*
- ≈ *Public Sector Employment and Management Act 2002* (Ch 6, jointly with the Premier)
- ≈ *Annual Holidays Act 1944*
- ≈ *Long Service Leave Act 1955*
- ≈ *Retail Trading Act 2008*
- ≈ *Public Holidays Act 2010.*

On 12 September 2012 NSW Industrial Relations was transferred to the NSW Treasury Cluster from the Department of Finance and Services. As a result *Industrial Relations Act 1996* and *Long Service Corporation Act 2010* are now administered by Treasury.

On 1 July 2013 SICorp was transferred to the Department of Finance and Services. In future, SICorp's performance will be reported in that agency's Annual Report.

Our Stakeholders

Treasury's stakeholders include:

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

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

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

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

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

NSW Treasury Corporate Plan²

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. These core values are Integrity, Trust, Service and Accountability.

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

We strive for *excellence* in everything we do:

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

We display *integrity* at all times

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

We hold ourselves *accountable* in our responsibilities

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

We show *trust* in all our relationships

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

² NSW Treasury Corporate Plan 2012–13 to 2015–16

What we do

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

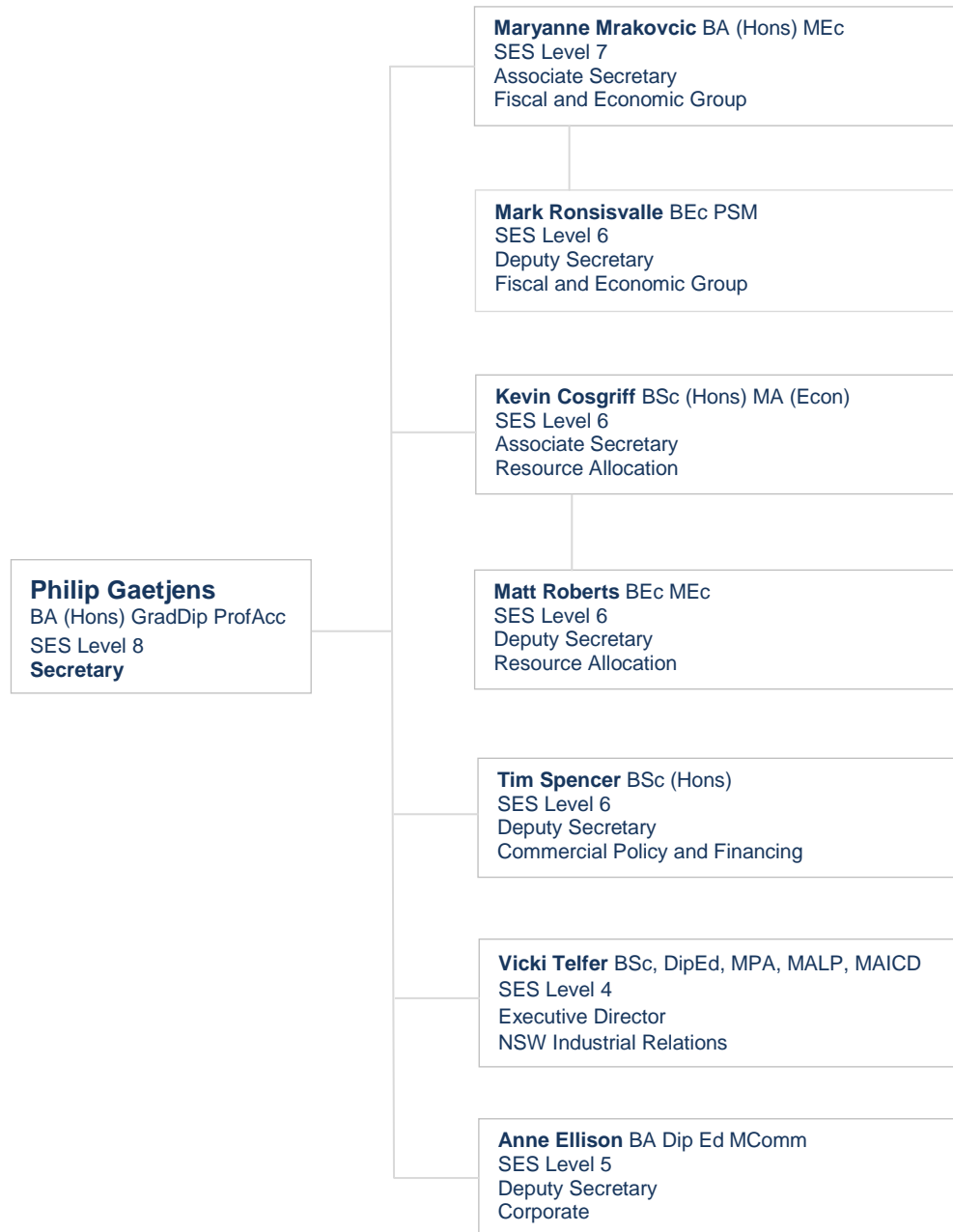
Our Priorities to 2015–16

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 part of the Financial Management Transformation program for a system that better 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.

Our Priorities to 2015–16 (continued)

6. Ensure due diligence in the design and execution of sale and long-term lease 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*.
11. Ensure adherence to the Government's Public Sector Wages and Conditions of Employment Policy.
12. Collaborate with public sector agencies to ensure the Government's workforce reform priorities are implemented with minimum industrial disruption.
13. Achieve reforms of the Entertainment Industry licensing; and in the Taxi Industry with improved compliance under the Taxi Industry (Contract Drivers) Contract Determination.
14. Provide expert advice and guidance to building and construction industry participants on the Implementation Guidelines to the Code of Practice for Procurement: Building and Construction.

Executive Team



This structure was effective as at 30 June 2013

Organisational Change

Change is a vital component in organisational growth. A positive approach to managing change during 2012–13 in Treasury has enabled us to build a stronger platform to deliver economic, financial and industrial leadership.

Treasury implemented significant organisational change during 2012–13. This was in response to whole-of-government and intergovernmental matters such as the [Commission of Audit](#) and industrial compliance activities with the Commonwealth, as well as internally driven responses in striving to improve how we operate as an organisation.

At the sector level there were changes to entities within the Treasury cluster.

The first phase of change commenced in March 2012 through a Transformation program and was completed at the end of 2012. Three key streams of Process Redesign, Strategic Projects and Commercial Reform were transitioned into business as usual in early 2013.

In 2012 the **Process Redesign stream** implemented measures to streamline processes within Treasury, releasing staff time for more high-level work. The Resource Allocation Directorate Centre for Excellence resulted from this stream of work and supported a strong focus on the Resource Allocation Directorate's contribution to the 2013–14 Budget process.

The **Strategic Projects stream** established and implemented processes which supported the Executive's prioritisation, commissioning and oversight of Treasury's strategic projects. Responsibility for managing the supporting processes was given to the Strategic Review and Policy Coordination branch.

The **Commercial Reforms** resulted in the implementation of a new structure in the Commercial Directorate. The new structure provided Treasury with increased capacity to undertake financing for major infrastructure projects and take a more strategic approach to State-Owned Corporation performance and balance sheet management in line with recommendations from The Commission of Audit.

The fourth stream, **Financial Management Framework** has transitioned into a wider Financial Management Transformation because of its whole-of-Government scope. Financial Management Transformation is a comprehensive program of reforms to raise the quality of financial management and financial reporting across the NSW public sector.

In March 2013, Treasury's Transformation was separated into two ongoing projects:

1. **Organisational Change** – focused on organisation redesign aimed at:
 - ≈ Raising our capability to deliver on required fiscal management and economic reform objectives of the state and meeting the expectations of the Treasurer and other stakeholders
 - ≈ Operating core functions at the most efficient level, given tight budgetary constraints and the expected future effect of the Labor Expense Cap
 - ≈ Redesigning Treasury's management structure to:
 - Improve the clarity and appropriateness of accountabilities
 - Provide clear strategic, tactical and operational leadership levels
 - Ensure Treasury is well placed for the Public Service Commission's sector-wide reforms.

More details are in the Corporate Directorate section (refer page 43).

2. **Financial Management Transformation** – details are included in the Fiscal and Economic Group section of this Annual Report (refer page 17).

Sector changes

Treasury Cluster

On 12 September 2012, NSW Industrial Relations and the Long Service Corporation were transferred to the NSW Treasury Cluster from the Department of Finance and Services.

A significant amount of work was required during the year to absorb NSW Industrial Relations into the Treasury structure. Information technology, human resources and finance transaction were transferred to Treasury systems and completed on 1 May 2013. The heads of Treasury and the Department of Finance and Services formally signed-off on the transfer 28 June 2013.

NSW Industrial Relations

The Contract for Services in relation to compliance work undertaken by NSW Industrial Relations inspectors on behalf of the Fair Work Ombudsman concluded, at short notice from the Commonwealth, on 30 June 2013.

The expiration of the contract triggered a restructure of the Compliance Branch. A change management plan was implemented and a number of positions were declared excess. Offices in Campbelltown, Hurstville, Newcastle, Wollongong, Lismore and Dubbo were closed.

From 1 July 2013 a new, smaller State Compliance Unit will enforce state based employment legislation including shop trading hours, public holidays and long service leave. A Construction Compliance Unit was also set up to enforce procurement guidelines for the building and construction industry.

NSW's Economic and Fiscal Environment

Economic Factors

During the year the dominant economic theme continued to be the uncertain global economic outlook. The year commenced when global economic growth was below trend with risks concentrated to the downside. Fear of an escalation of the European banking and sovereign debt crisis weighed on financial markets as well as activity in the national and NSW economies.

As the year progressed the global economic outlook was continually revised down, as was the national economic outlook. The main drivers of weaker global growth included ongoing economic contraction in the Euro zone with weakness in the periphery economies spilling over to core economies, a slower than expected Japanese recovery following the 2011 natural disaster and generally softer activity in the rest of East Asia due to weak external demand.

Measures taken by policy makers in the second half of 2012, including another round of quantitative easing in the United States and actions by the European Central Bank eased financial market tensions by the end of 2012. Global growth forecasts, however, continued to be revised lower in the first half of 2013, with improved financial conditions not being reflected in any economic rebound in the Euro zone and China's economic growth outlook being revised down.

While these global factors negatively impacted the NSW economy, as did the high exchange rate, the outlook for New South Wales remained relatively positive due to the expectation of solid trading partner growth; lower interest rates; strong farm production; and increased NSW Government capital spending on infrastructure projects.

The weaker global outlook and restrained domestic inflation saw the Reserve Bank of Australia continue to lower the official cash rate over the year, to a historically low level of 2.75 per cent in May 2013. This saw an improvement in interest rate sensitive sectors of the New South Wales economy as the year progressed, which was evident in partial indicators such as retail sales, housing finance (investor and owner-occupier) and dwelling approvals. Employment growth was also stronger than expected in the year.

New South Wales' real economic growth for 2012–13 was forecast to be 2.5 per cent in the 2013–14 Budget, slightly above expectations in the 2012–13 Budget. This reflected stronger than expected growth in household consumption, engineering construction (mining related), net exports and non-residential building. Partial indicators after the Budget provide an indication of a softer final income. New South Wales real state final demand, the major component of economic growth, rose by 2.1 per cent over 2012–13, supported by household spending, dwelling investment and engineering construction. The result was slightly below the 2013–14 Budget forecast of 2.25 per cent.

The forecast for 2012–13 nominal economic growth – which is more closely aligned to key NSW tax bases – was revised down as a result of a greater than expected decline in the terms of trade and weaker than expected domestic inflation and household income growth.

Fiscal Influences and Responses

As a result of the weaker than expected national and NSW nominal economic growth, the 2013–14 Budget faced a challenge in terms of slower growth in revenues than previously assumed. These weaker conditions contributed to a further downward revision since the 2012–13 Budget of about \$2.9 billion in major tax revenues, Commonwealth grants and royalty revenue over the four years to 2014-15. The Government's response to the revenue downgrades has been to maintain and enhance existing expense savings measures.

The 2013–14 Budget included transformative policies in the areas of disability and education. The latter required additional funding over the budget and forward estimates to continue the Government's education reforms. Both reforms are consistent with the State's economic strategy to lift productivity and economic growth.

The 2013–14 Budget response to these challenges was framed and underpinned by the principles of the Fiscal Responsibility Act 2012 which was enacted in August 2012. The overall objective of the Act 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 to have superannuation liabilities fully funded by 2030.

The introduction of agency efficiency dividends of \$250 million in 2015–16 and \$500 million in 2016–17 and the deferral of the abolition of certain Intergovernmental Agreement taxes were the key responses to these challenges. Budget surpluses are expected to re-emerge from 2015-16 or one year earlier when abstracting from the recent change in accounting standards relating to employee benefits. The accounting change has the effect of increasing superannuation interest expenses because fund assets are now assumed to earn a rate of return equivalent to long-term Commonwealth bond yields - which have been at recent historical lows - instead of expected investment earnings. If the old accounting standard had applied to the 2013–14 Budget, surpluses would commence from 2014-15 and total around \$3.7 billion over the three years to 2016–17.

The return to significant surpluses is important because it will reduce the debt funding required to deliver the large state funded infrastructure program. That in turn will take pressure off the State's Triple-A credit rating.

The successful completion of the long-term leases of Port Botany and Port Kembla in May 2013 provided the balance sheet flexibility for the \$1.8 billion investment into the initial stages of the WestConnex motorway project, including stage 1 Parramatta to Haberfield, as announced in the 2013–14 Budget. The proceeds from the long-term leases also provide time and space on the State's balance sheet for the savings measures announced in the 2013–14 and prior Budgets to restore Budget surpluses. The sale of the residual retail electricity generator businesses and the lease of the Port of Newcastle will also assist in providing further balance sheet flexibility.

Moody's Investor Service and Standard and Poor's rated New South Wales Triple-A in 2013. Standard and Poor's placed the State on negative outlook citing that New South Wales faces a challenging revenue environment and the commitment to delivering productivity enhancing infrastructure projects may limit budget flexibility and performance. Standard and Poor's subsequent November 2012 report noted that "NSW's financial management has improved over the past 18 months".

Supporting *NSW 2021*

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

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

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

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

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

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

These aims are supported at the strategic level in Treasury's Corporate Plan which is presented on pages 7–9 of this annual report.

The Treasury Cluster *NSW 2021* achievements for 2012–13 are available in the [NSW 2021 Performance Report 2013–14](#),

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Fiscal and Economic Group



*Maryanne Mrakovcic
Associate Secretary
Fiscal and Economic Group*



*Mark Ronsisvalle
Deputy Secretary
Fiscal and Economic Group*

In 2012–13 the Budget and Financial Directorate and the Fiscal and Economic Directorate merged to create the Fiscal and Economic Group. This merger allowed for a single Associate Secretary with overall responsibility for the Fiscal and Economic Group.

The Fiscal and Economic Group provides policy advice to the Treasurer and other government agencies including:

- ≈ economic conditions and microeconomic reform
- ≈ the fiscal outlook, fiscal policy and credit rating issues
- ≈ revenue and expenditure strategies and policies, including program reviews, taxation and intergovernmental financial relations
- ≈ public sector financial framework reforms and accounting policy
- ≈ management of debt, superannuation, self-insurance and other liabilities.

In addition, the Fiscal and Economic Group (FEG) coordinates preparation of the State Budget, Half-Yearly Review and annual Total State Sector Accounts.

Achievements:

- ≈ **Prepared the 2011–12 Report on State Finances, the 2012–13 Half-Yearly Review and the 2013–14 State Budget.**
- ≈ **Prepared the tax reform agenda the Treasurer presented to the Standing Council on Federal Financial Relations in December 2012 and recommended tax changes and policy reforms as part of the 2013–14 Budget.**
- ≈ **Provided submissions to the GST Distribution Review and the Commonwealth Grants Commission which argued for an increased GST relativity for NSW.**
- ≈ **Delivered the Government's fiscal strategy for the 2013–14 Budget using the principles of the Fiscal Responsibility Act.**
- ≈ **Established the Centre for Program Evaluation to work directly with agencies to undertake rigorous evaluation of Government programs.**

- ≈ Identified significant savings and value for money opportunities by managing Treasury's whole-of-government and agency reviews.
- ≈ Coordinated a Treasury-wide response to whole-of-government policy initiatives and undertook reporting updates including the Commission of Audit, Regional Action Plans and the NSW 2021 Performance Report.
- ≈ Development of, and consultation on, a new financial management framework for New South Wales.
- ≈ Increased monitoring and support to agencies to progress resolution of agency audit qualifications from 2011–12 accounts.
- ≈ Introduced a series of measures to improve the accuracy of Budget estimates and financial information.
- ≈ Introduced revised Australian Accounting Standards and advanced negotiations with the Commonwealth on university funding arrangements.
- ≈ Finalised the NSW Government Cash and Banking Services tender.

Financial Management Transformation

The Financial Management Transformation (FMT) is a whole-of-Government program of reforms to raise the quality of financial management and financial reporting across the public sector. Under the stewardship of Treasury, the FMT aims to:

- ≈ Provide increased transparency within and across existing expenditures
- ≈ Improve the robustness of forward estimates for planning purposes
- ≈ Safeguard the Government's service and infrastructure commitments by taking a more strategic whole-of-lifecycle view of programs and assets
- ≈ Establish clearer accountabilities for the management of public money.

The Program is in the early stages of concept and development, and is working towards the submission of a fully scoped and costed business case in the first part of 2014, supported by extensive consultation to develop an agreed policy position, operating model and IT strategy.

Achievements to date included:

- ≈ Development and release of a Discussion Paper outlining options for reforms
- ≈ Improved early close procedures, enhanced roles for Chief Financial Officers and clearer financial accountabilities for agency chief executives
- ≈ Establishment of a Program Governance structure representative of the Sector, and incorporating best practice and advice from private sector experts and other jurisdictions
- ≈ Secured seed funding and resources to support the development of a fully costed business case
- ≈ Managed a pilot sector-wide Output Based Information project to better inform Government decision-making.

Tax Reform

Tax reform remained a focus of the Group's work.

At the Standing Council on Federal Financial Relations in December 2012, New South Wales presented proposals for tax reform on behalf of all State jurisdictions. These tax reform proposals, developed by the Group, included:

- ≈ Income tax sharing with the Commonwealth
- ≈ States retaining income tax equivalent payments when assets are privatised
- ≈ State tax harmonisation and red tape reduction
- ≈ Working with the Commonwealth on Goods and Services Tax enforcement and tightening loopholes.

The Group worked with the Commonwealth and other states to reduce the low value GST importation threshold. The current threshold value of \$1,000 was estimated by the Commonwealth to reduce total GST revenue by almost \$4 billion over the period 2012–13 to 2015–16. The NSW share would be about \$1.2 billion, if all of this revenue was available to the states.

The 2013–14 Budget included an increase in the payroll tax threshold accompanied by the removal of indexation and an extension and increase in the rebate under the Jobs Action Plan. Also, the \$15,000 First Home Owners Grant for eligible purchasers of new dwellings was extended for a further two years to the end of 2015. The Budget also included the retention of three remaining taxes that were to have been abolished under the Intergovernmental Agreement on Federal Financial Relations in order to partly fund commitments under the National Education Reform Agreement. These taxes include stamp duty on business mortgages, non-quoted marketable securities and transfer duty on non-real business transfers (e.g. goodwill, patents and intellectual property). The need to retain these taxes will be reassessed when the low value GST importation threshold is lowered.

In addition, the Group continued to review the funding arrangements for fire and emergency services for New South Wales.

Review of the Goods and Services Tax Distribution

The Group prepared the third NSW Government submission to the GST Distribution Review. It recommended 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.

The Group also prepared a joint submission on behalf of the states of New South Wales, Victoria, Queensland and Western Australia. This submission recommended a population based distribution system, with the Commonwealth taking responsibility for funding the additional financial assistance required for states with lower fiscal capacity so no state is financially worse off, as the preferred long term policy position of the four states. The submission also raised the need for the low value GST importation threshold to be reconsidered.

In October 2012 the GST Distribution Review issued its Final Report and the Group provided advice to the Government on the Review's findings. Most of the findings and recommendations in the GST Distribution Review's final report relate to: improving the governance of the system; improving the transparency and understanding of the system by improving the communication of outcomes; improving the stability of the system; addressing the mining revenue assessment; and the interaction between states' mineral royalties and the Australian Government's resources taxes.

Most importantly, the Review found that in a longer term scenario the simplest way of allocating general revenue assistance would be on an equal per capita basis. This would be effective where federal and state revenue raising capacity were better aligned with service provision responsibilities and there was reduced vertical fiscal imbalance. The Commonwealth would provide equalisation payments to the smaller states to ensure they continue to have the capacity to provide comparable services to those of the larger states.

Commonwealth Grants Commission

The Group produced submissions and provided data to the Commonwealth Grants Commission on new issues to be considered in the 2013 Update of GST Relativities.

The recommendations of the Distribution Review relating to the Commonwealth Grants Commission's assessment methods have been referred to the Commission for consideration in conjunction with its 2015 Review of assessment methods. The Group began preparing a submission to the 2015 Review.

Centre for Program Evaluation

In 2012–13 Treasury established a Centre for Program Evaluation within the Fiscal and Economic Group as a result of a recommendation of the Commission of Audit for a framework to evaluate existing and new, large or significant government programs to ensure that the people of New South Wales are receiving value for money.

In April 2013, the Centre for Program Evaluation commenced pilot evaluations of two Family and Community Services programs – the Community Justice Program and the Early Intervention 9 to 15-year-olds Program. In addition, the Centre will build evaluation capacity across the sector by leading a new Evaluation Community of Practice.

Agency Efficiency Reviews

The NSW 2021 State Plan requires that “all agencies are to be subjected to efficiency and effectiveness reviews on a rolling basis”. In line with this mandate and in collaboration with agencies, the Treasury:

- ≈ Identified immediate priority opportunities to realise efficiencies, supported by an implementation plan and monitoring regime
- ≈ Developed a follow-up program of work that identified specific areas within the agency for further in-depth investigation
- ≈ Built an evidence base to support the ongoing work of the review program, including benchmarks and best practices, using existing data and identifying data gaps to be addressed
- ≈ Coordinated key institutional and governance mechanisms to improve efficiency of Government expenditure.

In 2012–13 the Branch worked with the Resource Allocation Directorate to complete reviews including Emergency Services and Justice Health. The results of the reviews provide an evidence-base and critical assessment of key activities that help inform better decision-making across government.

Whole-of-Government Reviews

Under the NSW Strategic Centre Initiative 2012, “Treasury is to advise on the effective use of the State’s resources to deliver better services, including through capital investment”. In line with this initiative, NSW Treasury undertook reviews of discrete whole-of-government expenditure and policy areas to identify efficiency and service delivery improvements.

These reviews used an evidence-based approach based on standardised data to support reforms and identify opportunities to improve value through initiatives such as removing duplication, exploiting economies of scale, program redesign, outsourcing, governance and future cost avoidance strategies.

In 2012–13, reviews were completed for Climate Change Policy, and Procurement Savings, which was undertaken with the Department of Finance and Services.

Further reviews commenced in 2012–13 include Natural Disaster Expenditure and Governance, and Government User Charges.

Coordination of Whole-of-Treasury Policy Responses

The Group coordinated policy advice across Treasury on a range of projects and initiatives and conducted environmental scanning to understand emerging trends and issues. Some of the coordination tasks undertaken in 2012–13 included the Whole-of-Treasury response to the Commission of Audit, Regional Action Plans and the Treasury cluster input to the Budget-related paper, *NSW 2021: 2013–14 Performance Report*.

The Group represented Treasury on various intergovernmental working groups and sub-committees. These included the Service NSW Working Group led by the Department of Premier and Cabinet; and the following:

- ≈ Procurement Board
- ≈ ICT Board
- ≈ Procurement Leadership Group
- ≈ ICT Leadership Group
- ≈ Category Management Working Group for Business Consultancy Services
- ≈ Category Management Working Group for Energy
- ≈ Electricity Pricing Committee
- ≈ Procurement and Technical Standards Working Group.

Council of Australian Governments

COAG Not-for-Profit Reform Working Group

The Council of Australian Governments (COAG) Not-for-Profit Reform Working Group was considering options to harmonise taxation and regulatory arrangements across jurisdictions in the not-for-profit sector.

In 2012–13 a NSW interdepartmental committee was established to support this work and to assist in developing a NSW position on the reforms. Through the Working Group, FEG provided advice on the Australian Charities and Not-for-profits Commission (ACNC) exposure draft legislation, the Australian Government's financial and governance standards for charities registered with the ACNC and the proposed statutory definition of charity for Australian government purposes.

COAG Reform Agenda and Economic Policy Reform

The Group played a key role in implementing the COAG reform agenda as well as advising on economic policy reform more generally. The COAG reform agenda aims to enhance the wellbeing of the community through better services, social inclusion, environmental sustainability, reduced Indigenous disadvantage and greater workforce productivity and participation. The Group coordinated Treasury's contribution on COAG agenda items and provided advice on draft agreements and matters relating to Treasurers' responsibilities under the Intergovernmental Agreement on Federal Financial Relations.

During 2012–13 the Group provided significant input across a number of areas which were on the COAG reform agenda or were areas of reform specific to NSW:

- ≈ National Disability Insurance Scheme
- ≈ National Injury Insurance Scheme
- ≈ Heavy Vehicle Charging and Investment Reform
- ≈ Expiring National Partnership Agreements
- ≈ Competition and Deregulation Reform Agenda
- ≈ Energy Policy
- ≈ NSW Planning System Reforms and Infrastructure Development
- ≈ Assessment of Regulatory Burden
- ≈ Implementation of Local Infrastructure Renewal Scheme
- ≈ Economic Appraisals and Industry Assistance
- ≈ Support for Future Economic Growth and Productivity.

National Disability Insurance Scheme and National Injury Insurance Scheme

On 7 December 2012, NSW signed a Heads of Agreement for the rollout of the full National Disability Insurance Scheme in NSW by 1 July 2018.

The Productivity Commission also recommended the introduction of a National Injury Insurance Scheme to fund services to Australians who have acquired a catastrophic disability as the result of injury or accident. The Fiscal and Economic Group represented NSW Treasury on the inter-jurisdictional National Injury Insurance Working Group that was evaluating the Productivity Commission's recommendations with an initial focus on arrangements for motor vehicle, work cover and public hospital insurance.

Heavy Vehicle Charging and Investment Reform

FEG took an active role in the Heavy Vehicle Charging and Investment reform by providing representation on the Heavy Vehicle Charging and Investment Board and its ancillary working groups. The Board comprised representatives from Treasury, Transport for NSW and industry. Through 2012–13 these groups focused on further developing packages of charging and supply side reforms in the lead up to the formal Regulatory Impact Statement process due to commence in late 2013.

Expiring National Partnership Agreements

In September 2012 the Treasury, representing all State and Territory Treasuries, advised the Commonwealth Treasurer on the future of National Partnership Agreements expiring in 2013 and 2014. This advice was noted by COAG in December 2012 and forwarded to Australian Government agencies to inform the Australian Government budget process.

Competition and Deregulation Reform Agenda

The Group was actively involved in advising on the implementation of the remaining competition and deregulation reforms under the National Partnership Agreement to Deliver a Seamless National Economy. Key achievements in NSW included the completion of the electronic conveyancing national construction code, directors' liability, and maritime and mine safety reforms.

The Group also provided Treasury representation on the Business Advisory Forum Taskforce to progress the six priority areas for reform aimed at lowering costs for business and improving productivity:

- ≈ national environmental reform
- ≈ reforms to lift regulatory performance
- ≈ reforms to reduce red tape, including initiatives to reduce the reporting burden and other concerns of small business
- ≈ rationalisation of carbon reduction and energy efficiency schemes
- ≈ energy market reform
- ≈ reforms to improve development assessment processes for low impact development and to streamline approvals for major projects.

Energy Policy

FEG led responsibility for non-ownership related energy policy, economic and regulatory issues and took a coordination role on COAG related energy reform processes and policies.

During the year, the Group coordinated or provided critical policy advice on:

- ≈ retail electricity prices
- ≈ energy reliability standards, including development of a NSW Government response to the NSW work stream of the Australian Energy Market Commission's review of distribution reliability outcomes and standards

- ≈ the National Energy Customer Framework which commenced in NSW on 1 July 2013
- ≈ energy retail competition
- ≈ time-of-use pricing and other demand management measures
- ≈ rebates for vulnerable customers.

The Group's work in reforming the regulation of the National Electricity Market supported NSW involvement in the Select Council on Energy and Resources and Treasury's representation on the Business Advisory Forum Taskforce. The Taskforce reforms will improve the effectiveness of National Electricity Market rules and operation and strengthen protection for customers.

NSW Planning System Reforms and Infrastructure Development

The Group together with the Resource Allocation Directorate directly supported the Department of Planning and Infrastructure through the short-term secondment of two officers. Both officers worked on stakeholder consultations and drafting of the White Paper – *A New Planning System for NSW*, with particular focus on infrastructure levies.

The Group assisted the Government's strategic infrastructure and planning activities by advising agencies on the development of the NSW State Infrastructure Strategy, the Metropolitan Strategy for Sydney, the NSW Long Term Transport Master Plan and Strategic Regional Land Use Plans.

Assessment of Regulatory Burden

The Group worked with the Department of Premier and Cabinet's Better Regulation Office on initiatives to improve understanding of the cumulative regulatory burden on individual businesses and sectors. This work followed ongoing stakeholder feedback and initiatives including: compiling evidence on the source, impact and magnitude of the regulatory burden, and developing a composite indicator and database on licence-based regulatory burden. These initiatives will shape the Government's economic reform agenda and offer tangible benefits to business.

Implementation of Local Infrastructure Renewal Scheme

The 2011–12 and 2012–13 Budgets allocated \$100 million to 2016-17 for the Government's Local Infrastructure Renewal Scheme which helps address local government infrastructure backlogs and support new housing development. The Group developed the scheme guidelines and continued implementation in 2012–13 in cooperation with the Division of Local Government and NSW Treasury Corporation.

Round One of the scheme successfully concluded in July 2012 and supported 84 projects put forward by 64 councils with an investment value of \$439 million. These projects included buildings and road renewals, overbridge replacements and major airport works. Applications were being considered for Round Two, covering infrastructure projects valued at \$352 million.

Economic Appraisals and Industry Assistance

FEG's advice and collaboration with other agencies continued to promote policy addressing market failures in a cost-effective manner.

In accordance with NSW Economic Appraisal Guidelines (TPP 07-5), the Group provided advice to other Treasury areas, other agencies and external consultants on a broad range of major Government initiatives. Advice covered the areas of transport, water and other essential infrastructure, property development, natural resources, recreational facilities, human services, and renewable energy resources.

In line with the *Government Advertisements Act 2011*, the Group advised on the economic appraisals of Government advertising worth more than \$1 million for various NSW government agencies.

In 2012–13 the Group piloted a framework to assess major events in cooperation with Destination NSW. This economic appraisal framework to assess the costs and benefits of investment attraction proposals was endorsed by the Government in 2011–12.

The Group spearheaded a whole-of-government review of NSW programs with carbon mitigation objectives, to ensure that these programs were complementary to the Commonwealth carbon pricing mechanism. The review, which was agreed to by the Select Council of Climate Change under COAG, also evaluated the programs for cost-effectiveness and duplication. As a result of the review, the NSW Premier announced, in late 2012, the cessation of three programs and the reform of a further three programs, to improve efficiency and reduce pressure on NSW power prices.

The Group contributed significantly to the development of the Government's Renewable Energy Action Plan and the NSW Energy Efficiency Action Plan. The Group also played a key role in negotiating funding conditions for the NSW Government's \$64.9 million contribution to two NSW-based solar generation projects under the Commonwealth's Solar Flagships Program.

Support for Future Economic Growth and Productivity

During the year, the Group supported a number of growth-enhancing Government initiatives. These included:

- ≈ NSW planning system reforms and infrastructure provision
- ≈ the Government's Smart and Skilled reforms
- ≈ development of the NSW Government proposal to COAG on Better Value Infrastructure
- ≈ the Public Service Commission's initiative to measure and document drivers of public sector productivity
- ≈ development of a NSW Economic Development Framework in response to Task Force Reports on various Industry Action Plans.

The 2012–13 NSW Budget Papers also included a new chapter outlining how a range of microeconomic reforms initiated by the Government in the last two years are contributing to the State's economic growth potential.

Financial Reporting and Systems

The NSW State Budgets

The State Budget each year allocates funds to the Government's priorities. The Group contributes significantly through coordination and reporting on the State Budget.

Maintaining the State's Triple-A credit rating requires tight expenditure control and Treasury advised the Government on initiatives to restrain the growth in expenses. These included strengthening the accountability of Chief Executive Officers for Budget compliance and increasing flexibility to reallocate spending within clusters to meet emerging needs.

Reporting on State Finances

During 2012–13 Treasury issued monthly general government sector financial statements along with the *2011–12 Report on State Finances* and the *2012–13 Half-Yearly Review*. Accurate, informative and timely reports on State finances help to ensure accountability in the use of public funds.

In 2012–13 Treasury focused on improving management of emerging issues and early identification of risks. This resulted in stronger budget controls, supported by increased engagement with Cluster Chief Financial Officers and enhancements to Cluster Reporting to the Expenditure Review Committee.

Assessing Funding Submissions

Expenditure control requires a robust framework for assessing agency requests for additional spending authorities. As part of the 2013–14 Budget, Treasury adopted a more rigorous framework for separating new policies from parameter and other budget variations. This work resulted in agency changes in funding being linked more closely to need.

Total Asset Management

During 2012–13 FEG continued to work with key stakeholders to improve asset management and planning in the NSW public sector. In particular, the Group worked with Infrastructure NSW and the Department of Premier and Cabinet on integrating the infrastructure strategy into the 2013–14 Budget through inclusion of the *Five Year Infrastructure Plan*.

Improvements to Financial Reporting

To address qualifications in the 2011–12 Total State Sector Accounts, the Group took a lead role in working with agencies to ensure they were implementing strategies to resolve qualifications and other quality issues. In particular, Treasury was engaged in monitoring and supporting agencies' resolution of the three qualifications in the Total State Sector Accounts in 2011–12.

Government Finance Statistics

NSW Treasury continued providing input to the Australian Bureau of Statistics project to review and reissue the Australian Government Finance Statistics (GFS) manual. Treasury's feedback focused primarily on ways to remove or reduce differences between GFS and Generally Accepted Accounting Principles. The Australian Bureau of Statistics plans to reissue the Australian GFS Manual and is progressing with stakeholder engagement.

Financial Management and Accounting Policy

Audit and Risk Committees

NSW Treasury's mandatory Internal Audit and Risk Management Policy requires agencies to establish Audit and Risk Committees (ARC) to provide independent oversight over governance arrangements in agencies.

The Prequalification Scheme for Audit and Risk Committees establishes a list of pre-qualified independent chairs and members who can serve on the ARCs of NSW Government Departments and statutory bodies. NSW Treasury has policy responsibility and the Department of Finance and Services administers the scheme.

New conditions and guidelines for the Prequalification Scheme were issued in February 2013. These included a revised schedule of remuneration rates for chairs and members. It also clarified that NSW Government statutory and non-executive appointees are not eligible to be appointed on an Audit and Risk Committee. Non-executive directors on Boards of statutory bodies can continue to serve on committees. A code of conduct for Audit and Risk Committee chairs and members was introduced during the year.

Internal Audit and Risk Management Policy

In August 2012, Treasury issued Guidance on Shared Arrangements and Subcommittees for Audit and Risk Committees (TPP 12-04) to support the implementation of Treasury's Internal Audit and Risk Management Policy for the NSW Public Sector (TPP 09-05). This guidance outlined the prerequisites for agencies considering shared arrangements and provided a framework for such arrangements. TPP 12-04 also provided guidance on the establishment of subcommittees of Audit and Risk Committees to oversight functions, divisions, and business areas within a large department or statutory body.

Also in August 2012 Treasury issued the Risk Management Tool Kit for NSW Public Sector Agencies (TPP 12-03) to support agencies in developing and implementing a risk management framework consistent with the current international risk management standard, ISO 31000.

Gateway Review System

The Gateway Review System is the Government's assurance program for assessing capital projects. Reviews produce independent advice on projects, identify weaknesses to be addressed and test procurement activity.

During 2012–13, Treasury facilitated 45 Gateway Reviews with project values totalling \$3 billion. Construction and ICT projects were approximately 62 per cent of the total reviews undertaken.

During 2012–13 it was agreed that Infrastructure NSW (INSW) would be responsible for the Gateway review of capital projects over \$100 million, while Treasury would continue to be responsible for projects valued between \$10 million and \$100 million.

INSW and Treasury jointly commenced development of enhancements to the Gateway process, including the introduction of a Project Initiation Gate (Gate 0) and Project Health Checks that can be applied at appropriate stages throughout the project life cycle.

Accounting, Financial and Reporting Standards

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

During 2012–13, the Group 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 13-01).

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 Group reviewed and progressed recommendations from the NSW Financial Audit and Public Accounts Committee reports regarding reforms to the Public Accounts Committee and Auditor-General arrangements.

Mandatory Early Close Procedures

Mandatory early close procedures require agencies to adopt strategies to achieve earlier completion of their annual financial statements and annual reports. In 2012–13 this was extended to more agencies following the success of a pilot in 2011–12.

As part of the early close procedures, agencies are required to:

- ≈ undertake rigorous early close procedures
- ≈ submit a Return on Emerging Accounting Issues to Treasury in mid-February and mid-April
- ≈ complete early close procedures for April, with results to be provided to the Audit Office by the end of May
- ≈ provide an early close checklist to Treasury by 28 May
- ≈ agree with their audit teams on the timing and format of feedback from the Audit Office.

Based on 2012 experiences agencies are required to focus on the following areas for early close procedures:

- ≈ early completion of any revaluations of property, plant and equipment
- ≈ review and, where possible, resolution of all past audit issues and audit qualifications

- ≈ reconciliation and valuation of employee leave and other key provisions
- ≈ resolution of outstanding items of bank and other key (debtor/creditor) reconciliations on a monthly basis
- ≈ documentation of significant management judgements and assumptions impacting financial statements including changes to Accounting Policies.

Financial Information Assurance Framework

The Group contributed to several complementary processes to provide greater assurance as to the quality of financial information and reporting. These included

Chief Executive Officers Certification of Budget Estimates -The Government introduced a requirement for Directors-General and Chief Executive Officers (CEO) to certify that their estimates for the Budget year and the forward estimates are best estimates based on currently available information. The CEO attestations accompany budget returns.

Senior Executive Performance Agreements - Changes were made to the 2012–13 performance agreements between each Director-General and the Premier to include mandatory requirements in relation to Budget compliance e.g. net cost of services, capital expenditure and Labour Expense Cap, and accuracy of financial reporting.

Chief Financial Officer Certification of the Accuracy of Financial Information - an Annual Certification Process was introduced to require the Chief Financial Officer (CFO) of each agency to formally express an opinion to their Director-General or Chief Executive Officer, with a copy to Treasury, on the effectiveness of internal controls over financial information. Treasury is currently reviewing the CFO Attestation Process to develop minimum standards required to provide a positive attestation.

Auditor-General Reviews - The Auditor-General was engaged to provide additional assurance by reviewing the reasonableness of the estimates and forecasts in the *Half-Yearly Review* and the *2013–14 Budget Papers*.

Superannuation and Liability Management

A revised AASB 119 accounting standard was put in place for the 2013–14 Budget. Effective from the 2013–14 financial year, the revised standard requires a long-term bond yield to be used for the calculation of asset earnings as well as the valuation of liabilities. The impact of the revised standard on asset earnings and therefore future Budget results is substantial, with the 2013–14 Budget result estimated to worsen by \$1.56 billion. The revised standard, however, has no impact on net debt, the value of liabilities or the level of cash funding required to fully fund superannuation liabilities by 2030.

Funding arrangements for members of State Super employed by universities has been a long standing issue with the Commonwealth. Negotiations to reach a permanent agreement on funding arrangements recommenced with the Commonwealth Government in 2012 and reached an advanced stage during 2012–13.

The *Fiscal Responsibility Act 2012* has a target of fully funding superannuation liabilities by 2030. The Triennial Actuarial Review of State Super, completed in 2012, advised that liabilities were on track to be fully funded by 2030 under funding arrangements in place as at 30 June 2012. The high rates of return by State Super during 2012–13 has since led to a reduction in funding required to meet the 2030 full funding target.

Banking Tender

The NSW Government Cash and Banking Services tender was finalised during 2012–13. The tender consisted of three modules:

- ≈ Module 1 - Transactional Bank Service
- ≈ Module 2 - NSW Government Card Services
- ≈ Module 3 - Customer Payment Services.

Modules 1 and 2 were awarded to Westpac and Module 3 was awarded to Australia Post. A tender Evaluation Committee managed the tender review and selection process which was overseen by a Steering Committee. Both Committees were chaired by Treasury and represented clusters across Government, supported by external advisors. The work of the Committee members and advisors was invaluable and resulted in a successful outcome and considerable benefits for the State.

Home Warranty Insurance Fund

Following the withdrawal of major insurance providers from the market, the NSW Self Insurance Corporation (SICorp) assumed responsibility for underwriting home warranty insurance in July 2010. The Home Warranty Insurance Fund (HWIF) program is outsourced to service providers and audited for compliance and service standards by the HWIF Management team. The Home Warranty Insurance Fund team regularly reviewed service level standards resulting in very few complaints.

SICorp has established risk management practices and portfolio reporting and is reviewing the cost ratio, administrative inefficiency and premiums of providers.

NSW Self Insurance Corporation

NSW Self Insurance Corporation (SICorp) was transferred from Treasury to the Department of Finance and Services on 1 July 2013. SICorp was part of Treasury since its inception in 2005, although the management of insurance activities by Treasury significantly predates this time. There will continue to be close cooperation between Treasury and SICorp in managing the State's insurance liabilities.

Resource Allocation Directorate



*Kevin Cosgriff
Associate Secretary
Resource Allocation*



*Matt Roberts
Deputy Secretary
Resource Allocation*

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Treasury's Resource Allocation Directorate contributes to a strong and sustainable financial and economic environment in NSW by supporting the Government's fiscal strategy. This directorate is the key interface between Treasury and public sector agencies on financial and policy matters.

The former Human and Social Services Directorate and the Economic, Environment and Services Directorate were combined to form a single Resource Allocation Directorate. On 1 January 2013 Dr Caralee McLiesh was appointed to the role of Associate Secretary, Resource Allocation. Kevin Cosgriff is currently in the role while Dr McLiesh is on maternity leave.

The Directorate oversees the recurrent and capital expenditure of the general government sector and 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 working collaboratively to manage major cost drivers and risks to service provision
- ≈ Prioritising the State's recurrent and capital investments to achieve and complement sustainable economic and fiscal settings
- ≈ Proactively monitoring a complex and extensive portfolio of savings across government agencies through the Fiscal Effectiveness Office.

Achievements:

- ≈ **Key contributor to State negotiations with the Commonwealth with developed financial modelling insights supporting the modelling of the National Education Reform Agreement.**
- ≈ **Led financial modelling to support the NSW Government's agreement to launch the National Disability Insurance Scheme.**
- ≈ **Developed, negotiated and signed contracts for Australia's first Social Benefit Bond Schemes with UnitingCare Burnside and with The Benevolent Society.**
- ≈ **Advised on reform of the NSW Vocational Education and Training system, including development of a Vocational Education and Training Budget and Funding Model**
- ≈ **Undertook analysis and worked with the Fiscal and Economic Group on Treasury's whole-of-government and agency reviews, and worked with agencies to improve performance and financial sustainability.**
- ≈ **Supported development of the White Paper proposals for a new planning system for NSW including reform of infrastructure levies.**
- ≈ **Developed a robust, transparent and accountable methodology for assessing mining and coal seam gas proposals, using a cost-benefit framework to underpin Strategic Regional Land use Plans.**
- ≈ **Contributed an economic focus to the draft Metropolitan Strategy and ensured its integration with the Long Term Transport Master Plan and State Infrastructure Strategy.**
- ≈ **Supported development of the business case and financial appraisal for the North West Rail Link and commenced work on the economic and financial analysis for the business case for the WestConnex motorway.**
- ≈ **Administered the Building the State Package, with the Department of Planning and Infrastructure, to stimulate housing construction and boost housing supply.**
- ≈ **Monitored the delivery of the whole-of-government savings portfolio, including the finalisation of 286 savings plans over the year with quarterly progress reports to the Expenditure Review Committee of Cabinet.**
- ≈ **Reviewed and evaluated more than 120 pay and condition proposals in conjunction with NSW Industrial Relations contributing to moderation in the annual growth in pay rates.**

The Directorate contributes to New South Wales' fiscal strategy by providing advice on the efficient and effective use of the State's resources in areas including health, family and community services, education and training, justice, police, emergency services, transport, planning, trade and investment, environment and government services.

Transport and Infrastructure Strategies

The Directorate contributed to service reforms as part of its review of the Long Term Transport Master Plan. In conjunction with Transport for NSW, the Directorate also reviewed the Draft NSW Freight and Ports Strategy.

Treasury contributed to the Government's response to the recommendations of Infrastructure NSW and the 20-year State Infrastructure Strategy by providing economic and fiscal advice, as well as detailed information on Budget processes to assess the State's capital expenditure.

Five Year Infrastructure Plan

In 2012–13, the Government adopted its inaugural Five Year Infrastructure Plan, in keeping with the requirements of the *Infrastructure NSW Act 2011*. The Five Year Infrastructure Plan was informed by the 20 year State Infrastructure Strategy.

Initial recommendations for the Plan were made by Infrastructure NSW. Treasury worked with Infrastructure NSW, the Department of Premier and Cabinet, and line agencies to develop the Plan. The Plan was published as part of the 2013–14 Budget Papers (Chapter 3, Budget Paper 4).

North West Rail Link Business Case Analysis

In 2012–13 the Directorate continued to assist in the analysis of the \$8.3 billion North West Rail Link project 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 the project. The Directorate worked with the project team to achieve the best value for money, develop the strongest possible business case and maximise the Government's prospects for securing funding from the Federal Government.

WestConnex Development

The Directorate commenced work on the economic and financial analysis for the Business Case for the WestConnex motorway. The Directorate will continue to support analysis for this important project with \$1.8 billion budgeted across the forward estimates.

Planning Reform

In 2012–13 the Directorate engaged with the Department of Planning and Infrastructure to help deliver the White Paper - A New Planning System for NSW. The Directorate worked extensively on reform of developer contributions for the provision of infrastructure.

The Directorate provided resources through the short-term secondment of an officer to work with the White Paper planning system review team, contributing to development of an evidence-based framework supported by economic and environmental analysis. Another officer was seconded from the Fiscal and Economic Group.

Strategic Regional Land Use and the Metropolitan Strategy

The draft Metropolitan Strategy sits alongside the State Infrastructure Strategy and the NSW Long Term Master Plan as keystones to the NSW Government positions dealing with infrastructure, transport and land use strategy. The aim of the Metropolitan Strategy is to integrate the way Sydney uses land with transport and the timely provision of infrastructure.

In 2012–13 the Directorate provided critical support to the development of the Metropolitan Strategy and will continue to pursue logical and efficient land use planning outcomes that foster the economic wellbeing of Sydney. The Metropolitan Strategy is set to become the first Regional Growth Plan under the proposed new Planning Act.

In addition, the Directorate contributed to a cost benefit assessment framework for the Strategic Regional Land Use Plans and encouraged transparency and rigorous evaluation for balancing conflicting land uses. This work has helped to inform the regulatory process surrounding policies on mining and coal seam gas.

Building the State Package - Housing Acceleration Fund

The Building the State Package in 2012 -13 aimed to boost housing supply with policies including \$181 million of infrastructure funding through the Housing Acceleration Fund, and further \$300 million to be available from the proceeds of property asset sales.

The Directorate worked with the Department of Planning and Infrastructure to extend the Building the State Package in 2013–14. This resulted in the \$300 million allocation from the

Housing Acceleration Fund for priority infrastructure projects (\$141.5 million), Old Wallgrove Road construction (\$70 million) and the Local Infrastructure Growth Scheme (\$99 million) to maintain the momentum in housing growth and to facilitate employment in key areas.

New Budgeting and Financial Reporting Arrangements for Independent Agencies

In consultation with the Department of Premier and Cabinet and Department of Attorney General and Justice, the Directorate revised arrangements that clarified the budgeting and financial reporting arrangements for independent agencies in a cluster-based environment. The revised arrangements recognise the independence of these agencies while ensuring that financial oversight can be undertaken on a cluster-wide basis.

Waste Levy Review

During 2012–13 the Directorate steered the Government's response to the Waste Levy Review to deliver economically sustainable programs to improve the management of litter and waste, and to support landscape management and other programs. This economic instrument will deliver environmental benefits over time and enhance the service framework.

Environment and Water Management and Reform

The Directorate provided advice on a range of key environment and water management issues and reforms. It oversaw and supported the financial arrangements for the separation of the Environment Protection Authority from the Office of Environment & Heritage. The Environment Protection Authority became an independent authority on 1 July 2012.

The Directorate participated in the development of the Lower Hunter Water Plan to identify a mix of water supply and demand measures to ensure water security in droughts.

The Directorate participated on an interdepartmental steering committee led by the Department of Trade and Investment, overseeing a review of the State's dam safety arrangements. In addition, the Directorate contributed to the Government's Hawkesbury-Nepean Valley Flood Management Review.

Social Benefit Bonds

The Directorate led the development and signing of contracts for Australia's first Social Benefit Bonds (SBB) in consultation with the Department of Family and Community Services.

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

The contract with UnitingCare Burnside established the Newpin SBB which will sustain and expand the New Parent and Infant Network Program which focuses on restoring children to families and preventing children from entering out-of-home care. The contract for Australia's second SBB was developed collaboratively with a consortium of The Benevolent Society, Westpac Institutional Bank and the Commonwealth Bank of Australia. The Benevolent Society SBB will fund the Resilient Families service which will work with vulnerable families and their children to keep them safely together.

The Directorate is continuing the development of a further Social Benefit Bond with Corrective Services NSW and Mission Australia aimed at reducing criminal reoffending.

National Disability Insurance Scheme

The Directorate provided key financial modelling and analysis to support the NSW Government's agreement with the Commonwealth to launch the National Disability Insurance Scheme (NDIS) in July 2013 and to implement the full scheme by 2018-19. This included

providing financial modelling of the cost impacts and funding arrangements for both the launch and full scheme, and advice on design and implementation.

New South Wales was the first state to reach agreement with the Commonwealth for both the launch and full implementation of this significant reform. The scheme will provide people with disability choice and control over the support they receive.

National Education Reform Agreement

The Directorate contributed to the signing of this Agreement through analysis, support and participation in a COAG Senior Officers Working Group. NSW Treasury played a significant role in developing the School Funding Model that underpins the National Education Reform Agreement and the associated National Plan for School Improvement.

Jointly with the NSW Departments of Premier and Cabinet and Education and Communities, the Directorate undertook detailed negotiations with the Commonwealth regarding proposed funding arrangements including indexation approaches. On 22 April 2013 the final agreement was reached between NSW and the Commonwealth. This agreement will see a significant change in school funding arrangements with a needs-based model of school funding gradually being implemented across all schools from January 2014.

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

In 2012–13 the Directorate contributed to the development of Smart and Skilled reform of the NSW vocational education and training system to meet the State's needs for high-level skills and to contribute to increased productivity and workforce participation. The Directorate sponsored and supported the development of a Vocational Education and Training Budget and Funding Model to ensure effective budget management of the reforms.

Agency Reviews to improve performance and financial sustainability

The Directorate worked with the Fiscal and Economic Group on whole-of-government and agency reviews. In addition it partnered with agencies to undertake expenditure reviews for reform in service delivery, efficiency and effectiveness. The following reviews were undertaken:

- ≈ *NSW Health* review examined opportunities to reform a number of NSW Health's operations to support improved service delivery and quality of care, while ensuring the long-term financial sustainability of the system. This review was finalised early in 2012–13.
- ≈ *Office of the Director of Public Prosecutions* review assessed the cost of service for the Office of the Director of Public Prosecutions. A cost driver model was built to analyse budget requirements of the Office and to identify opportunities for potential efficiency gains in operating practices.
- ≈ *Justice and Forensic Mental Health Network* review examined efficiency and effectiveness opportunities in the provision of health services in both the adult and juvenile correctional systems. It focused on service transparency, benchmark comparisons of alternative models and operational interface issues between the Justice and Health clusters. The Review was undertaken in consultation with the Justice and Forensic Mental Health Network, Department of Attorney General and Justice, Corrective Services NSW and the Ministry of Health.
- ≈ *Emergency Services* review examined service delivery efficiency, effectiveness and collaborative opportunities within the three emergency services agencies – Fire and Rescue NSW, NSW Rural Fire Service and the State Emergency Service. This review was undertaken jointly with the Ministry for Police and Emergency Services and was finalised in the first quarter of 2012–13.

Fiscal Effectiveness Office

The Fiscal Effectiveness Office monitored the delivery of the whole-of-government savings portfolio, including the finalisation of 286 savings plans over the year, with quarterly progress reports presented to the Expenditure Review Committee of Cabinet.

The Office has continued to implement a rigorous program management methodology which all agencies rolled-out this year, increasing consistency and transparency in managing the savings portfolio. The Office also provided advice on wages policy across government and contributed to monitoring employee related cost savings to contain wages growth.

In addition, the Fiscal Effectiveness Office facilitated a Community of Practice of Project Management Offices across the sector. This has assisted agency Clusters to manage their savings portfolios and has promoted knowledge sharing and collaboration across the sector.

Reform of the Victims Compensation Scheme

In collaboration with the Department of Attorney General and Justice and PricewaterhouseCoopers, the Directorate examined opportunities and developed advice to reform the Victims Compensation Scheme. The new Scheme employs a more financially sustainable model and will provide more timely and practical support services for victims of crime.

Wages Policy

During 2012–13 the Fiscal Effectiveness Office worked with the Public Service Commission and NSW IR to implement the revised policies on wages and excess employees. The Office provided advice on more than 120 pay and condition proposals to ensure that the costs of annual wage outcomes are limited to 2.5 per cent in total.

RAD Centre for Excellence

The RAD Centre for Excellence (CfE) was established in August 2012 with the objective of facilitating increased levels of consistency and improved standards across the Directorate. This is being achieved through a focus on better training and development and improved tools for the Directorate. Reforms include enhanced knowledge management and sharing of good practice and better communication across the Directorate and with other areas of Treasury.

Since its establishment, the CfE has supported a number of initiatives, including:

- ≈ the introduction of risk based monthly monitoring
- ≈ the establishment of a Directorate Reference Group which provides a key consultative framework for the Directorate and other parts of Treasury
- ≈ improvements to the Cluster Expenditure Review Committee Quarterly Reporting framework
- ≈ new templates and checklists that underpin the quality assurance process in the Budget
- ≈ developing improvements to the budget process for 2014-15 based on a review of past processes and outcomes.

During the 2013–14 Budget development process, the CfE also provided a valuable coordination and interface function between the different areas of Treasury responsible for the Budget.

Commercial Policy and Financing Directorate



*Tim Spencer
Deputy Secretary
Commercial Policy and Financing*

Achievements:

- ≈ **Successfully leased the ports at Port Botany and Port Kembla to the private sector with net proceeds of around \$4 billion.**
- ≈ **Led negotiations for the sale of generation assets and removal of State risk under the previous Gentrader agreements.**
- ≈ **Developed the financing structure for the Sydney International Convention, Exhibition and Entertainment precinct and assisted Infrastructure NSW to close the project.**
- ≈ **Developed a financing strategy for WestConnex to raise non-recourse private capital.**
- ≈ **Implemented an active shareholder model to enhance engagement and performance reporting of State Owned Corporations.**
- ≈ **Negotiated Statements of Corporate Intent that underpin the performance of each of the State's 15 State Owned Corporations.**
- ≈ **Managed the appointment process for Board Directors of State Owned Corporations resulting in 76 per cent of vacancies being filled by new appointments.**

The Commercial Policy and Financing Directorate has four areas of responsibility:

- ≈ infrastructure financing
- ≈ managing the Government's shareholding in its commercial businesses
- ≈ asset transactions
- ≈ strategic analysis of the State's balance sheet.

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

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

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

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

Infrastructure Financing

Public Private Partnerships

The Directorate continued developing alternative financing models for public private partnerships for social and economic infrastructure projects to ensure value for money for the State through effective but balanced risk transfer arrangements.

Sydney International Convention, Exhibition and Entertainment Precinct

In March 2013, the Directorate assisted Infrastructure NSW in successfully reaching contractual close with the Darling Harbour Live consortium³ for the Sydney International Convention, Exhibition and Entertainment Precinct private public partnership (PPP) project. Financial Close on the project is scheduled to be reached by the end of 2013.

The project is also the first Social Infrastructure PPP project to adopt The Conditional Debt Pay Down - a new innovative financing structure, developed by the Infrastructure Financing Unit. This structure takes advantage of the Government's Triple-A credit rating by making a substantial capital contribution to repay senior debt once the project has a proven operational history. The Conditional Debt Pay Down improves long-term value for money for the State and reduces the impacts of refinancing risks, whilst maintaining key elements of risk transfer to the private sector.

WestConnex

The Directorate worked with Sydney Motorways Project Office (SMPO) in developing the scope and business case for the WestConnex project and led the development of alternative financing models and a reference financing strategy that will be used to finance the project and possibly future motorway developments.

F3-M2 Link

The Directorate worked closely with the F3/M2 cross-agency committee on successfully reaching Stage 3 (Negotiation of Final Binding Offer) of the unsolicited proposals assessment process in May 2013.

North West Rail Link

The Directorate worked with Transport for NSW on the release of expressions of interest and request for proposals for the Operations, Trains and System PPP contract, Tunnel & Station Civils contract and Surface Viaduct Civils contract. The project is also expected to adopt the Conditional Debt Pay Down financing structure developed by the Infrastructure Financing Unit.

Northern Beaches Hospital

The Directorate worked with Health Infrastructure and the Northern Sydney Local Health District on the development of the innovative delivery strategy for the Northern Beaches Hospital and release of the expression of interest in May 2013. The private sector will design, construct, operate and maintain the 423 bed hospital in the Northern Beaches, which will provide both public and private services.

CBD South East Light Rail Project

The Directorate worked with Transport for NSW on the development and delivery strategy of the CBD South East Light Rail. The Directorate is providing expert advice on the commercial and financial aspects of the project, including development of a financing strategy to deliver value for money to the State. The CBD South East Light Rail Project will result in a new light rail system operating from Circular Quay along George Street to Central then to Randwick/Kingsford and will include the operation and maintenance of the existing Inner West Light Rail, to create an integrated light rail network for Sydney.

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

Business Policy Performance

More active shareholder in Government businesses

In 2012–13, the Directorate implemented strategies to continue improving the performance of public trading enterprises, of which State Owned Corporations (SOCs) are a significant portion. These strategies are contributing to a key NSW 2021 State Plan target of improving the performance of the commercial public trading enterprise sector (goal 2, target 5), with improvements expected over the longer term. The strategies include: reviewing SOC governance; updating the commercial policy framework; and strengthening the merit based director appointment process to our SOCs.

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

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

Commercial Policy Framework

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

State Owned Corporations

The Directorate negotiated Statements of Corporate Intent (SCI) outlining State Owned Corporations (SOC) business strategies and forecast financials for 2012–13, on behalf of Shareholder Ministers. As a result, in 2012–13 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*.

Performance of Government businesses

During the year the Directorate was restructured to implement a more active shareholder monitoring model. This involved recruiting analysts from the private sector as lead sectoral analysts and revising Treasury's performance reporting to reflect a more equity analyst approach. This approach of critically analysing the businesses supports the Directorate's other initiatives to improve the commercial effectiveness of the sector.

The Directorate's active oversight of business performance and capital programs has focused on the delivery of value for money by comparing SOC performance with industry peers. This has helped to slow consumer price increases, particularly in the energy sector, with the resulting lower debt funding requirements reducing the pressure on the State's credit rating.

Improving Board Governance

The Directorate continued to support the Government in the State Owned Corporations (SOC) Board selection processes. The merit based selection process for the appointment of Board Directors was implemented in 2011–12. In 2012–13 the process resulted in 76 per cent of new directors being

appointed to SOC and TCorp Boards. Women comprised 38 per cent of appointments to Boards. At 30 June 2013, females represented 25 per cent of directors on the Boards of SOCs and TCorp.

Corporatisation of Forests NSW

On 1 January 2013, Forests NSW was corporatised under the *State Owned Corporations Act 1989*. This followed from the recommendations of a 2011 Strategic Performance Review of Forests NSW conducted by NSW Treasury and Forests NSW. Corporatisation has provided the business with greater independence from departmental structures and an experienced and accountable Board to drive productivity improvements, identify cost savings and revenue improvements, and position the business for sustainable future performance.

The corporatisation process included significant reform of employment arrangements, captured in a single enterprise agreement covering all employees. This innovative arrangement included the introduction of individual contracts, increased weekly working hours and the removal of restrictive contracting provisions.

Asset Transactions

The Asset Transaction Unit was introduced as a permanent unit to build specialist skills and capability within Treasury to manage the Government's transaction program and release balance sheet capacity to invest in other core Government activities.

Long term lease of Port Botany and Port Kembla

In April 2012 after a six month competitive bidding process, the unit successfully finalised the long-term leases of Port Botany and Port Kembla. The transaction delivered gross proceeds of \$5.07 billion and resulted in net proceeds of around \$4 billion to be invested in the NSW Government's infrastructure fund, Restart NSW. The price was 25 times annual earnings from the ports and easily exceeded their retention value.

The lease was awarded to the NSW Ports Consortium, which is 80 per cent owned by Australian firms. The Consortium comprise three Australian firms, Industry Funds Management, Australian Super, QSuper and Tawreed Investments Limited, a wholly owned subsidiary of the Abu Dhabi Investment Authority. The NSW Government subsequently announced, as part of the 2013-14 Budget, the intention to lease the Port of Newcastle. The Unit is undertaking a scoping study prior to proceeding with a transaction.

Sale of generation assets

In November 2012 the Government confirmed it would proceed with the sale of the State's electricity generators in accordance with the recommendations of the Special Commission of Inquiry into the former Government's Electricity Transactions.

The unit managed the sale of Eraring Energy to Origin Energy and the removal of the State's obligation to develop the Cobbora coal mine. The termination of the Cobbora coal supply contracts will produce enormous financial benefits to the State as the contracts were not linked to market prices, and the development of the mine was not covered by the contracts. The unit also progressed the sale of the Mount Piper and Wallerawang power stations to Energy Australia.

Strategic Balance Sheet Management

The Strategic Balance Sheet Unit was formed in June 2013 as a response to recommendations in both the NSW Commission of Audit (Schott Report) and the NSW Financial Audit (Lambert Review) for a specialised unit within Government to more effectively manage assets and liabilities on the State's balance sheet. During the year the unit completed investigation into the potential monetisation of future lottery revenue duties, which will be considered by the Government following the Port of Newcastle transaction. The unit also worked with relevant agencies on the extension of NSW Retail Wagering Licence Exclusivity and the Divestment Steering Committee for the assets identified by the Property Asset Utilisation Task Force.

NSW Industrial Relations Directorate



Vicki Telfer
Executive Director
Industrial Relations

Achievements:

- ≈ Developed and implemented new *Implementation Guidelines to the NSW Code of Practice for Procurement: Building and Construction*.
- ≈ Established the Construction Compliance Unit to conduct dedicated education and compliance activities in the industry.
- ≈ Worked in partnership under a contract with the Fair Work Ombudsman to undertake complaint investigation, workplace audits and field inspections.
- ≈ Supported the passage through Parliament of amendments to the *Industrial Relations Act 1996* expanding choice of union for two categories of workers, and supported the Minister's intervention in the application by one of those unions for registration.
- ≈ Conducted comprehensive consultation with industry stakeholders, employer organisations and unions as part of a review of the portable long service leave scheme in the contract cleaning industry to assess the viability of extending the scheme to all employees in New South Wales.
- ≈ Provided strategic advice to the Government in response to a Public Service Association challenge in the High Court regarding Public Sector Wages Policy which was ultimately upheld on 12 December 2012.

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

NSW Industrial Relations⁴:

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

During the 2012–13 reporting period NSW IR:

- ≈ answered more than 16,000 telephone enquiries
- ≈ delivered 29 educational visits for employers and a wide range of employees
- ≈ conducted 39 webinars with 1,400 participants
- ≈ published 11 newspaper articles
- ≈ presented information sessions in 11 radio interviews.

⁴ On 12 September 2012 NSW Industrial Relations (NSW IR) was transferred to NSW Treasury from the Department of Finance and Services.

Continued implementation of public sector wages policy

NSW IR continues to play the leading role in ensuring the requirements of the Government's Public Sector Wages Policy are complied with including hosting regular monthly Wages Policy Taskforce meetings; liaison and support for government agencies; monitoring and measuring bargaining outcomes; intervening in critical proceedings before the Industrial Relations Commission; as well as regular and ongoing consultation with the PSA.

Following a High Court legal challenge by NSW public sector unions, the validity of the NSW Government's Wages Policy was upheld and NSW IR produced a new regulation confirming the Government's policy intent to include superannuation increases within the 2.5 per cent remuneration cap.

Since the Public Sector Wages Policy was implemented in June 2011 approximately 250,000 employees have received remuneration increases of at least 2.5 per cent per annum and a further 15,000 employees have received remuneration increases of more than 2.5 per cent, with the higher outcome being supported by the achievement of specific employee related cost savings.

Industrial relations assistance with major Government reform projects

NSW IR assists other Treasury directorates, the Department of Premier and Cabinet, the Department of Finance and Services, the Public Service Commission and public sector agencies to manage industrial relations issues associated with Government reform projects. This included:

- ≈ assistance in the development of the Government Sector Employment Bill 2013 and associated reforms
- ≈ the electricity generator and ports transactions involving the transitioning of public sector employees to the private sector
- ≈ contracting out of roads maintenance functions by Roads and Maritime Services
- ≈ creation of Service NSW and the associated transfer of staff from other public sector agencies and the creation of new conditions of employment
- ≈ corporatisation of Forests NSW and the modernisation of employment conditions of Forests staff by way of an EBA..

Amendments to the Industrial Relations Act

The *Industrial Relations Amendment (Industrial Representation) Act 2012* was assented to and commenced on 24 September 2012. The purpose of the amendments was to provide junior doctors and paramedics with a greater choice of union they could join. As a result of this legislation, the Australian Salaried Medical Officers Federation successfully applied for amendment of its eligibility rules to allow it to represent junior doctors.

The application by the Emergency Medical Services Protection Association for registration as a union that could represent paramedics was strenuously opposed by the Health Services Association. In this context the Minister for Industrial Relations chose to intervene in the proceedings to clarify the nature and intent of the new laws. NSW IR provided extensive policy support for this action.

Further technical amendment to the regulations was required and NSW IR assisted the Minister in the making of the new regulation on 27 February 2013 and as a result the Emergency Medical Services Protection Association was registered successfully.

Report of the Industrial Relations Advisory Council on portable long service leave

The *Contract Cleaning Industry (Portable Long Service Leave Scheme) Act 2010* requires the Industrial Relations Advisory Council to provide a report to the Minister by 30 June 2013 on whether the portable long service leave scheme set out in that Act should be extended to other employees, in particular, in the social and community services sector and in the security industry. NSW IR, with assistance of the Long Service Corporation, prepared an initial discussion paper and provided secretariat services to the Council to assist in finalisation of its report.

The Industrial Relations Advisory Council's Final Report was delivered to the Minister for Industrial Relations on 28 June 2013. The report concluded that it was too soon to make a definitive assessment or conclusion about the viability of extending the scheme to workers in other industries.

Minister's participation in cases, reviews and inter-jurisdictional forums

NSW Industrial Relations supported the Minister in a variety of matters during the reporting period, including:

- ≈ submission to the Annual Minimum Wage Review by the Fair Work Commission (filed 9 April 2013)
- ≈ response to the review of the *Fair Work Act 2009* (Cth), including providing feedback on consultation relating to subsequent amendments of that Act and its regulations.

NSW IR also provided secretariat support and advice to the Minister for the two meetings of the Council (as required under the *Industrial Relations Advisory Council Act 2010*) during the reporting period: 5 October 2012 and represented the Minister at the meeting on 18 April 2013.

Building and Construction Guidelines and the Construction Compliance Unit

Following comprehensive consultation and development work undertaken by NSW IR, in March 2013 the Government adopted *Implementation Guidelines to the NSW Code of Practice for Procurement: Building and Construction*, to take effect from 1 July 2013.

The purpose of the Guidelines is to ensure value for money on NSW infrastructure projects and to assist the building and construction industry to maintain productive and efficient construction sites.

The Guidelines apply to all construction companies that tender or bid for NSW Government infrastructure work. Key elements of the Guidelines are:

- ≈ Proactive management of workplace relations
- ≈ Cost efficiency and productivity with projects delivered on time and on budget
- ≈ Workplace health and safety practices and management
- ≈ Innovation and continuous improvement.

The NSW Guidelines are consistent with guidelines introduced in Victoria in 2012 and introduced in Queensland on 1 July 2013.

The Guidelines establish a compliance regime comprising a new dedicated Construction Compliance Unit within NSW IR to monitor and enforce compliance by way of investigation and audit work.

The Construction Compliance Unit was established and operational from 1 July 2013.

NSW IR met with senior representatives of more than 16 clusters, agencies and State owned corporations to provide briefings on the Building and Construction Guidelines. NSW IR has also conducted two industry briefings on the Building and Construction Guidelines.

Fair Work Ombudsman contract and termination

NSW IR worked in partnership with the Commonwealth Fair Work Ombudsman to assist in delivering a compliance and education program to workplaces in NSW, following the referral of private sector industrial relations to the national system in 2009.

Under a contract for the provision of services, NSW IR undertook complaint investigations, audits and field inspections for the Fair Work Ombudsman. The initial contract commenced in February 2010 and continued to 31 December 2012. To facilitate the negotiation of a new three-year contract between NSW IR and the Fair Work Ombudsman, a six-month extension of the contract was agreed to 30 June 2013.

During 2012–13 under the Fair Work Ombudsman contract, NSW IR undertook and completed 1,161 investigations, 439 audits and 884 field inspections. This work resulted in recoveries of approximately \$2 million for employees.

NSW IR's State Compliance Unit investigated 330 complaints, resulting in recoveries of approximately \$500,000.00 for employees.

This work concluded on 30 June 2013 when the Commonwealth Fair Work Ombudsman did not renew the contract with NSW IR.

This triggered a restructure of the organisation with a number of positions being declared excess and the closure of the NSW IR offices in Campbelltown, Hurstville, Newcastle, Wollongong, Lismore and Dubbo. The Compliance Branch now comprises a State Compliance team, a Proactive (education) team and the Construction Compliance Unit.

From 1 July 2013 a new, smaller State Compliance Unit will enforce state based employment legislation including shop trading hours, public holidays and long service leave.

Corporate Directorate



Anne Ellison
Deputy Secretary
Corporate

Achievements:

- ≈ **Led Treasury's Organisational Change program which raised capability and ensured Treasury operated at the most efficient level.**
- ≈ **Implemented a pilot of a Capability Assessment Centre and improved the quality of recruitment.**
- ≈ **Established a Project Management Office and built project disciplines for priority projects.**
- ≈ **Enhanced the accessibility level of Treasury's website and intranet and met the WCAG2 Level A standard.**
- ≈ **Updated Treasury technology and communication systems and implemented a Voice Over Internet Protocol (VOiP) telephone system.**
- ≈ **Initiated Treasury's relocation project to move to 52 Martin Place.**

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

The Directorate has three branches:

- ≈ *People and Performance* - focuses on human resources and other services for staff, including recruitment, learning and development; communications and communication channels, co-ordination and reporting of Treasury's internal budget, project management, administrative services, accommodation and facilities.
- ≈ *Information Management Systems* - develops Treasury's information management strategy and supports information management systems, manages our asset database, telecommunication and electronic devices, supports Treasury's records management.
- ≈ *Executive and Ministerial Services* - provides executive support to the Treasurer's Office and Executive Government; and information disclosure including Government Information (Public Access) and Privacy and Public Interest Disclosures.

Organisational Change

In March 2013, Treasury commenced an organisational change to incorporate efficiencies and process redesigns and improve structures.

The organisational change included:

- ≈ establishing three discrete levels of leadership below the secretary
- ≈ creating larger units across treasury for more flexibility to manage work levels
- ≈ offering better career paths for staff within larger branches
- ≈ establishing an efficient base for operations
- ≈ improving performance and capability of managers and staff.

Leadership structure

In 2012–13 Treasury's management structure was redesigned to establish three discrete levels of leadership below the Secretary. This enabled a focus on strategic leadership by those who report to the Secretary and shifted accountability for operational decision-making to other levels. As a result two Associate Secretary positions were created.

Further, the creation of an Executive Director level addressed the issue of Deputy Secretaries becoming too involved in operational activities, thus hampering their capacity to drive strategy and reform through more strategic leadership.

Merged Directorates, branch amalgamations and new functions

Treasury merged the Budget and Financial and the Fiscal and Economic Directorates into a single group called the Fiscal and Economic Group. At the same time, our two Resource Allocation Directorates were combined. Two Associate Secretary positions provide a single point of oversight for each of these areas.

The changes have enhanced our policy focus, improved collaboration and enhanced stakeholder relations.

In conjunction with the merging of directorates, Treasury initiated a broader restructure featuring branch amalgamations under the leadership of Executive Directors.

Branch amalgamations have improved workforce mobility and provided more flexibility and capacity to manage work levels. The amalgamations have helped with consistency and provide the basis for more opportunities and improved career paths and succession planning for staff.

Within Treasury's overall organisational change, resourcing was reprioritised and an increased focus on budget strategy commenced in the lead up to the 2013–14 Budget. This enabled a range of short, medium and long term work from across Treasury to be included into an integrated strategy for budget delivery and sustainability. A Budget Strategy Branch will be formalised in 2013–14.

Creating an efficient base

In 2012–13, Treasury implemented processes to meet savings requirements and establish an efficient base for its operations. The strategy had the dual objectives of lowering the cost base while improving the overall future capability of the organisation.

An extensive review of resourcing was conducted and as a result, 19 positions were deleted from Treasury's organisation structure.

The Executive also embarked on a targeted voluntary redundancy program involving a detailed change management plan and a matching process based on future capabilities required by Treasury.

Raising capability

Improving performance and capability across Treasury was addressed through the development of a capability framework, skill development of managers, and increased management attention on actively managing staff performance.

People and Performance Branch

The People and Performance Branch provided human resources services for staff, organisational development, internal and external communication strategies and communication channels, coordination of Treasury's internal budget, administrative services, accommodation and facilities.

Other functions of the branch included acting as liaison for Treasury's General Counsel at the Crown Solicitor's Office; review and oversight of procurement and contract management; a project management office; and a corporate advisory role across Treasury.

Recruitment

Treasury aims to be an employer of choice and has implemented a number of initiatives during 2012–13 to attract and recruit high quality employees.

In 2012–13 recruitment advertising initiatives included:

- ≈ developing an Employee Value Proposition (EVP) with a focus on 'Making a difference to the State of NSW'. This EVP statement now appears in all our recruitment advertising.
- ≈ harnessing social media to reach a wider audience and target our potential employee groups. In particular LinkedIn was used by advertising job opportunities on Treasury's new LinkedIn page. This page has approximately 700 followers. LinkedIn is used in addition to recruitment advertising on *jobs.nsw*, SEEK and occasional print media.

A review of recruitment and feedback from managers in 2012 found an opportunity for improvement in the areas of:

- ≈ transparency and fairness of recruitment and selection processes
- ≈ length and complexity of processes
- ≈ poor communication and engagement with candidates
- ≈ resourcing of recruitment
- ≈ attraction and branding of Treasury as an employer of choice.

A review of the validity of recruitment selection methods identified that interviews alone were of low predictive validity. To address these issues Treasury piloted Capability Based Assessment Centres at various levels that included a mix of assessments to help achieve a more accurate prediction of capability.

Treasury worked with Hoban to develop assessment centres with selection tools and activities that relate back to key capabilities required to increase performance in roles.

The Assessment Centre process applied new tools/assessments that were developed in conjunction with Treasury. This approach was introduced for positions from Graduate to middle management level. Using this approach candidates were assessed against the critical capabilities required for the role using a variety of selection tools including a behavioural interview, ability tests (inductive, numerical and verbal reasoning), group exercises and written activities.

Graduate Recruitment Program

Treasury has had a successful Graduate Recruitment Program for several years, but to ensure it continues to attract high-level graduates, all aspects of the Program were reviewed in 2012–13. Our aim is to promote Treasury as an early career option and to attract and employ high quality candidates. The review was to ensure the continued success of the program and looked at all aspects of the recruitment process including marketing, methods of recruitment, capability requirements, retention and graduate program structure.

As a result of the review, the following initiatives were implemented:

- ≈ A capability based recruitment method was piloted for recruitment of Graduates with an Assessment Centre engaged to assess position applicants.
- ≈ A Graduate Information Evening was held for potential graduates. This was held onsite, prior to advertising the Graduate Recruitment Program and provided graduates an insight into working with Treasury and how they could make a difference to the state of NSW.
- ≈ Participation in Graduate Fairs in the state's five major universities to promote the Graduate Recruitment Program.

Treasury received 466 applications for the 2013 Graduate Recruitment Program intake, with candidates from a range of disciplines including accounting, commerce and economics. Graduate positions were offered to 10 of those candidates and they commenced working with Treasury on 4 February 2013.

Learning and Development

Treasury reinforced its commitment to provide training, development and learning opportunities to all employees. We continue to outline clear links to the Performance Excellence Program encouraging the transfer of learning to the workplace and recognising the impact of informal learning.

In late June 2013 Treasury developed a Learning and Development Calendar as a new component of Treasury's Development Program for 2013–2014. The aim is to meet individual needs identified in Performance Excellence Plans and team development needs.

The Learning and Development Calendar includes face-to-face training and online learning. It complements a whole-of-organisation learning strategy to include organisational culture initiatives or interventions for all staff (for example leadership development or performance management).

Graduate Development Program

For Treasury's 2013 Graduate Recruitment Program intake a revised Graduate Development Program was implemented to incorporate a greater action learning focus and provide an individualised and targeted learning experience. This included a greater action learning focus to all classroom training and identifying dedicated Directors and People and Development team members assigned to each of the Graduate recruits to support and guide their development throughout the year. Support and guidance mechanisms include performance conversations, performance plans, rotation work plans and learning and a development checklist.

Management Support and Leadership Development

Treasury continues to support managers and promote leadership development with a strong practical learning focus. In April 2013 the Manager Essentials Program was launched. This program aims to support leadership capacity through the availability of a range of resources. These resources include:

- ≈ a series of information sessions and workshops
- ≈ specific Managers induction for new managers
- ≈ online learning management modules
- ≈ the Manager's Essentials intranet portal
- ≈ managers' fact sheets with information on people and performance management.

Positive Workplace Program

The Treasury Positive Workplace Program aims to optimise team performance by reinforcing a positive workplace culture, identifying barriers to effective team performance and ensuring understanding and compliance with Treasury positive workplace policies. A suite of positive workplace policies include:

- ≈ A revised Code of Conduct
- ≈ Maintain a Harmonious Workplace: Addressing Workplace Issues - a framework for constructively addressing workplace grievances
- ≈ Promoting a Bullying and Harassment Free Workplace
- ≈ Performance Excellence Program and Framework
- ≈ Managing Poor Work Performance.

This initiative was communicated to managers and employees through workplace briefings and the intranet. The Program will provide a means to target improvement strategies more effectively.

NSW Treasury Workplace Giving

Treasury supports the NSW Public Sector Giving Program and provided our employees the opportunity to donate to a range of charitable causes through the payroll system. The Treasury program offers the opportunity for staff to support any of the nine sector-wide charities plus four charities selected by Treasury's employees.

Four charities selected by Treasury's employees:

- ≈ Action Aid
- ≈ The National Heart Foundation
- ≈ Youth off The Streets
- ≈ Plan Australia.

Public sector charities:

- ≈ Stewart House
- ≈ Police Citizens Youth Clubs NSW
- ≈ The Smith Family
- ≈ NSW Police Legacy
- ≈ The Children's Hospital at Westmead
- ≈ Sydney Children's Hospital (Randwick)
- ≈ Special Olympics NSW
- ≈ Salvation Army (Eastern Territory)
- ≈ Westpac Rescue Helicopter (Hunter Central and Mid Coast region)
- ≈ Westpac Rescue Helicopter (Southern region)
- ≈ Westpac Rescue Helicopter (Northern/Lismore region).

Secretary's Awards 2013

To recognise the effort and commitment displayed by Treasury Staff during the intense period of delivering the 2013–14 Budget, Treasury introduced the Secretary's Awards for demonstrating excellence, integrity, perseverance and tenacity for both individual and team effort.

Work Health and Safety

In 2012–13 Treasury developed its Work Health and Safety Action Plan 2012–14. The Action Plan expands on Government set targets/actions by outlining Treasury initiatives designed to meet the targets and also provides performance indicators to determine Treasury's success in achieving them.

Treasury management and the elected Health and Safety Representatives meet monthly and monitor workplace risks, develop preventive safety strategies and promote workplace safety. The Health and Safety Representatives' 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 Health and Safety Representatives provided key input in developing the Treasury *Work Health and Safety Action Plan 2012–14*.

52 Martin Place

In February 2013, the Government approved the relocation of NSW Treasury (along with Government Ministers and the Department of Premier and Cabinet) from Governor Macquarie Tower to 52 Martin Place. The move will take place in the last quarter of the 2014 calendar year to coincide with the end of the lease in the Governor Macquarie Tower, which expires on 31 December 2014.

Since February, our office has been working with Government Property NSW and project managers from Public Works and commercial designers to plan the fitout and relocation. Treasury will be moving to a new open floor fit out for all staff and a new agile style of working.

The move to 52 Martin Place will avoid significant costs that would occur by remaining in Governor Macquarie Tower.

Project Management

In 2012 a Program Management Office was established within Treasury with the primary purpose of facilitating project and program management. The Program Management Office also provides on-going support for procurement and contract management within Treasury.

Treasury's approach to project management is based on standard elements from well-known methodologies tailored to Treasury's needs. Particular emphasis is placed on how projects are defined and established, stakeholders considered, and how projects are resourced, monitored and reported.

Projects that involve organisational change include a change management methodology; and where procurement of services is required, the project is required to follow Treasury's procurement policy.

During the year the Program Management Office developed a procurement on-line training and support pack that provides an overview of recommended procurement approaches, compliance requirements, step-by-step descriptions of how to conduct a range of different kinds of procurement and templates. As a result of the success of this on-line training and support pack, it will be modified for use across the NSW public sector.

Communications in Treasury

In 2012–13 the Communications team helped Treasury meet regulatory and policy requirements and produce Treasury circulars, policy papers, the Annual Report and other publications. The team also contributed significantly to communications and consultation activities for corporate and policy projects. Treasury's governance activities were supported by ensuring policies and procedures, templates and writing style guides were current and relevant.

The Communications team's work plan for 2012–13 included business as usual activities such as producing publications, new content for the intranet and website, and reviewing all current content on the intranet and the website for currency. The team also kept staff informed of major changes and improvements including:

- ≈ Organisational Change Program
- ≈ Performance Excellence Program
- ≈ Graduate Recruitment Program

- ≈ Risk Management Framework and Policy
- ≈ Government cash and banking services tender
- ≈ Preparations for Treasury's office move.

Executive and Ministerial Services

During 2012–13 the Executive and Ministerial Services (EMS) team provided high level advice and support to the Secretary and the Executive Team. The unit maintained a responsive and effective working relationship with Treasurer's Office and Executive Government. The EMS Cabinet Unit managed the flow of high quality, strategic and timely advice from subject experts in Treasury to the Secretary of Treasury and the Treasurer to support their involvement in the Expenditure Review Committee. A similar support role was provided for the Treasurer's involvement in Cabinet and other sub-Committees of Cabinet.

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

Government Information (Public Access)

During the reporting period NSW Treasury improved compliance with the *Government Information (Public Access) Act 2009* (GIPA) by coordinating GIPA training workshops and delivering an online GIPA training module for all Treasury staff.

To augment our compliance with Section 7 of the GIPA Act and the Premier's Memorandum on Open Government (M2012-12), NSW Treasury formed the Open Government Committee to review documents created by staff and recommend their suitability for public release. Documents approved for release are published on the Treasury website, on opengov.nsw.gov.au and other appropriate outlets.

The Committee membership consists of the Deputy Secretary Commercial Policy and Financing Directorate, members of Communications, IT and Executive & Ministerial and two staff members who responded to an Expression of Interest.

Additional information on Government Information (Public Access) and Public Interest Disclosures is included on pages 102–106.

Information Management Systems

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.

Treasury Website and Intranet

Web-Based Information and Electronic Service Delivery

Our website is a primary channel of Treasury's external stakeholder communications. It plays a major role in, and the efficient and effective delivery of, information and services to stakeholders including government agencies, State Owned Corporations, regulators, Members of Parliament, businesses and the community.

Table 1 on the following page, presents the web page rankings by the number of hits for Treasury's website for the 2012–13 year. This information allows Treasury to focus improvement efforts on high-value information.

The Treasury home page received the highest number of hits – a total of 91,618. The home page has been excluded from the following table in its function as a 'landing page'.

Table 1: Web page rankings by the number of hits for Treasury's website in 2012–13

	Web page name	Overview of page contents
1	Publications Index	Periodic Reports on State Finances including Budget Papers, Half-Yearly Review, Report on State Finances, Annual Reports and General Government Financial Statements
2	Treasury Circulars Index	Index to Treasury Circulars from 2007 to 2012, including Circulars that have been withdrawn
3	Treasury Circulars (2012)	Index to Treasury Circulars issued in 2012
4	About Us	Treasury information including structure, organisation chart, Corporate Plan and Guarantee of Service
5	Budget Papers Index	Index to the previous State Budget Papers from 1988–89 to 2011–12
6	Treasury Policy Papers Index	Index to Treasury Policy and Guidelines papers
7	Contact Us	How to contact NSW Treasury
8	Information for Agencies	Information, templates and publications targeted at NSW Government Agencies
9	Publications by Policy Area	Index of all publications grouped by policy area
10	Current Jobs Available	Current employment opportunities with NSW Treasury

Note: NSW Budget Papers for 2013–14 are published on the Budget website www.budget.nsw.gov.au

Accessibility

Treasury continues to develop its website to ensure content is available to the widest possible audience, including readers using assistive technology or accessibility features. Our intranet and websites met the coding criteria for compliance with W3C CSS⁵ (cascading style sheets) and HTML 4.01 Transitional.

This seven-month project was completed by Treasury's existing staff and within business as usual activities. It was delivered on time and within budget to the Department of Premier and Cabinet directive.

To achieve this standard of accessibility Treasury applied the web content accessibility guidelines in designing graphical elements, page templates and web content. To maintain the standard, each night every web page and document is audited using a WCAG compliance auditor and the most viewed pages of the site are checked using additional accessibility tools.

Electronic Document Records Management System

In 2012–13 a business case was approved for the implementation of an electronic document records management system for the capture and retrieval of electronic records. The system will benefit Treasury by reducing the production of paper files, improve document security in the information management system, reduce and in some cases eliminate filing cabinets. The system will also assist Treasury introducing a clean desk policy.

This electronic documentation and records management system will also prepare Treasury for its relocation to 52 Martin Place by significantly reducing the quantity of physical files and desk bound paperwork. The provisioning of this program of works will help facilitate improved information management strategies that currently cannot be implemented in a physical environment.

⁵ For more information visit www.w3c.org.

Records Management Systems

The Directorate prepared Treasury's submission to State Records as part of the compliance to the *State Records Act 1998*. This submission outlines the length of time that Treasury records are to be retained onsite and which records are to be transferred to the State Archives. This information will assist in the preparations for the electronic document records management system. Treasury will use the information in this submission to build the foundations for the new electronic documentation and records management system and assist Treasury's Directorates to classify their documents.

Treasury Desktop and Printer Environment

In 2012–13 Treasury's Information Management Unit replaced 60 desktop computer systems with laptops and docking stations to provide staff with improved mobility and improved access to the network. Treasury continued replacement of multiple stand-alone printers with multi-function devices. These new devices deliver more economical printing solutions for paper and printing production. Treasury also undertook a feasibility review to investigate further reduction in printing costs by producing documents in PDF format for Treasury staff to display on secured tablet devices. The benefits identified included significant reduction in the use of paper and print cartridge costs.

Video Conferencing Systems

In 2012–13 Treasury purchased a number of video conferencing systems to integrate into the existing ServiceFirst network. These video conferencing facilities will improve communication between agencies and other interstate jurisdictions without the need for Treasury and other agency staff to travel, and will save time and reduce costs associated with attending meetings. In addition to reduced travel time and expenses, agency interaction and communication will increase as meetings can be held more frequently.

In addition to conferencing facilities in Governor Macquarie Tower and the McKell Building, other locations include the Department of Premier and Cabinet, the Department of Planning, ServiceFirst and about 90 locations across NSW.

New Voice Over Internet Protocol Telephone System

In 2012–13 a new Voice over Internet Protocol (VOiP) telephone system was successfully installed in Treasury's offices. The VOiP technology allows telephone calls to be made over the internet rather than traditional telephone lines.

The new system included over 500 handsets and provides a more effective and flexible system of establishing connections through the computer network system. This system now eliminates the need of using a telecommunications carrier and enables Treasury staff to administer existing and new phone connections.

Treasury SAP Business Systems - Disaster Recovery Testing

During this reporting period Treasury implemented and tested an improved Disaster Recovery Framework for the Financial Information System (FIS) and the Agency's Treasury On-line Entry System (TOES). This work was carried out in conjunction with ServiceFirst.

Treasury's Internal Finance Function

The Finance and Administration Unit within the Corporate Directorate of Treasury manages financial accounting services for the Treasury. This Unit works closely with Treasury's Chief Financial Officer who also manages the Crown Asset and Liabilities Management branch. The day to day financial transactions continues to be outsourced to ServiceFirst, a business unit of NSW Department of Finance and Services.

ANZAC Day 2013

When the second World War was declared NSW Treasury had 112 permanent officers and of that number 56 men and women enlisted.

On ANZAC Day 2013, members of Treasury's employee social club placed a wreath by the plaque located in the Treasury reception area in Governor Macquarie Tower. This plaque recognises the service and sacrifice of our predecessors who served in the Great War.

Current Treasury staff were invited to view the plaque and wreath for a moment of personal reflection.

Treasury's [Golden Heritage](#) offers some insights to the commitment and sacrifice of our predecessors in WW I, WW II and lists the names of those who enlisted in the conflicts.

Lest we forget



Operating Expenditure

Treasury's total expenses in 2012–13 were \$89.1 million which was \$8.3 million under budget. There was an increase of \$14 million from 2011–12, largely due to machinery of government changes through which the employees of NSW Industrial Relations and Long Service Corporation transferred from the Department of Finance and Services to NSW Treasury in September 2012. Treasury's expenses were \$8.3 million under the budget figure at year end.

Treasury utilises its funding to deliver state resource management. This encompasses economic, fiscal and industrial relations policy, as well as advice on the efficiency and effectiveness of public sector agencies. Treasury is also the key financial advisor on infrastructure and asset management, and provides the systems and frameworks for the delivery of budget management across the sector.

During the year Treasury commenced a major reform of the financial management framework for the sector that will lead to the implementation of a new financial information system. Initial expenditure on this project (\$4.1 million) was absorbed within the existing budget in 2012–13. Next year the project will draw on specific funds for the development of the financial framework and system.

In addition, the Infrastructure Financing Unit was established in 2012–13 through a reprioritisation of expenditure to provide the sector with a high level capability in the financing of major infrastructure projects. The COAG multi-jurisdictional reform programs continued focusing on health and disability services, education, transport and the environment.

NSW agencies' performance is based on a Net Cost of Services (NCS) level which represents total agency expenses less revenue. On this basis Treasury's year end result recorded savings of \$6.5 million. The table below provides a history of Treasury's NCS to Budget.

Benchmark ≤ 100%	2008–09 Actual	2009–10 Actual	2010–11 Actual	2011–12 Actual	2012–13 Actual
% of Actual NCS to Budget	100%	94.8%	97.8%	99%	91.4%

Treasury's annual capital allocation for the year (\$385,000) was utilised predominantly to fund the rolling asset replacement program. Total capital expenses of \$384,000 were recorded to purchase computers, laptops and multi-functional devices (incorporates photocopier, scanner and printer). In 2012–12 new video conferencing equipment and system programming updates were also purchased.

Corporate Planning

A Corporate Plan is in place to guide NSW Treasury through the forward years to 2015-16. The plan has close links to the State Plan *NSW 2021*.

The Corporate Plan sets out Treasury's vision, mission values and our priorities for the period, and incorporates:

- ≈ Effective balance sheet management
- ≈ Improved Financial Management Controls
- ≈ Improved Efficiency and Effectiveness of Expenditure
- ≈ Revenue Reform
- ≈ Improved performance in the government business sector.

The NSW Treasury's ***Corporate Plan 2012–13 to 2015–16*** is presented on pages 7–9 of this Annual Report.

Framework for an Ethical Organisation

The integrity of our people, systems, relationships with stakeholders and decision making is paramount. We have introduced a range of measures to further strengthen our ethical culture.

Treasury's Fraud and Corruption Control Framework governs fraud and corruption prevention, detection and response in Treasury. This framework is underpinned by our Fraud and Corruption Policy that was revised during this year.

In 2012–13 our employees also completed a mandatory online training module to increase their understanding and knowledge of their obligations under these policies.

In addition, all officers appointed to Executive level positions are required to complete a Conflict of Interest Declaration. These declarations are updated annually and must include any matters that could impact adversely on the carrying out of public duties.

Good Governance

Insurance

NSW Treasury has insurance in place to cover over all its assets and major risks. Treasury's insurance policies include workers compensation, building contents (including office equipment) and public liability. The Treasury Managed Fund (TMF) is NSW Government's self-insurance scheme and provides this insurance cover.

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 practices are penalised. Treasury seeks lower premiums by reducing its operational risks. As an example, workers compensation risks are managed with early intervention, an active Workplace Committee, workplace inspections and active rehabilitation.

In 2012–13 Treasury maintained its effective management of risk, however, as a result of increases in insurance premiums across the board, Treasury's premium remained similar to last year.

Audit and Risk Management

The 2012–13 report from Treasury's Audit and Risk Management Committee is presented on pages 56–57. It is followed by the Secretary's disclosure statement for the year.

The 2012–13 highlights from Treasury's audit and risk function during the year included:

- ≈ Released a new Risk Management Framework and Policy based on the Risk Toolkit and rolled it out to staff and stakeholders in line with a tailored communication strategy
- ≈ Maintained central and program-specific risk registers. A new strategic risk register and 2-3 year audit plan will be developed in the first quarter of 2013–14
- ≈ Overhauled its Quality Assurance and Improvement Program, which now clearly demonstrates our compliance with statewide policy TPP 09-05 and with international standards
- ≈ Integrated Industrial Relations and the Long Service Corporation into the audit and risk activities of the Treasury cluster, and worked with DFS staff to transition the NSW Self Insurance Corporation to the Minister for Finance and Services
- ≈ Added members with expertise in insurance and information technology risk to its Audit & Risk Committee
- ≈ Worked closely with ServiceFirst and the Department of Finance & Services to help them provide an improved assurance letter for the benefit of all clients of ServiceFirst's financial services
- ≈ Completed seven internal audits with our new service provider Ernst & Young, with a further four in the field as at 30 June 2013
- ≈ Developed a principal department-led shared arrangement, which means that the whole Treasury Cluster⁶ will be compliant in 2013–14 with TPP 09-05 and TPP 12-04;
- ≈ Finalised Stage 1 of an improved register of compliance with laws, regulations and policies
- ≈ Loaded a variety of new audit and risk tools on the Treasury website for the information, and use if desired, of line agencies.

⁶ Refers to the entities overseen by Treasury's Audit and Risk Management 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:

- ≈ assess risks arising from the operations of the NSW Treasury cluster and the adequacy of measures in place to control those risks
- ≈ liaise with external audit
- ≈ assure the integrity of NSW Treasury's external financial reporting and internal management reporting
- ≈ oversee the internal audit function, risk management, corporate governance and other internal assurance processes that operate within NSW Treasury. During 2012–13, the entities overseen by the Committee were⁷:
 - Treasury, including Industrial Relations
 - Crown Entity
 - NSW Self Insurance Corporation, including the Home Warranty Insurance Fund
 - Long Service Corporation
 - State Rail Authority Residual Holding Corporation
 - Liability Management Ministerial Corporation
 - Lotteries Assets Ministerial Holding Corporation
 - Building Insurers' Guarantee Corporation
 - Electricity Assets Ministerial Holding Corporation
 - Ports Assets Ministerial Holding Corporation
 - Residual Business Management Corporation.

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

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

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

Current membership:

- ≈ Peter Lucas (independent Chair)
- ≈ Carolyn Burlew (independent member)
- ≈ Jon Tyers (independent member - first meeting Aug 2012)
- ≈ Garry Dinnie (independent member- first meeting June 2013)
- ≈ Kevin Cosgriff (internal member - first meeting Feb 2013)

Members whose terms ended during 2012–13

- ≈ Mark Ronsisvalle (internal member - last meeting Nov 2012)
- ≈ Sue Power (internal member - last meeting December 2012)

⁷ An up-to-date list of the entities monitored by Treasury's Audit and Risk Committee can be found on the Treasury website, under 'Annexure 1', at:
http://www.treasury.nsw.gov.au/__data/assets/pdf_file/0014/20723/2_ARC_Charter_March_2013.pdf.

Committee Meetings

The Committee met on nine occasions during 2012–13. Independent members held a further three meetings with the Secretary during the same period. During the course of the year the Committee oversaw matters including:

- ≈ the establishment of a Shared Arrangement Agreement under TPP 12-04 between Treasury and the smaller agencies in the cluster;
- ≈ the incorporation of Industrial Relations and the Long Service Corporation into Treasury's audit and risk program, those areas having entered the Treasurer's administration in September 2012;
- ≈ the rollout of a new Risk Framework and Policy across the cluster;
- ≈ work with ServiceFirst to substantially improve the information provided in their assurance letter to their client agencies and to ensure letters are issued to a timetable that optimally supports early close and end-of-year financial statements;
- ≈ further substantial improvements in Treasury's capacity to assure its compliance with legislation and regulation;
- ≈ a significant upgrade to the Quality Assurance and Improvement Program for audit and risk.

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

Audit Program

The following assurance reports were tabled before the Committee during 2012–13 and commended, with management responses, to the Secretary for approval:

- ≈ Expansion of Treasury Managed Fund membership
- ≈ Controls around the production and presentation of the Total State Sector Accounts
- ≈ Controls around the Cash Management System
- ≈ Core business processes and controls at the NSW Long Service Corporation

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

- ≈ Information security and configuration management in the NSW Self Insurance Corporation
- ≈ Half-yearly Budget review process
- ≈ Design and implementation risks for Treasury's IT Disaster Recovery planning

The following audits and reviews were in the field or at report-drafting as at 30 June:

- ≈ Cluster expectations of the Treasury Corporation
- ≈ Reporting to the Executive Team
- ≈ Procurement in Treasury and Crown
- ≈ Procurement for the Ports Asset Transaction

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



Peter Lucas,

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

Internal Audit and Risk Management Statement for the 2012–2013 Financial Year for NSW Treasury

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

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

- ≈ Independent Chair, Peter Lucas (April 2012 – April 2015)
- ≈ Independent Member, Carolyn Burlew (September 2009 – September 2015)
- ≈ Independent Member, Jon Tyers (August 2012 – August 2015)
- ≈ Independent Member, Garry Dinnie (June 2013 – June 2017)
- ≈ Non-independent Member, Kevin Cosgriff (February 2013 – February 2017)
- ≈ Non-independent Member, Mark Ronsisvalle (2004 - October 2012)
- ≈ Non-independent Member, Sue Power (2009 - December 2012)

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

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



Philip Gaetjens, Secretary

Date: 9 July 2013

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INDEPENDENT AUDITOR'S REPORT

The Treasury

To Members of the New South Wales Parliament

I have audited the accompanying financial statements of the Treasury (the Department), which comprise the statement of financial position as at 30 June 2013, the statement of comprehensive income, statement of changes in equity, statement of cash flows, and a summary of compliance with financial directives for the year then ended, notes comprising a summary of significant accounting policies and other explanatory information.

Opinion

In my opinion the financial statements:

- give a true and fair view of the financial position of the Department as at 30 June 2013, and of its financial performance and its cash flows for the year then ended in accordance with Australian Accounting Standards
- are in accordance with section 45E of the *Public Finance and Audit Act 1983* (the PF&A Act) and the Public Finance and Audit Regulation 2010.

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

Secretary's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

My opinion does *not* provide assurance:

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

Independence

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

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



A T Whitfield
Deputy Auditor-General

23 September 2013
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 2013 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 2013 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
20 September 2013

The Treasury

Statement of comprehensive income for the year ended 30 June 2013

	Notes	Actual 2013 \$'000	Budget 2013 \$'000	Actual 2012 \$'000
Expenses excluding losses				
Operating expenses				
Employee related	2(a)	68 784	71 541	49 657
Other operating expenses	2(b)	19 223	24 897	24 262
Depreciation and amortisation	2(c)	900	766	997
Grants and subsidies	2(d)	169	170	169
Total expenses excluding losses		89 076	97 374	75 085
Revenue				
Recurrent appropriation	3(a)	69 713	72 069	59 902
Capital appropriation	3(a)	384	385	381
Sale of goods and services	3(b)	16 444	15 337	12 076
Personnel services revenue	3(c)	2 672	5 653	–
Investment revenue	3(d)	578	558	737
Acceptance by the Crown Entity of employee benefits and other liabilities	3(e)	1 872	3 254	3 439
Other revenue	3(f)	76	–	9
Total Revenue		91 739	97 256	76 544
Gain / (loss) on disposal	4	(4)	–	(9)
Net result	18	2 659	(118)	1 450
Other comprehensive income				
<i>Items that will not be reclassified to net result</i>				
Superannuation actuarial gains/(losses) on defined benefit plans		1 885	–	–
Total other comprehensive income		1 885	–	–
TOTAL COMPREHENSIVE INCOME		4 544	(118)	1 450

The accompanying notes form part of these financial statements.

The Treasury

Statement of financial position as at 30 June 2013

	Notes	Actual 2013 \$'000	Budget 2013 \$'000	Actual 2012 \$'000
ASSETS				
Current Assets				
Cash and cash equivalents	6	20 927	14 323	18 261
Receivables	7	10 541	5 435	2 166
Total Current Assets		31 468	19 758	20 427
Non-Current Assets				
Receivables	7	5 419	8 827	-
Plant and equipment	8	1 496	961	1 754
Intangible assets	9	531	491	674
Total Non-Current Assets		7 446	10 279	2 428
Total Assets		38 914	30 037	22 855
LIABILITIES				
Current Liabilities				
Payables	10	4 733	3 532	6 568
Provisions	11	13 783	9 138	6 155
Other	12	1	-	-
Total Current Liabilities		18 517	12 670	12 723
Non-Current Liabilities				
Provisions	11	6 619	8 883	1 105
Total Non-Current Liabilities		6 619	8 883	1 105
Total Liabilities		25 136	21 553	13 828
Net Assets		13 778	8 484	9 027
EQUITY				
Accumulated funds		13 778	8 484	9 027
Total Equity		13 778	8 484	9 027

The accompanying notes form part of these financial statements.

The Treasury

Statement of changes in equity for the year ended 30 June 2013

Notes	Accumulated Funds \$'000
Balance at 1 July 2012	9 027
Net result for the year	2 659
Other comprehensive income	
Superannuation actuarial gains/(losses) on defined benefit plans	1 885
Total other comprehensive income	1 885
Total comprehensive income for the year	4 544
Transaction with owners in their capacity as owners	
Increase / (decrease) in net assets from equity transfers	207
Balance at 30 June 2013	13 778
Balance at 1 July 2011	7 577
Net result for the year	1 450
Total other comprehensive income	-
Total comprehensive income for the year	1 450
Transaction with owners in their capacity as owners	-
Balance at 30 June 2012	9 027

The accompanying notes form part of these financial statements.

The Treasury

Statement of cash flows for the year ended 30 June 2013

Notes	Actual 2013 \$'000	Budget 2013 \$'000	Actual 2012 \$'000
CASH FLOWS FROM OPERATING ACTIVITIES			
Payments			
Employee related	(57 891)	(62 634)	(45 066)
Grants and subsidies	(169)	(170)	(169)
Other	(24 747)	(28 166)	(24 691)
Total Payments	(82 807)	(90 970)	(69 926)
Receipts			
Recurrent appropriation	3(a) 69 713	72 069	59 902
Capital appropriation (excluding equity appropriations)	3(a) 384	385	381
Sale of goods and services	11 571	15 337	14 165
Interest received	649	558	703
Other	3 536	3 269	2 582
Total Receipts	85 853	91 618	77 733
NET CASH FLOWS FROM OPERATING ACTIVITIES	18 3 046	648	7 807
CASH FLOWS FROM INVESTING ACTIVITIES			
Proceeds from sale of plant and equipment	–	–	1
Purchases of plant and equipment and intangibles	(384)	(300)	(381)
Other	–	(85)	–
NET CASH FLOWS FROM INVESTING ACTIVITIES	(384)	(385)	(380)
NET INCREASE / (DECREASE) IN CASH	2 662	263	7 427
Opening cash and cash equivalents	18 261	12 494	10 834
Cash transferred in / (out) as a result of administrative restructuring	14 4	1 566	–
CLOSING CASH AND CASH EQUIVALENTS	6 20 927	14 323	18 261

The accompanying notes form part of these financial statements.

Summary of compliance with financial directives

	2013				2012			
	Recurrent Appropriation	Expenditure/ Net Claim on Consolidated Fund	Capital Appropriation	Expenditure/ Net Claim on Consolidated Fund	Recurrent Appropriation	Expenditure/ Net Claim on Consolidated Fund	Capital Appropriation	Expenditure/ Net Claim on Consolidated Fund
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
Original Budget Appropriation/ Expenditure								
• Appropriation Act	61 219	58 863	385	384	63 981	59 902	385	381
• S 24 Public Finance and Audit Act 1983 – transfers of functions between entities	10 850	10 850	–	–	–	–	–	–
• s 33 Appropriation Act 2012 – transfers from another agency	–	–	–	–	(379)	–	–	–
Total Appropriations/ Expenditure/ Net Claim on Consolidated Fund (includes transfer payments)	72 069	69 713	385	384	63 602	59 902	385	381
Amount drawn down against Appropriation		69 713		385		59 902		381
Liability to Consolidated Fund		–		1		–		–

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

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

1. Summary of Significant Accounting Policies

(a) Reporting entity

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

Under *Public Sector Employment and Management (Industrial Relations) Order 2012 No 456* and *Public Sector Employment and Management (Treasury) Order 2012 No 514*, NSW Industrial Relations (NSWIR) and the staff that perform the functions of the Long Service Corporation (LSCorp) were transferred from the Department of Finance and Services (DFS) to The Treasury effective from 12 September 2012. Consequently, the comparatives contain no amounts relating to NSWIR and LSCorp, and transactions relating NSWIR and LSCorp up to 11 September 2012 are excluded from those amounts recognised in the Treasury financial statements.

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

These financial statements for the year ended 30 June 2013 have been authorised for issue by the Secretary on 20 September 2013.

(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 restructures referred to in note 1(a), administered activities in [note 20](#) were transferred from DFS to Treasury.

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

Transactions and balances relating to the administered activities are not recognised as The Treasury's income, expenses, assets and liabilities, but are disclosed in Note 20.

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

(e) Insurance

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

**Notes to the Financial Statements
30 June 2013**

(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 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 (including personnel services)

Revenue is recognised when the service is provided.

(iv) Investment revenue

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

(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 (see also assets transferred as a result of an equity transfer – [Note 1\(k\)](#)).

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.

The Treasury

Notes to the Financial Statements 30 June 2013

(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) (as amended by NSWTC 12/05 and NSWTC 10/07). 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.

(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.

Notes to the Financial Statements 30 June 2013

(x) Receivables

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

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

(xi) Impairment of financial assets

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

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

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

(xii) 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

The Treasury receives monies in a trustee capacity for various trusts as set out in [Note 19](#). As The Treasury performs only a custodial role in respect of these monies, and because the monies cannot be used for the achievement of the entity's own objectives, these funds are not recognised in the financial statements.

(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) Personnel services arrangements

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

Notes to the Financial Statements 30 June 2013

(b) 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.

(c) Long service leave (LSL) and superannuation

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

LSL is measured at present value in accordance with AASB 119 *Employee Benefits*. This is based on the application of certain factors (specified in [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.

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

The cost of long service employee entitlements is met by the payment of a contribution based on salaries and wages to the "Non-Budget Sector Long Service Leave Pool Scheme" and leave taken is reimbursed from the Scheme.

For defined benefit superannuation schemes, expenses are recognised based on the current service plus interest cost less the expected return on fund assets (net of expenses) for the reporting period as calculated and advised by Pillar Administration. In accordance with NSW Treasury Circular TC11-04 Accounting for Superannuation, the entity recognises actuarial gains and losses for defined benefit superannuation schemes outside of the net result in the 'other comprehensive income' in the year in which they occur.

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

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

(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.

Notes to the Financial Statements
30 June 2013

(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*.

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

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

(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. Budgets transferred from DFS were apportioned between Treasury and DFS using the date of transfer as the basis for the split. 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 2013. With the exception of those noted below, it is considered impracticable to presently determine the impact of adopting those new standards and interpretations.

As a result of the amendment to AASB 119 *Employee Benefits*, which will be applied from 1 July 2013, the net superannuation interest cost on the defined benefit superannuation schemes is likely to increase, and become more volatile, as the amended Standard will calculate the net interest expense using the long term Commonwealth Government bond rate.

In contrast, currently, the net interest expense is calculated as the difference between the gross interest cost based on the government bond rate and the expected return on plan assets. The change will increase the interest expense because the expected return on plan assets is normally higher than the government bond rate. The difference between the actual asset returns and the gross interest income based on the government bond rate will be recognised as actuarial gain/losses from superannuation in other comprehensive income.

Any impact on The Treasury's surplus/deficit for the year will be offset by movements in other comprehensive income. The impact on the total comprehensive result will be nil and there will be no impact on assets and liabilities.

Treasury has not early adopted any new accounting standards, amendments and interpretations in compliance with NSW Treasury mandates per Treasury Circular NSW TC13/02.

The Treasury

Notes to the Financial Statements
30 June 2013

2. Expenses Excluding Losses

	2013 \$'000	2012 \$'000
(a) Employee related expenses		
Salaries and wages (including annual leave)	59 797	40 407
Superannuation – defined benefit plans	855	705
Superannuation – defined contribution plans	3 623	2 506
Long service leave	765	2 695
Workers' compensation insurance	274	146
Payroll tax and fringe benefits tax	3 418	2 683
On-costs on LSL not assumed by Crown	52	515
	<u>68 784</u>	<u>49 657</u>
No employee related expenses (2011–2012 \$Nil) have been incurred for capital projects.		
(b) Other operating expenses include the following:		
Auditor's remuneration		
- audit of the financial statements	90	80
Operating lease rental expense		
- minimum lease payments	5 249	4 523
Maintenance (i)	380	304
Insurance	29	20
Consultants	4 081	11 782
Contractors	43	310
Centralised corporate support charges	4 803	3 778
Training	819	735
Staff recruitment	715	172
Information management	485	99
Internal audit fees	344	241
Printing and advertising	315	393
Travel	273	221
Minor plant, equipment and stores	266	218
Building maintenance and utilities	456	236
Board remuneration	151	117
Computer maintenance and software licences	98	236
Computer communication	82	–
Event management	70	59
Postal charges	40	9
Legal fees	23	8
Other	411	721
	<u>19 223</u>	<u>24 262</u>
(i) Reconciliation – Total maintenance		
Maintenance expense – contracted labour and other (non-employee related), as above	380	304
Employee related maintenance expenses included in Note 2(a)	–	–
Total maintenance expenses included in Note 2(a) + 2(b)	<u>380</u>	<u>304</u>
(c) Depreciation and amortisation expense		
Depreciation (Note 8)		
- Computer hardware	135	145
- Office equipment	24	29
- Office furniture	44	44
- Leasehold Improvements	387	420
	<u>590</u>	<u>638</u>
Amortisation of software intangibles (Note 9)	310	359
Total depreciation and amortisation	<u>900</u>	<u>997</u>
(d) Grants and subsidies		
Australian Accounting Standards Board	169	169
	<u>169</u>	<u>169</u>

The Treasury

Notes to the Financial Statements
30 June 2013

3. Revenues

	2013 \$'000	2012 \$'000
(a) Appropriations		
Recurrent appropriations		
Total recurrent draw-downs from NSW Treasury (per Summary of compliance)	69 713	59 902
Less: Liability to Consolidated Fund (per Summary of compliance)	<u>—</u>	<u>—</u>
	<u>69 713</u>	<u>59 902</u>
Comprising:		
Recurrent appropriations (per Statement of comprehensive income)	69 713	59 902
Transfer payments	<u>—</u>	<u>—</u>
	<u>69 713</u>	<u>59 902</u>
Capital appropriations		
Total capital draw-downs from NSW Treasury (per Summary of compliance)	385	381
Less: Liability to Consolidated Fund (per Summary of compliance)	<u>1</u>	<u>—</u>
	<u>384</u>	<u>381</u>
Comprising:		
Capital appropriations (per Statement of comprehensive income)	<u>384</u>	<u>381</u>
(b) Sale of goods and services		
Rendering of services		
Recoupment of costs (i)	13 155	12 063
Compliance service to Fair Work Australia	3 288	—
Other	<u>1</u>	<u>13</u>
	<u>16 444</u>	<u>12 076</u>
(c) Personnel services revenue		
Recoupment of Long Service Corporation staff costs	<u>2 672</u>	<u>—</u>
	<u>2 672</u>	<u>—</u>
(d) Investment revenue		
Interest	<u>578</u>	<u>737</u>
	<u>578</u>	<u>737</u>
(e) Acceptance by the Crown Entity of employee benefits and other liabilities		
The following liabilities and/or expenses have been assumed by the Crown Entity:		
Long service leave	667	2 695
Superannuation – defined benefit	1 148	705
Payroll tax	<u>57</u>	<u>39</u>
	<u>1 872</u>	<u>3 439</u>
(f) Other revenue		
Other	<u>76</u>	<u>9</u>
	<u>76</u>	<u>9</u>

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

The Treasury

Notes to the Financial Statements 30 June 2013

4. Gain / (Loss) on Disposal

	2013 \$'000	2012 \$'000
Gain / (loss) on disposal of plant and equipment		
Proceeds from disposal	–	1
Written down value of assets disposed	(4)	(10)
Net gain / (loss) on disposal of plant and equipment	<u>(4)</u>	<u>(9)</u>
Total net gain / (loss) on disposal of non-current assets	<u>(4)</u>	<u>(9)</u>

5. Service Groups of the Treasury

Service Group

Purpose:

State Resource Management

Ensuring state finances support the delivery and long run affordability of services. Implementing policy settings including a robust industrial relations environment that promote a competitive state economy.

NSW Industrial Relations (NSWIR) and staff who perform the functions of the Long Service Corporation (LSCorp) were transferred from the Department of Finance and Services (DFS) to Treasury effective 12 September 2012 under *Public Sector Employment and Management (Industrial Relations) Order 2012 No 456* and *Public Sector Employment and Management (Treasury) Order 2012 No 514* respectively. They are reported under the State Resource Management service group. Consequently amounts shown under 2012 do not include costs relating to either of these functions.

The following summarises the expenses and income, recognised by DFS (up to date of transfer) and The Treasury (from date of transfer to year end) for the reporting period. Refer [Note 14](#) for details regarding transferred assets and liabilities.

The Treasury

Notes to the Financial Statements 30 June 2013

(i) NSW Industrial Relations Directorate

	DFS NSWIR 1 July 2012 to 11 Sept 2012	Treasury NSWIR 12 Sept 2012 to 30 June 2013	2013 NSWIR	2012 NSWIR
Expenses excluding losses				
Operating expenses				
Employee related	2 126	12 296	14 422	14 477
Other operating expenses	583	2 272	2 855	4 296
Depreciation and amortisation	10	42	52	277
Total expenses excluding losses	2 719	14 610	17 329	19 050
Revenue				
Recurrent appropriation	1 483	7 103	8 586	13 314
Sale of goods and services	1 092	3 288	4 380	4 103
Acceptance by the Crown Entity of employee benefits and other liabilities	134	632	766	1 356
Other revenue	–	41	41	–
Total revenue	2 709	11 064	13 773	18 773
Net Result	(10)	(3 546)	(3 556)	(277)
Other Comprehensive Income	–	–	–	–
TOTAL COMPREHENSIVE INCOME	(10)	(3 546)	(3 556)	(277)

(ii) Staff who perform the functions of the Long Service Corporation

	DFS LSCorp 1 July 2012 to 11 Sept 2012	Treasury LSCorp 12 Sept 2012 to 30 June 2013	2013 LSCorp	2012 LSCorp
Expenses excluding losses				
Employee related				
	1 594	4 557	6 151	6 616
Total expenses excluding losses	1 594	4 557	6 151	6 616
Revenue				
Personnel Services				
	1 363	2 672	4 035	12 448
Total revenue	1 363	2 672	4 035	12 448
Net Result	(231)	(1 885)	(2 116)	5 832
Other Comprehensive Income	231	1 885	2 116	(5 832)
TOTAL COMPREHENSIVE INCOME	–	–	–	–

The Treasury

Notes to the Financial Statements
30 June 2013

6. Current Assets – Cash and Cash Equivalents

	2013 \$'000	2012 \$'000
Petty cash	4	–
Cash at bank	<u>20 923</u>	<u>18 261</u>
	<u>20 927</u>	<u>18 261</u>

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

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

Cash and cash equivalents (per statement of financial position)	<u>20 927</u>	<u>18 261</u>
Closing cash and cash equivalents (per statement of cash flows)	<u>20 927</u>	<u>18 261</u>

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

The Treasury

Notes to the Financial Statements
30 June 2013

7. Current / Non-Current - Receivables

	2013 \$'000	2012 \$'000
Current		
Personnel services recoverable from LSCorp	3 130	–
Receivable from DFS	2 379	
Sale of goods and services	3 670	250
Interest	302	374
Prepayments	211	11
GST	243	799
Other	606	732
Total	<u>10 541</u>	<u>2 166</u>
Non-Current		
Personnel services recoverable from LSCorp	5 419	–
Total	<u>5 419</u>	<u>–</u>

The comparatives exclude certain Treasury assets which were transferred from DFS on 12 September 2012. Refer [Note 1\(a\)](#). Receivables for Sale of goods and services represent administrative services provided to the Crown Entity, NSW Self Insurance Corporation and the Building Insurers' Guarantee Corporation.

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

	2013 \$'000	2012 \$'000
Receivables – Personnel services, Sale of goods & services and Other		
Current amount	8 441	868
Overdue amount	<u>1 344</u>	<u>114</u>
	9 785	982
Less: Allowance for impairment	<u>–</u>	<u>–</u>
	<u>9 785</u>	<u>982</u>

Overdue Amounts

Receivable	Less than 3 months		3 to 6 months		More than 6 months		Total		Allowance for impairment		Net	
	2013 \$'000	2012 \$'000	2013 \$'000	2012 \$'000	2013 \$'000	2012 \$'000	2013 \$'000	2012 \$'000	2013 \$'000	2012 \$'000	2013 \$'000	2012 \$'000
Sale of goods and services	1 282	–	–	–	–	–	1 282	–	–	–	1 282	–
Other	<u>62</u>	<u>106</u>	<u>–</u>	<u>–</u>	<u>–</u>	<u>8</u>	<u>62</u>	<u>114</u>	<u>–</u>	<u>–</u>	<u>62</u>	<u>114</u>
Total	<u>1 344</u>	<u>106</u>	<u>–</u>	<u>–</u>	<u>–</u>	<u>8</u>	<u>1 344</u>	<u>114</u>	<u>–</u>	<u>–</u>	<u>1 344</u>	<u>114</u>

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

Notes to the Financial Statements
30 June 2013

8. Non-Current Assets – Plant and Equipment

	2013 \$'000	2012 \$'000
At 1 July – fair value		
Gross carrying amount	4 049	3 285
Accumulated depreciation and impairment	<u>(2 553)</u>	<u>(1 531)</u>
Net carrying amount at 30 June	<u>1 496</u>	<u>1 754</u>

Reconciliation

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

	2013 \$'000	2012 \$'000
Year ended 30 June		
Net carrying amount at start of year	1 754	1 113
Additions	336	1 284
Disposals	(249)	(345)
Depreciation expense	(590)	(638)
Other movements:		
Write back on disposal	245	335
Reclassification of intangibles to plant and equipment	<u>–</u>	<u>5</u>
Net carrying amount at end of year	<u>1 496</u>	<u>1 754</u>

9. Intangible Assets

	2013 \$'000	2012 \$'000
At 1 July		
Cost (gross carrying amount)	3 327	2 233
Accumulated amortisation and impairment	<u>(2 796)</u>	<u>(1 559)</u>
Net carrying amount at 30 June	<u>531</u>	<u>674</u>

Reconciliation

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

	2013 \$'000	2012 \$'000
Year ended 30 June 2013		
Net carrying amount at start of year	674	917
Additions	48	121
Transfer from DFS to Treasury (refer note 1(a))	119	–
Amortisation (recognised in 'depreciation and amortisation')	(310)	(359)
Other movements:		
Reclassification of intangibles to plant and equipment	<u>–</u>	<u>(5)</u>
Net carrying amount at end of year	<u>531</u>	<u>674</u>

Notes to the Financial Statements
30 June 2013**10. Current Liabilities - Payables**

	2013 \$'000	2012 \$'000
Accrued salaries, wages and on-costs	1 748	1 079
Creditors	<u>2 985</u>	<u>5 489</u>
	<u>4 733</u>	<u>6 568</u>

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

11. Current / Non-Current Liabilities - Provisions

	2013 \$'000	2012 \$'000
Current		
Employee benefits and related on-costs		
Recreation leave	5 466	4 053
Long Service Leave not assumed by the Crown	1 945	–
Provision for On-costs on employee benefits	3 031	2 084
Provision for fringe benefits tax	24	18
Provision for Redundancies	<u>3 317</u>	<u>–</u>
Total Current	<u>13 783</u>	<u>6 155</u>
Non-current		
Employee benefits and related on-costs		
Long Service leave not assumed by the Crown	77	–
Provision for Payroll Tax on Long Service Leave Liability	43	33
Provision for On-costs on Long Service Leave Liability	<u>145</u>	<u>47</u>
	<u>265</u>	<u>80</u>
Superannuation	5 329	–
Other		
Restoration costs	<u>1 025</u>	<u>1 025</u>
Total Non-current	<u>6 619</u>	<u>1 105</u>
Aggregate employee benefits and related on-costs		
Provisions – current	13 783	6 155
Provisions – non-current	5 594	80
Accrued salaries, wages and on-costs (Note 10)	<u>1 748</u>	<u>1 079</u>
	<u>21 125</u>	<u>7 314</u>
Movements in provisions (other than employee benefits)		
Carrying amount at the beginning of financial year	1 025	–
Additional provisions recognised	<u>–</u>	<u>1 025</u>
Carrying amount at end of financial year	<u>1 025</u>	<u>1 025</u>

12. Current / Non-Current Liabilities - Other

	2013 \$'000	2012 \$'000
Liability to Consolidated Fund	<u>1</u>	<u>–</u>
	<u>1</u>	<u>–</u>

Notes to the Financial Statements
30 June 2013

13. Defined Benefit Superannuation Schemes

Accounting policy

Actuarial gains and losses are recognised immediately in other comprehensive income in the year in which they occur.

Fund information

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

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

These schemes are all defined benefit schemes – at least a component of the final benefit is derived from a multiple of member salary and years of membership. All the schemes are closed to new members.

No comparative information is provided as these schemes relate to staff that perform the functions of the activities of LSCorp which were transferred from DFS under *Public Sector Employment and Management (Treasury) Order 2012 No 514* at 12 September 2012 (refer Note 1(a)). Under budget arrangements the Treasury is responsible for superannuation payments of the staff that perform the functions of the LSCorp. The defined benefit schemes for other employees are assumed by the Crown Entity.

Reconciliation of the present value of the defined benefit obligation to 30 June 2013

	SASS 11/9/2012 to 30/6/2013 \$'000	SANCS 11/9/2012 to 30/6/2013 \$'000	SSS 11/9/2012 to 30/6/2013 \$'000	Total 11/9/2012 to 30/6/2013 \$'000
Present value of partly funded defined benefit obligations at beginning of the period	2 647	686	18 485	21 818
Current service cost	80	21	24	125
Interest cost	60	16	446	522
Contributions by fund participants	42	–	49	91
Actuarial gains / (losses)	95	(47)	(884)	(836)
Benefits paid	(163)	16	(512)	(659)
Present value of partly funded defined benefit obligations at end of the period	<u>2 761</u>	<u>692</u>	<u>17 608</u>	<u>21 061</u>

Reconciliation of the fair value of fund assets to 30 June 2013

	SASS 11/9/2012 to 30/6/2013 \$'000	SANCS 11/9/2012 to 30/6/2013 \$'000	SSS 11/9/2012 to 30/6/2013 \$'000	Total 11/9/2012 to 30/6/2013 \$'000
Fair value of fund assets at beginning of the period	2 712	632	10 727	14 071
Expected return on fund assets	175	41	724	940
Actuarial gains/(losses)	273	43	733	1 049
Employer contributions	88	24	129	241
Contributions by Fund participants	42	–	49	91
Benefits paid	(163)	16	(512)	(659)
Fair value of fund assets at end of the period	<u>3 127</u>	<u>756</u>	<u>11 850</u>	<u>15 733</u>

The Treasury

Notes to the Financial Statements 30 June 2013

Reconciliation of the assets and liabilities recognised in the Statement of Financial Position at 30 June 2013

	SASS 30/6/2013 \$'000	SANCS 30/6/2013 \$'000	SSS 30/6/2013 \$'000	Total 30/6/2013 \$'000
Present value of partly funded defined benefit obligations at the end of period	2 762	692	17 608	21 062
Fair value of fund assets at end of period	(3 127)	(756)	(11 850)	(15 733)
Sub total	(365)	(64)	5 758	5 329
Adjustment for limitation on net asset	—	—	—	—
Net liability/(asset) recognised at end of the period	<u>(365)</u>	<u>(64)</u>	<u>5 758</u>	<u>5 329</u>

Expense recognised in the Statement of Comprehensive Income to 30 June 2013

	SASS 11/9/2012 to 30/6/2013 \$'000	SANCS 11/9/2012 to 30/6/2013 \$'000	SSS 11/9/2012 to 30/6/2013 \$'000	Total 11/9/2012 to 30/6/2013 \$'000
Current service cost	80	21	24	125
Interest cost	60	16	446	522
Expected return on fund assets (net of expenses)	(175)	(41)	(724)	(940)
Expense / (Income) recognised	<u>(35)</u>	<u>(4)</u>	<u>(254)</u>	<u>(293)</u>

Amounts recognised in Other Comprehensive Income to 30 June 2013

	SASS 11/9/2012 to 30/6/2013 \$'000	SANCS 11/9/2012 to 30/6/2013 \$'000	SSS 11/9/2012 to 30/6/2013 \$'000	Total 11/9/2012 to 30/6/2013 \$'000
Actuarial (gains)/losses	(178)	(90)	(1 617)	(1 885)

Cumulative amount recognised by the Treasury in Other Comprehensive Income to 30 June 2013

	SASS 11/9/2012 to 30/6/2013 \$'000	SANCS 11/9/2012 to 30/6/2013 \$'000	SSS 11/9/2012 to 30/6/2013 \$'000	Total 11/9/2012 to 30/6/2013 \$'000
Cumulative amount of actuarial gains/ (losses)	(178)	(90)	(1 617)	(1 885)
Cumulative adjustment for limitation on net asset	—	—	—	—

Fund assets

The percentage invested in each asset class at the Statement of Financial Position date:

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

The Treasury

Notes to the Financial Statements 30 June 2013

Fair Value of Fund Assets

All fund assets are invested by SAS Trustee Corporation (STC) at arm's length through independent fund managers.

Expected Rate of Return on Assets

The expected return on assets assumption is determined by weighting the expected long-term return for each asset class by the target allocation of assets to each class. The returns used for each class are net of investment tax and investment fees.

Actual Return on Fund Assets to 30 June 2013

	SASS	SANCS	SSS	Total
	11/9/2012 to	11/9/2012 to	11/9/2012 to	11/9/2012 to
	30/6/2013	30/6/2013	30/6/2013	30/6/2013
	\$'000	\$'000	\$'000	\$'000
Actual return on fund assets	320	84	1 312	1 716

The Treasury

Notes to the Financial Statements 30 June 2013

Valuation Method and Principal Actuarial Assumptions at the Statement of Financial Position date

(a) Valuation Method

The Projected Unit Credit (PUC) valuation method was used to determine the present value of the defined benefit obligations and the related current service costs. This method sees each period of service as giving rise to an additional unit of benefit entitlement and measures each unit separately to build up the final obligation.

(b) Economic Assumptions

	2013
Salary increase rate (excluding promotional increases)	
2013/2014 (SASS, SSS and SANCS)	2.25% (PSS 2.95%)
2014/2015	2.25%
2015/2016 to 2019/2020	2.00%
2020 onwards	2.50%
Rate of CPI increase	2.5% per annum
Expected rate of return on assets	8.6% per annum
Discount rate	3.80% per annum

(c) Demographic Assumptions

The demographic assumptions at 30 June 2013 are those that were used in the 2012 triennial actuarial valuation plus an additional allowance for staff reductions consistent with the Labour Expense Cap advised in the 2012-13 Budget. The triennial review report is available from the NSW StateSuper website.

Historical information

Historical information for the current and previous four annual reporting periods are to be reported under AASB119 however as this is the first reporting period for The Treasury, only the current year information is provided below.

2013	SASS 11/9/2012 to 30/6/2013 \$'000	SANCS 11/9/2012 to 30/6/2013 \$'000	SSS 11/9/2012 to 30/6/2013 \$'000	Total 11/9/2012 to 30/6/2013 \$'000
Present value of defined benefit obligation	2 761	692	17 608	21 061
Fair value of fund assets	(3 127)	(756)	(11 850)	(15 733)
Deficit in fund	(365)	(64)	5 758	5 328
Experience adjustments – fund liabilities	95	(47)	(884)	(10 405)
Experience adjustments – fund assets	(273)	(42)	(733)	(5 077)

Expected Contributions to be paid in the next reporting period

	SASS 11/9/2012 to 30/6/2013 \$'000	SANCS 11/9/2012 to 30/6/2013 \$'000	SSS 11/9/2012 to 30/6/2013 \$'000	Total 11/9/2012 to 30/6/2013 \$'000
Expected contributions to be paid in the next reporting period	110	28	129	267

The Treasury

Notes to the Financial Statements 30 June 2013

Funding Arrangements for Employer Contributions

(a) Surplus/deficit

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

	SASS 11/9/2012 to 30/6/2013 \$'000	SANCS 11/9/2012 to 30/6/2013 \$'000	SSS 11/9/2012 to 30/6/2013 \$'000	Total 11/9/2012 to 30/6/2013 \$'000
Accrued benefits	2 584	616	10 459	13 659
Net market value of fund assets	<u>(3 127)</u>	<u>(756)</u>	<u>(11 850)</u>	<u>(15 733)</u>
Net (surplus)/deficit	<u><u>(543)</u></u>	<u><u>(140)</u></u>	<u><u>(1 391)</u></u>	<u><u>(2 074)</u></u>

(b) Contribution Recommendations

Recommended contribution rates for the entity are:

SASS	SANCS	SSS
Multiple of member contributions 2.10	Percentage of member salary 2.50	Multiple of member contributions 2.10

(c) Funding Method

Contribution rates are set after discussions between the employer, STC and NSW Treasury.

(d) Economic Assumptions

The economic assumptions adopted for the 2012 actuarial review of the Fund were:

	2013
Expected rate of return on Fund assets backing current pension liabilities	8.3% per annum
Expected rate of return on Fund assets backing other liabilities	7.3% per annum
Expected salary increase rate	SASS, SANCS, SSS 2.7%pa (PSS 3.5%pa) for 6 years then 4.0%pa
Expected rate of CPI increase	2.5% per annum

Nature of Asset/Liability

If a surplus exists in the employer's interest in the fund, the employer may be able to take advantage of it in the form of a reduction in the required contribution rate, depending on the advice of the Fund's actuary.

Where a deficiency exists, the employer is responsible for any difference between the employer's share of Fund assets and the defined benefit obligation.

Notes to the Financial Statements
30 June 2013

14. Increase/Decrease in Net Assets from Equity Transfers

Under the *Public Sector Employment and Management (Industrial Relations) Order 2012 No 456* and *Public Sector Employment and Management (Treasury) Order 2012 No 514*, the NSW Industrial Relations and staff that perform the functions of the LSCorp were transferred from the DFS to The Treasury effective from 12 September 2012. The following tables summarise the resulting increase in Net Assets from the equity transfers.

	\$'000
(i) Responsibility assumed for staff who perform the functions of the LSCorp	
Assets transferred from DFS	
Receivables	10 815
Liabilities transferred from DFS	
Provision for employee benefits	<u>10 815</u>
Change in net assets from equity transfers	<u>—</u>
(ii) Responsibility assumed for NSW Industrial Relations	
Assets transferred from DFS	
Cash and cash equivalents	4
Receivables	1 368
Intangible assets	119
Liabilities transferred from DFS	
Provisions	<u>1 284</u>
Increase in net assets from equity transfers	<u>207</u>

15. Commitments for expenditure

	2013	2012
	\$'000	\$'000
Operating Lease Commitments		
Future non-cancellable operating lease rentals not provided for and payable:		
Not later than one year	5 687	5 044
Later than one year and not later than five years	2 548	7 359
Later than five years	<u>—</u>	<u>—</u>
Total (including GST)	<u>8 235</u>	<u>12 403</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 2013 include input tax credits of \$749 000 (\$1.1 million in 2011–2012) which are recoverable from the Australian Taxation Office.

16. Contingent Liabilities and Contingent Assets

There are no contingent assets or liabilities as at the reporting date (2012 Nil).

17. Budget Review

Net result

The actual net result was a surplus of \$2.7 million compared to a net deficit budget of \$118 000. This was mainly due to an underspend of consultants as projects were either not progressed or delayed and not completed by year end. This surplus was partially offset by an overrun in employee related expenses resulting from the accrual of redundancies in NSW Industrial Relations following the loss of the Commonwealth Fair Work contract from 1 July 2013.

Assets and liabilities

Current assets increased by \$11.7 million mainly from a higher cash balance due in part to an increase in creditor accruals at year end and general savings including consultancies. There was also an increase in receivables for industrial relations compliance work on behalf of the Commonwealth government and employee entitlements owing from DFS for the transfer of NSWIR to Treasury. Non-Current receivables decreased by \$3.4 million mainly due to the lower valuation of superannuation investments due to The Treasury for the personnel services of LSCorp.

Current liabilities increased by \$5.8 million largely due to the NSWIR redundancy provision and the recognition of personnel services (long service leave provisions) for the Long Service Corporation. Non-current liabilities decreased by \$2.3 million due to the lower valuation of personnel services superannuation funds previously noted.

Cash flows

The net cash flows from operating activities increased by \$2.4 million reflecting a combination of reduced payments due to employee cash savings from lower staff numbers and consultancies. These were partly offset by a reduction in recurrent appropriation and lower recoups of expenses from entities to whom Treasury provide employment services.

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

		2013 \$'000	2012 \$'000
Net cash flows from operating activities	Notes	3 046	7 807
Depreciation and amortisation	2(c)	(900)	(997)
Decrease / (increase) in provisions		(3 702)	(918)
Increase / (decrease) in receivables		1 993	(943)
Decrease / (increase) in payables		2 226	(3 490)
Net gain/(loss) on sale of plant and equipment	4	(4)	(9)
Net result		<u>2 659</u>	<u>1 450</u>

The Treasury

Notes to the Financial Statements 30 June 2013

19. Trust Funds

The Entertainment Industry Bond and Public Trust were transferred to The Treasury from DFS on the 12 September 2012 as part of the Administrative Order 2012 (No 456) (refer [Note 1\(a\)](#)).

At the end of the reporting period funds were primarily held in accounts within DFS, with accounts to be established in Treasury's name early in the new financial year. These amounts have been excluded from the financial statements as The Treasury cannot use the money for the achievement of its objectives. The following is a summary of the transactions and purpose of this account:

	Entertainment Industry Bond (i)	Public Trust (ii)
	2013 \$'000	2013 \$'000
Opening cash balance at 12/9/2012	140	57
Receipts	16	16
Expenditure	<u>30</u>	<u>26</u>
Closing cash balance	<u>126</u>	<u>47</u>

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

20. Administered Assets

The responsibility of the Unclaimed Wages trust relating to Industrial Relation matters was transferred to The Treasury from DFS on the 12 September 2012 as part of the Administrative Order 2012 (No 456) (refer [Note 1\(a\)](#)).

At the end of the reporting period funds were primarily held in an account within DFS, with an account to be established in Treasury's name early in the new financial year. This amount has been excluded from the financial statements as The Treasury cannot use the money for the achievement of its objectives. The following is a summary of the transactions and purpose of this account:

	Unclaimed Wages (i)
	2013 \$'000
Opening cash balance at 12/9/2012	56
Revenue	97
Expenses	41
Transfers to the Crown	<u>83</u>
Closing cash balance	<u>29</u>

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

The Treasury

Notes to the Financial Statements 30 June 2013

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 2013 \$'000	Carrying amount 2012 \$'000
Cash and cash equivalents	6	N/A	20 927	18 261
Receivables (i)	7	Receivables (at amortised cost)	15 507	1 356

Financial liabilities	Note	Category	Carrying amount 2013 \$'000	Carrying amount 2012 \$'000
Payables (ii)	10	Financial liabilities measured at amortised cost	2 985	5 484

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

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

(b) Credit risk

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

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

Cash

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

Receivables

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

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

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

(c) Liquidity risk

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

The Treasury

Notes to the Financial Statements 30 June 2013

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 2012–2013 year (2011–2012 \$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
2013					
<i>Financial liabilities</i>					
Creditors	–	<u>2 985</u>	<u>2 985</u>	=====	=====
2012					
<i>Financial liabilities</i>					
Creditors	–	<u>5 484</u>	<u>5 484</u>	=====	=====

The Treasury

Notes to the Financial Statements 30 June 2013

(d) Market risk

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

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

Interest rate risk					
		-1%		+1%	
	Carrying amount \$'000	Net Result \$'000	Equity \$'000	Net Result \$'000	Equity \$'000
2013					
Financial assets					
Cash and cash equivalents	20 927	(209)	(209)	209	209
Receivables	15 507	-	-	-	-
Financial liabilities					
Payables	2 985	-	-	-	-
Total increase / (decrease)		<u>(209)</u>	<u>(209)</u>	<u>209</u>	<u>209</u>
2012					
Financial assets					
Cash and cash equivalents	18 261	(183)	(183)	183	183
Receivables	1 356	-	-	-	-
Financial liabilities					
Payables	5 484	-	-	-	-
Total increase / (decrease)		<u>(183)</u>	<u>(183)</u>	<u>183</u>	<u>183</u>

(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

In accordance with the *Public Sector Employment and Management (NSW Self Insurance Corporation) Order 2013 No 187*, the group of staff in the Treasury who were employed to enable the NSW Self Insurance Corporation to exercise its functions were removed from the Treasury and added to the Department of Finance and Services effective 1 July 2013. The effect of this order cannot currently be reliably measured and is expected to reduce employee related expenses and reduce revenues from the sale of goods and services in 2013-14.

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

End of audited Financial Statements

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Senior executive performance, grades and remuneration¹

Secretary | Philip Gaetjens

BA (Hons), GradDip ProfAcc, SES Level 8. Remuneration \$471,561

Provided overall leadership for Treasury's advice to the Government on financial and economic management helping to retain the State's Triple-A credit rating. Instigated internal restructuring and cultural change to improve collaboration and the strategic focus of the organisation. Influenced whole-of-Government decisions through membership of high-level policy and governance committees and INSW board.

Associate Secretary | Maryanne Mrakovic | Fiscal and Economic

BA (Hons) MEc, SES Level 7. Remuneration² \$142,633

Ensured deeper engagement throughout the public sector on financial management issues, led the Financial Management Transformation program, established and structured the Fiscal and Economic Group.

Deputy Secretary | Tim Spencer | Commercial Policy and Financing

BSc (Hons), SES Level 6. Remuneration \$355,245

Led the restructuring of the Commercial Policy and Financing Directorate including the establishment of the Infrastructure Financing Unit, oversaw the lease of Port Botany, Port Kembla, and the sale of generation assets. Implemented an active shareholder performance model.

Associate Secretary | Kevin Cosgriff | Resource Allocation

BSc (Hons) MA (Econ), SES Level 6. Remuneration \$362,428

Supported final-stage negotiations with the Commonwealth Government on the National Education Reform Agreement, and led financial modelling for the reforms in order to manage the implications for the NSW Budget forward estimates.

Associate Secretary | Caralee McLiesh | Resource Allocation

PhD (Finance), BEc (Hons), SES Level 7. Remuneration³ \$349,981

Led provision of policy analysis and financial modelling to support the NSW Government to reach agreement with the Commonwealth to launch the National Disability Insurance Scheme in July 2013. On maternity leave from 27 January 2013.

Executive Director | Vicki Telfer | Industrial Relations

BSc, DipEd, MPA, MALP, MAICD, SES Level 4. Remuneration \$37,256 since⁴ 29 April 2013.

Led provision of strategic policy advice to the government on industrial relations matters including ensuring the Government's Public Sector Wages and Conditions of Employment Policy of 2.5 per cent per annum is adhered to; led the restructuring of NSW Industrial Relations compliance functions.

Deputy Secretary | Mark Ronsisvalle | Fiscal and Economic

BEc PSM, SES Level 6. Remuneration \$352,255

Oversight of the production of the Total State Sector Accounts and the Half-Yearly Review. Played a significant role in the development and delivery of the 2013–14 State Budget.

Deputy Secretary | Matt Roberts | Resource Allocation

BEc MEc, SES Level 6. Remuneration \$289,508

Provided a strong economic focus to transport, planning, environment, water projects and reform. In particular, ensured an effective economic focus to the *White Paper: A New Planning System for NSW*, and assisted the integration of the Long Term Transport Master Plan and the State Infrastructure Strategy.

Deputy Secretary | Anne Ellison | Corporate

BA Dip Ed MComm, SES Level 5. Remuneration \$250,946

Provided strong leadership of Treasury's corporate functions during a period of significant change, oversaw development of a new capability framework, performance management system and improved technology platform.

During 2012–13 the following senior executive officers also held positions with NSW Treasury

Hugo Harmstorf BEc (Hon) MBA (Executive) Transformation Program Executive
SES Level 6. Remuneration \$217,959. Last day of service 8 February 2013.

Richard Timbs BEc (SocSci) F Fin, Executive Director Transactions
SES Level 6. Remuneration \$293,565. Last day of service 9 May 2013

¹ 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.

² Ms Mrakovic commenced with NSW Treasury as Associate Secretary on 25 February 2013.

³ Dr McLiesh was on maternity leave as at 30 June 2013.

⁴ NSW IR was transferred to the NSW Treasury Cluster on 12 September 2012 but was transferred to the Treasury payroll on 29 April 2013.

Performance Measurement Framework

Key Performance Measures		Target	2008–09	2009–10	2010–11	2011–12	2012–13
Effective balance sheet management	Maintaining a Triple-A credit rating for NSW	Triple A	Triple A	Triple A	Triple A	Triple A	Triple A
	State superannuation liabilities on track to be fully funded by 30 June 2030	100% by June 2030	56.6%	57.7%	58.5%	64.7%	69.1%
Improved financial management and controls	Deviation of underlying actual expenses from Budget ¹	≤ +1%	+5.8%	<0%	<0%	<0%	<0%
	Keeping the State Budget in surplus	Budget result	-\$862m	\$989m	\$1,340m	\$660m	\$239m²
Improved efficiency and effectiveness of expenditure	Maintain expense growth below long-term revenue growth ³	Growth below average revenue growth of 5.6%	6.7%	7.3%	5.9%	5.9%	4.4%
Reform revenue	NSW's share of GST revenue relative to an equal per capita share	Improved NSW GST relativity	0.91060	0.93186	0.95205	0.95776	0.95312
	NSW total State General Government revenue ⁴ per capita to be less than the average for the other states	NSW ≤ Other States	NSW \$7,146 Others \$7,907	NSW \$7,901 Others \$8,536	NSW \$7,917 Others \$8,826	NSW \$8,111 Others \$9,182	NSW \$8,177 Others⁵ \$8,798
Improve PTE performance	Commercial government business agencies achieving an appropriate rate of return on equity ⁶	Increased number of agencies	3	4	3	3	2

¹ Underlying expenses are 'Traditional' GGS expenses excluding the Commonwealth fiscal stimulus impacts.

² This figure is from the 2012–13 Report on State Finances.

³ Based on four year annual average 'traditional' expense growth (i.e. excluding the Commonwealth fiscal stimulus impacts and the changed accounting treatment of unfunded superannuation liabilities). The target of 5.6 per cent is as prescribed in the Fiscal Responsibility Regulation 2013.

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

⁵ Other state expenditures are based on actual audited 2012–13 outcomes for Victoria and WA, preliminary 2012–13 outcome for Tasmania and 2012–13 revised estimates published in 2013–14 Budget for all other States.

⁶ Prior to 2011–12 this performance measure was "Achieving an appropriate rate of return on equity in commercial government businesses".

Performance Measurement Framework

Other Measures of Effectiveness		Target	2008–09	2009–10	2010–11	2011–12	2012–13	
Advice on economic and fiscal strategies	Treasury's tax revenue estimation variation compared with that of other Treasuries	NSW	NSW	NSW	NSW	NSW	NSW	
		≤	-3.8%	5.8%	1.0%	0.5%	-1.5%	
	Treasury's economic forecasting variation compared with that of other Treasuries	Other states	Others	Others	Others	Others	Others	Others
			-7.4%	5.2%	1.2%	-1.9%	1.9%	
Advice on the efficiency and effectiveness of public sector agencies	Percentage of required government businesses with a signed Statement of Corporate or Business Intent	NSW	NSW	NSW	NSW	NSW	NSW	
		≤	0.6% ¹	1.8% ⁶	0.5% ⁶	0.1%	nya²	
	Deviation of actual government business dividend and tax equivalent payments from budget estimate	Other states	Others	Others	Others	Others	Others	Others
			1.0%	1.6%	0.9%	1.0%	nya²	
Budget management	Treasury's general government expenses estimation variation compared with other Treasuries (ABS basis)	100%	SOCs	SOCs	SOCs	SOCs	SOCs	
			95%	100%	100%	100%	100%	
	Deviation of actual net financial liabilities from the Budget estimate	All	All	All	All	All	All	
			84%	79%	50%	84%	79%	
Infrastructure, asset management, and procurement	Treasury's general government expenses estimation variation compared with other Treasuries (ABS basis)	≤ ±10%	+1.9%	+1.2%	+16.3%	+17.8% ³	+11.9%	
	Percentage of state physical assets covered by a Total Asset Management Plan submission for nominated agencies	NSW	NSW	NSW	NSW	NSW	NSW	
		≤	6.1%	2.6%	1.9%	-2.3%	-1.0%	
Financial asset and liability management	Deviation of actual net financial liabilities from the Budget estimate	Other states	Others	Others	Others	Others	Others⁴	
			6.0%	3.4%	1.2%	0.7%	1.0%	
	Percentage of state physical assets covered by a Total Asset Management Plan submission for nominated agencies	100%	98.8%	98%	100%	100%	100%	
Deviation of actual net financial liabilities from the Budget estimate	≤ ±10%	-	-	-	-	8.5%		

Note: This measure is new in 2012–13 and includes superannuation, debt and insurance liabilities.

¹ Pre 2011-12 data revised to reflect actual ABS outcomes.

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

³ Excludes variances due to non-cash notional payments.

⁴ Other state expenditures are based on actual audited 2012-13 outcomes for Victoria and WA, preliminary 2012–13 outcome for Tasmania and 2012–13 revised estimates published in 2013-14 Budget for all other States.

Performance Measurement Framework

Other Measures of Efficiency		Target	2008–09	2009–10	2010–11	2011–12	2012–13
Staff development and wellbeing	Staff turnover	≤ 20%	10.7%	8.9%	9.8%	10.2%	9.1%
	Training days per officer	≥ 5 days	4.9 days	3.0 days	4.3 days	3.3 days	2.6¹ days
	Sick days per officer	≤ 5 days	5.5 days	6.0 days	5.2 days	5.5 days	3.5 days
Note: 2012-13 data for Staff turnover and Sick days per officer does not include Long Service Corporation and data collection for NS=W Industrial Relations commenced from 26 April 2013.							
Project management	Treasury's actual net cost of services to be less than or equal to its budget allocation	≤ 100%	100%	94.8%	97.8%	99%	91.4%
	Registered correspondence and projects completed by due date	≥ 80%	83%	81%	71% ²	80%	75%
Performance management	Staff participating in Treasury's Performance Agreement and Review scheme	100%	66%	79%	65%	NA ³	91%

¹ 2012–13 result is less than five days per person because individual and branch training needs analysis was conducted and a customised Learning and Development Calendar developed targeting Treasury staff.

² 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.

³ 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.

Staff Statistics¹

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 the 2012–13 financial year, Treasury had 523.4 full-time equivalent (FTE) staff. This equates to a headcount of 568 officers, some who worked part-time throughout the year.

Table 1 shows the number of FTE staff working in each of Treasury's directorates (and the work units, Long Service Leave Corporation and NSW Self Insurance Corporation) over 2012-13. Graduates and indigenous cadets numbers are incorporated within the directorates.

These staff numbers are from Treasury's Annual Workforce Profile and include all staff on the NSW Treasury payroll and Treasury staff working in NSW Self Insurance Corporation (SiCorp) and Long Service Corporation. However it excludes staff on unpaid leave or secondments within the NSW public sector.

Table 1: Full-time equivalent staff by directorate

Directorate	Full-time equivalent (FTE)
Commercial Policy & Financing	45.4
Corporate	42.6
Fiscal and Economic	138.7
Resource Allocation	94.6
NSW Industrial Relations	99.4
Long Service Corporation	60.7
SiCorp	42.0
Total	523.4

Table 2: Actual number of staff by age

Age range	Staff number
20-24 years	23.0
25-29 years	57.0
30-34 years	71.0
35-39 years	66.0
40-44 years	68.0
45-49 years	72.0
50-54 years	95.0
55-59 years	72.0
60+ years	44.0

¹ Staff statistics are correct as at 30 June 2013.

Table 3: Senior Executive Service (SES) Levels

SES Level	2011–12		2012–13	
	Male	Female	Male	Female
Level 8	1.0	0.0	1.0	0.0
Level 7	0.0	0.0	0.0	2.0
Level 6	5.0	1.0	5.0	0.0
Level 5	0.0	1.0	0.0	1.0
Level 4	0.0	0.0	3.0	1.0
Level 3	3.0	1.0	2.0	1.0
Level 2	12.6	5.0	13.0	4.0
Level 1	0.0	0.0	0.0	2.0
Total	21.6	8.0	24.0	11.0

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

Classification	Grade	Full-time equivalent
Clerk	Grade 1 – Grade 2	2.7
	Grade 2 – Grade 3	2.0
	Grade 3 – Grade 4	68.8
	Grade 4 – Grade 5	3.0
	Grade 5 – Grade 6	102.8
	Grade 7 – Grade 8	69.9
	Grade 9 – Grade 10	71.3
	Grade 11 – Grade 12	91.4
	Clerk Total	
Departmental Professional Officer ¹	Grade 1	9.0
	Departmental Professional Officer Total	9.0
Senior Officer	Grade 1	4.0
	Grade 2	2.0
	Grade 3	5.0
Senior Officer Total		11.0
Treasury Technical Officer	Grade 1	44.4
	Grade 2	12.9
Treasury Technical Officer Total		57.3
Legal Officer	Grade V	1.0
Legal Officer Total		1.0
Total Full-time equivalent²		490.2

¹ Treasury Graduate recruits

² Total full-time equivalent excludes SES data listed in Table 3. SES data are headcount numbers.

Table 5: Part-time staff by classification and grade

Grade	Actual Staff Numbers	Full-time equivalent
Clerk Grade 1-2	0.0	1.0
Clerk Grade 3-4	4.0	6.0
Clerk Grade 5-6	0.0	17.0
Clerk Grade 7-8	2.0	11.0
Clerk Grade 9-10	2.0	20.0
Clerk Grade 11-12	2.0	10.0
Treasury Technical Officer Grade 1	1.0	5.0
Treasury Technical Officer Grade 2	1.0	2.0
Total	12.0	72.0

Table 6a: Trends in the representation of EEO Groups

EEO Group	Benchmark/ Target	2011	2012	2013
Women	50.0	51.4	51.2	52.2
Aboriginal people and Torres Strait Islanders	2.6	1.4	1.6	1.1
People whose first language was not English	19.0	23.3	24.3	23.4
People with a disability	NA	5.6	5.2	4.6
People with a disability requiring work-related adjustment	1.5	2.4	2.2	2.2

Table 6b: Trends in the distribution of EEO Groups as measured by the distribution index

EEO Group	Benchmark/ Target	2011	2012	2013
Women	100	92	92	93
Aboriginal people and Torres Strait Islanders	100	NA	NA	NA
People whose first language was not English	100	95	95	96
People with a disability	100	94	97	93
People with a disability requiring work-related adjustment	100	NA	NA	NA

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

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

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

Work Health and Safety

Treasury's Health and Safety Representatives

NSW Treasury recognises that the best way to ensure a safe and healthy workplace is for senior management to work together with workers to identify and solve workplace health and safety problems.

Treasury consults with its workers via the elected Health and Safety Representatives (HSRs). The HSRs meet with Treasury management monthly and monitor workplace risks, develop preventive safety strategies and promote workplace safety.

Proactive Work Health and Safety Risk Management

Treasury has mechanisms to minimise the potential risks to workplace health and safety, thereby minimising the number and severity of workplace injuries.

In 2012–13 Treasury continued its proactive approach to workplace health and safety risk management by organising health and wellbeing information sessions with *BeyondBlue*. The sessions provided staff with information and an increased awareness of depression and anxiety disorders in the workplace, identified practical ways to support someone in need, and advised on where to go for further help.

Treasury also developed an Ergonomic Policy, created an ergonomics section for Treasury's Intranet and organised a number of ergonomic training sessions to assist staff on how apply ergonomic principles to their workstation.

Table 8: Workplace health and safety incidents and assessments

	2009–10	2010–11	2011–12	2012–13
Reported workplace incidents	14	15	14	27
WH&S assessments conducted	6	21	9	13

Note: Figures do not include journey claims.

The increase in reported workplace incidents shown in table 8 above, can be attributed to implementing better risk management practices, giving rise to higher reporting rates and an increase in staff numbers, including all staff from NSW Industrial Relations.

First Aid Officers

Treasury has fully trained First Aid officers in the workplace to respond to a health and safety incident. We have First Aid officers on all floors and exceeded the statutory requirements for the number of First Aid officers.

Employee Assistance Program

Treasury's Employee Assistance Program provider is *AccessEAP*. The program provides free emergency on call counselling 24 hours a day, 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 in response to work or personal problems experienced directly or by an immediate member of their family. Specialist counsellors also provide advice through the *AccessEAP* Manager Support Service to managers dealing with complex workplace problems.

Flu Vaccination Program

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

Table 9: Staff participation in the flu vaccination program

	2009-10	2010-11	2011-12	2012-13
Actual number of staff	165	153	139	250*

* includes 17 staff from Industrial Relations and 26 from Long Service Corporation.

Healthy Living

NSW Treasury promotes a work-life balance. Treasury staff are 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.

Treasury's City to Surf team was the first NSW Government team to cross the finish line.

Treasury staff are also regularly encouraged to take accrued leave, and all staff must take at least one break of two week's duration each year.

Global Corporate Challenge

Treasury encouraged and supported staff to participate in the Global Corporate Challenge from May 2013. A total of 105 staff in 10 teams participated in 16-week challenge which aimed at changing the behaviour and improving the health of employees around the world.

Access and Equity Plan 2013–2015 / Equal Employment Opportunity

The Treasury Access and Equity Plan 2013–2015 integrates our Disability Strategic Plan and provides a blueprint for Treasury to:

- ≈ access all labour market talent pools
- ≈ identify and remove barriers to the attraction and retention of under-represented talent pools in our workforce
- ≈ achieve the NSW Government benchmarks and targets relating to improving the employment opportunities for disadvantaged talent pools.

During 2012–13 our focus was on embedding our performance management and capability frameworks. Manager and employee briefings and development sessions were held to build a high performance culture underpinned by fair and equitable work practices. Employees attended sessions on bullying/harassment prevention and clarifying and strengthening best practice communication.

Treasury's Equal Employment Opportunity data tables are provided on pages 90–91.

Multicultural Policies and Services Program

Treasury is committed to upholding the principles of cultural diversity and the equal participation of all communities in a cohesive and multicultural NSW. Approximately 23 per cent of Treasury's workforce is from a non-English speaking background, and Treasury works in partnership with the service sector ensuring services are delivered efficiently and meet the diverse needs of the people of NSW.

Encouraging the Participation of Women

Treasury's Executives mentored four female undergraduate students from the Universities of Sydney and Western Sydney as part of our continuing participation in the Lucy Program. The Lucy Program provides opportunities for women to develop leadership skills while completing a work based group project. Half of Treasury's Executive Board positions are held by women.

In 2012–13 nine graduates participated in Treasury's Graduate Program and five were women.

The Treasury Further Studies Assistance policy enables employees to undertake a range of higher degrees that contribute to the development of leadership skills and our high performance culture. During 2012–13, women comprised 41 per cent of staff who successfully completed part-time study for higher degrees.

High potential Treasury women are sponsored to attend career development programs such as the Springboard Women's Development Program and the Drive Your Career Program.

Encouraging the Participation of Aboriginal and Torres Strait Islanders

Treasury's Aboriginal employment strategy focusses on building accounting and finance capabilities. In 2012–13 we expanded our participation in the Indigenous Cadetship Program recruiting one additional cadet. Our Indigenous Cadetship Program allows successful participants to work with Treasury business units for 12 weeks during their semester breaks after completing the second year of their degree programs. Treasury supported cadets participating in National Aborigines and Islanders Day Observance Committee (NAIDOC) Week activities. We also celebrated NAIDOC Week by encouraging all Treasury employees to attend a presentation by Melissa Williams, Director Office of Aboriginal and Torres Strait Islander Employment and Engagement University of Western Sydney.

Treasury continued to work with universities to encourage Aboriginal and Torres Strait Islander students to take up accounting and finance careers. We held our annual career forum with Nura Gili the Indigenous Education Unit at the University of NSW and continued our policy of offering a targeted position for an Aboriginal and Torres Strait Islander Graduate to join our Graduate Program.

Encouraging the Participation of People with Disabilities

Treasury has accessed a range of specialist services to support our employees with disabilities - including medical specialists, ergonomic workplace assessors and occupational psychologists - matching job requirements to individual needs wherever possible.

We have continued our partnership with JobSupport the employment service for people with intellectual disabilities. They provide on-the-job training for an employee who is working in an administrative support position.

Treasury employees celebrated International Day of People with Disability by attending a presentation by the Special Olympics Australia Dance Performance Group. This event provided an opportunity for staff to further develop their understanding of people with disabilities and reinforced our commitment to an inclusive workplace culture.

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(3) of the GIPA Act, agencies must review their programs for the release of government information to identify the kind of information that can be made publicly available. This review must be undertaken at least once every 12 months. As a result of this review, NSW Treasury has formed the Open Government Committee that identifies and provides recommendations for the proactive release of information on Treasury's website.

The information released proactively by Treasury included:

- ≈ Weekly Economic Calendar
- ≈ Weekly Economic Roundup
- ≈ Suite of Risk Management Tools
- ≈ Standard and Poor's Credit Rating
- ≈ Public Interest Disclosure Internal Reporting Policy
- ≈ Treasury Guidelines Monthly Budget Profiles
- ≈ Policy and Guidelines for Public Private Partnerships (PPPs)
- ≈ NSW Treasury Capability Framework
- ≈ Procedure for Managing Formal Access Requests under *Government Information (Public Access) Act 2009*.

See <http://www.treasury.nsw.gov.au/> for access to the documents.

Number of access applications received

During the reporting period, Treasury received 16 formal access applications under the GIPA Act, of these two were withdrawn by the applicants, three were transferred to other agencies and two carried forward to 2013–14.

Number of refused applications for Schedule 1 information

A total of 10 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, five were refused in full, and five 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

The tables below are set out according to *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	2	3	0	0	0	0	0	2
Members of Parliament	0	1	5	1	0	0	0	0
Private sector business	0	0	0	0	0	0	0	0
Not for profit organisations or community groups	0	1	0	0	0	0	0	0
Members of the public (application by legal representative)	0	0	0	1	0	0	0	0
Members of the public (other)	0	0	0	0	0	0	0	0

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

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

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

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

Table C: Invalid applications

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

Table D: Conclusive presumption of overriding public interest against disclosure

Matters listed in Schedule 1 of the Act	Number of times consideration used
Overriding secrecy laws	0
Cabinet information	6
Executive Council information	0
Contempt	0
Legal professional privilege	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

Matters listed in table to section 14 of the Act	Number of occasions when application not successful
Responsible and effective government	2
Law enforcement and security	0
Individual rights, judicial processes and natural justice	0
Business interests of agencies and other persons	4
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)	6
Decided after 35 days (by agreement with applicant)	8
Not decided within time (deemed refusal)	0
Total	14

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
Total	0	0	0

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

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

During the reporting period NSW Treasury took the following actions in ensuring our public interest disclosures obligations were met:

- ≈ updating the public interest disclosures internal reporting policy
- ≈ the Secretary wrote an endorsement for the internal reporting policy and committed to the objectives of the PID Act
- ≈ creating a new *Public Interest Disclosures Guidelines* and published them on the Intranet and Treasury's website
- ≈ updating the *Guide to Making a Public Interest Disclosure* brochure and uploaded to the Intranet
- ≈ the creation and placement of *Reporting Wrongdoing in Treasury* posters throughout Treasury.

Protecting Privacy and Personal Information

NSW Treasury respects the privacy of members of the public who use our services, and the privacy of our employees. Also NSW Treasury complies 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 Contact Officer. Departmental staff are made aware of the privacy legislation and its requirements through training/information sessions, advice provided through the Executive and Ministerial team, messages from the Secretary and information on Treasury's Intranet.

In the reporting period, Treasury developed new Privacy Guidelines, updated the Treasury's Privacy Intranet page, and arranged for Online Privacy Training for all staff. A number of these initiatives were undertaken or launched with a message from the Secretary during Privacy Week in April 2013.

New staff members are briefed when joining Treasury on their obligations under the PPIP Act in relation to the handling of personal information.

Clause 6 of the Annual Reports (Departments) Regulation 2010 requires a statement of the action taken by Treasury in complying with the requirements of the PPIP Act, and statistical details of any review conducted by or on behalf of Treasury under Part 5 of that Act. There were no Internal Reviews conducted by or on behalf of NSW Treasury 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

Waste Reduction and Purchasing Policy

Treasury's Waste Reduction and Purchasing Policy forms part of the NSW Government's Sustainability Policy which sets out targets for sustainable resource use, disposal and procurement across energy, greenhouse gas emissions, water, fleet, and waste. NSW Treasury continues to implement waste reduction and purchasing policy practices to reduce waste and purchase recycled content materials for paper products and office consumables.

In 2012–13 Treasury worked with ServiceFirst (a business unit of the Department of Finance and Services) to ensure accommodation fit-outs included materials that were re-used and recycled to reduce waste and reduce costs.

To reduce waste, Treasury continued replacement of individual photocopiers, scanners and printers with multi-functional devices. These multi-functional devices have the capacity to scan, photocopy or print and have reduced:

- ≈ capital outlay
- ≈ number of toners used
- ≈ space to accommodate the office equipment
- ≈ electricity consumption
- ≈ fumes in the office environment.

Printing and photocopying is done only when necessary and as much as possible using a double-sided print option. Bins to collect recycling material are provided at each workstation, in kitchens and common areas.

In 2013-14 Treasury will commence implementing electronic document and records management which will support electronic workflows reducing the need for printed copies of documents.

e-disposal

In 2012–13, Treasury participated in e-disposal as part of the Asset Replacement Program. Treasury assets were disposed in an environmentally friendly way.

Treasury continues to purchase items with recycled content including paper and some stationary. Empty toner cartridges are collected by The Cartridge Recycler which specialises in collecting and distributing empty printer and fax toner cartridges for recycling. For every original toner cartridge that can be remanufactured The Cartridge Recycler donates \$1.00 to the Breast Cancer Institute of Australia.

Credit Card Certification

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

In accordance with Treasurer's Direction 205.01, Treasury's credit card use by officers has complied with Government requirements.

Accounts Payable Performance

Treasury contracts ServiceFirst to provide financial services. Treasury's service agreement with ServiceFirst is that it processes for payment Treasury's tax invoices after they have been certified and approved by delegated Treasury officers.

During 2012-13, there were no instances where penalty interest was paid for tax invoices that were overdue (as per Section 13 of the Public Finance and Audit Regulation 2010).

There were a small number of times where Treasury did not pay the tax invoices on time. The reasons included part delivery of goods where it was necessary to have full delivery before payment could be made; disputed tax invoices where the date of replacement invoices noted only the original tax invoice date; tax invoices incorrectly redirected and incorrectly rendered tax invoices.

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 2012	-	-	-	16.53
December 2012	-	1,697.88-	-	-
March 2013	725.79	691.01	-	1,964.26
June 2013	46.49	1,870.66	794.98	3,759.77

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

Quarter	Target %	Actual by Number %	Value \$	Total Amount Paid \$
September 2012	88	99.5	5,950,263	5,975,348
December 2012	88	99.0	2,884,629	2,913,747
March 2013	88	95.0	2,732,565	2,876,004
June 2013	88	95.8	2,952,740	3,080,134

Expenditure on Consultants

Table 12: NSW Treasury expenditure on consultants

Consultants	Project	Amount (ex. GST) \$
Consultants costing \$50,000 or more		
<i>Finance and Accounting/Tax</i>		
The Sysdoc Group P/L	Internal Process Mapping of aggregate Budget process delivering a comprehensive suite of procedural documentation and guidance to staff.	123,483
PriceWaterhouseCoopers	Expenditure review of NSW Emergency Services.	100,632
PriceWaterhouseCoopers	Profiling of staffing structure in selected NGOs in the social and community services sector to assist budget decisions.	114,560
Deloitte Touche Tohmatsu	Chart of Accounts design and simplification to support financial management and accounting access to NSW Government entities.	93,000
KPMG	Development of a COAG Vocational Education Training funding model.	500,000
Deloitte Touche Tohmatsu	SOC Performance Reporting preparation and data analysis for quarterly reporting of SOC performance.	81,301
Hoban Recruitment P/L and SHL Australia P/L	Capability-based recruitment development of recruitment activities, assessment centre training, facilitation and integration sessions.	89,443
PriceWaterhouseCoopers	NSW Police Officer Cost Review supporting the work of the Inter-Departmental Committee of the Police Efficiency and Savings Review.	136,000
PriceWaterhouseCoopers	Justice Health Review to support the review of health services in the correctional system.	407,710
Prof. Garry L Sturgess	Strategic advice on public private partnership arrangements.	54,540
Deloitte Touche Tohmatsu	Advising and assistance in agency data impact on the State Budget.	464,563
KPMG	NSW Budget and Financial Analysis Project to develop analytical tools and provision of analytical advice reconciling movement in NSW Government financial statements between reporting periods.	356,774
PriceWaterhouseCoopers	Develop an understanding of age-related expenditure across NSW agencies on age-specific and mainstream services supporting older people.	68,065
<i>Organisational Review</i>		
Boston Consulting Group	Transformation Program - support strategic planning and delivery of Treasury's Transformation Program	539,000
Boston Consulting Group	Supporting the establishment and roll out of the Fiscal Effectiveness Office Phase 2 implementation.	50,742
Fyusion Asia Pacific P/L	Review of 2012-13 Budget Process.	54,260
Boston Consulting Group	Fiscal Effectiveness Office Health Check capturing the lessons learned from the rollout.	135,450

Table 12: NSW Treasury expenditure on consultants (continued)

Consultants	Project	Amount (ex. GST) \$
Consultants costing \$50,000 or more (continued)		
Economic Assessment		
The Allen Consulting Group	Economic analysis on the impact of industrial relations developments on the construction industry in NSW.	88,047
Information Technology		
Oakton Services P/L	Business Continuity Plan Framework Development	56,000
Plaut IT (Australia) P/L	SAP Business Requirements.	61,541
Subtotal	20 Projects	\$3,575,111
Consultants costing less than \$50,000		
Finance and Accounting/Tax	13 Projects	293,551
Economic Assessment	11 Projects	186,414
Organisational Review	5 Projects	96,434
Sub total	29 Projects	576,399
Total expenditure on consultants		\$4,151,510

NSW Treasury Circulars

NSWTC12/15 Release of NSW Public Private Partnership Guidelines (2012)	15/08/2012
NSWTC 12/16 Goods and Services Tax (GST) regulations exempting certain government taxes, fees and charges (Division 81 of the GST Act)	23/08/2012
NSWTC 12/17 NSW Government Cash and Banking Services Tender 2012	26/09/2012
NSWTC12/18 / PSCC2012-09 Release of Manual of Delegations 2012	10/10/2012
NSWTC12/19 Submission of Business Cases	11/10/2012
NSWTC12/20 Budget Controls – Capital Expenditure Authorisation Limits	11/10/2012
NSWTC13/01 Mandatory early close procedures for 2013	25/01/2013
NSWTC13/02 Mandates of Options and Major Policy Decisions under Australian Accounting Standards	19/02/2013
NSWTC13/03 Budget Controls – Labour Expense Cap	14/03/2013
NSWTC13/04 2012-13 Financial Accounting Arrangements for the Crown Entity	15/04/2013

Overseas Visits

Budget process and performance measures in New Zealand

Narayan Mukkavilli, Acting Director Financial Management and Accounting Policy Branch, travelled to New Zealand on 12 to 13 July 2012 and met with senior Treasury officials from Budget and Financial Framework Advisory Committee (BAFFAC) member states in Australia and New Zealand. 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 and to share knowledge on contemporary budget and financial management issues.

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

Port Botany and Port Kembla Transactions

Richard Timbs, Project Director, Ports Transaction, travel to Toronto, Montreal, New York, London, Abu Dhabi/Dubai, Hong Kong from 15 to 25 July 2012 to highlight the Port Botany and Port Kembla asset transactions and attract prospective bidders.

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

North West Rail Link International Briefing

Peter Regan, Senior Director Commercial Branch, travelled to the United Kingdom, Canada, Hong Kong, Japan and France from 14 September to 1 October 2012. The briefing trip was an important component of the consultation process to ensure competitive interest in the project and to demonstrate the support of the NSW Government to the project. The trip also provided the opportunity to develop greater knowledge of developments in infrastructure financing approaches in the United Kingdom and Canada.

The costs of airfares and accommodation were shared between NSW Treasury and the North West Rail Link project, with Treasury covering the balance of meals and accommodation.

Budget process and performance measures in New Zealand

Mark Pellowe, Senior Director Financial Management Transformation in the Fiscal and Economic Group, travelled to New Zealand on 29 November to 1 December 2012 and met with senior officers from the New Zealand Treasury.

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

Australia and New Zealand School of Government (ANZSOG)

Lorraine Salloum, Manager People and Development, Corporate Directorate, travelled to New Zealand from 28 to 30 November 2012. Ms Salloum attended the final compulsory subject of the ANZSOG Executive Master of Public Administration degree program. Ms Salloum was sponsored for this degree program by the Public Service Commission. The program is a multi-jurisdictional course with subjects taught in each of the jurisdictions. The final compulsory subject was in Wellington.

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

NSW Credit Rating

Philip Gaetjens as Secretary NSW Treasury and Chairman of Treasury Corporation (TCorp), accompanied the Treasurer to the United States and the United Kingdom from 2 to 10 February 2013.

They met with representatives of Moody's and Standard & Poor's credit rating agencies to provide detailed briefings on the NSW economic and fiscal position. Meetings were also held with various financial services groups, current and potential investors to establish new, and deepen existing, relationships to strengthen TCorp's overseas investment activity and promote NSW investment opportunities.

The Secretary's costs for travel and accommodation were covered by NSW Treasury.

Government Self-Insurance

Steve Hunt, Director, NSW Self Insurance Corporation (SICorp) travelled to the United Kingdom and Singapore from 5 to 18 May 2013. 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 and protects government assets from catastrophic losses.

In company with SICorp's reinsurance service provider AON Benfield (Australia) P/L, Mr Hunt met with major international reinsurers in London, the traditional capital of the world reinsurance market where the majority of SICorp's reinsurance is placed, as well as Singapore for the purpose of renewing the SICorp reinsurance program 2013–14.

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

Australia and New Zealand School of Government China Reciprocal Program

From 22 June 2013 to 6 July 2013, Philip Gaetjens, Secretary NSW Treasury, travelled to China with delegates from the New Zealand Government and other Australian Government federal and state jurisdictions to participate in the Australia and New Zealand School of Government (ANZSOG) China Reciprocal Program.

The ANZSOG program discussed general matters such as the Chinese system of government and politics, the economy and key contemporary issues such as the environment, social policy and industry policy.

The Secretary was nominated to participate in the program by the NSW Senior Management Council. The cost of accommodation, meals, internal air travel and transfers was covered by the Chinese Academy of Governance. The Secretary's costs for overseas travel were covered by NSW Treasury.

Treasurer's Legislation - List of Legislation¹

Treasury administers the following primary pieces of legislation on behalf of the Treasurer

- *Annual Reports (Departments) Act 1985 No 156*
- *Annual Reports (Statutory Bodies) Act 1984 No 87*
- *Appropriation Act 2011 No 42*
- *Appropriation Act 2012 No 44*
- *Appropriation (Budget Variations) Act 2012 No 50*
- *Appropriation (Parliament) Act 2012 No 45*
- *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 2012 No 58*
- *Freight Rail Corporation (Sale) Act 2001 No 35*
- *General Government Liability Management Fund Act 2002 No 60*
- *Government Guarantees Act 1934 No 57*
- *Government Insurance Office (Privatisation) Act 1991 No 38 (except sections 26 and 27, jointly with the Minister for Finance and Services)*
- *Inscribed Stock Act 1902 No 79*
- *Inscribed Stock (Issue and Renewals) Act 1912 No 51*
- *Intergovernmental Agreement Implementation (GST) Act 2000 No 44*
- *NSW Grain Corporation Holdings Limited Act 1992 No 31*
- *NSW Lotteries (Authorised Transaction) Act 2009 No 60*
- *Pacific Power (Dissolution) Act 2003 No 17*
- *Parliamentary Budget Officer Act 2010 No 83*
- *Ports Assets (Authorised Transactions) Act 2012 No 101*
- *Public Authorities (Financial Arrangements) Act 1987 No 33*
- *Public Finance and Audit Act 1983 No 152 (except parts, the Premier)*
- *Public Loans Act 1902 No 81*
- *Restart NSW Fund Act 2011 No 32*
- *Road Improvement (Special Funding) Act 1989 No 95*
- *Secondary Mortgage Market (State Equity Participation) Act 1985 No 131*

¹ The list of legislation is correct as at 30 June 2013

- *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*

Treasury also administers the following primary pieces of legislation on behalf of the Treasurer in his capacity as the Minister for Industrial Relations:

- *Public Sector Employment and Management Act 2002 (Chapter 6 jointly with the Premier)*
- *Industrial Relations Act 1996*
- *Annual Holidays Act 1944*
- *Long Service Leave Act 1955*
- *Public Holidays Act 2010*
- *Retail Trading Act 2008*
- *Building and Construction Industry Long Service Payments Act 1986*
- *Contract Cleaning Industry (Portable Long Service Leave Scheme) Act 2010*
- *Long Service Corporation Act 2010*

In addition to the following portfolio legislation and associated regulations including:

- *Associated General Contractors Insurance Company Limited Act 1980 No 38*
- *Broken Hill Trades Hall Site Act 1898 No 31*
- *Broken Hill Trades Hall Site Extension Act 1915 No 42*
- *Builders Labourers Federation (Special Provisions) Act 1986 No 17*
- *Coal Industry (Industrial Matters) Act 1946 No 44*
- *Employment Protection Act 1982 No 122*
- *Entertainment Industry Act 1989 No 230*
- *Essential Services Act 1988 No 41*
- *Funeral Services Industry (Days of Operation) Repeal Act 2000 No 14*
- *Hairdressers Act 2003 No 62*
- *Industrial Relations Advisory Council Act 2010 No 76*
- *Industrial Relations (Child Employment) Act 2006 No 96*
- *Industrial Relations (Commonwealth Powers) Act 2009 No 115*
- *Industrial Relations (Ethical Clothing Trades) Act 2001 No 128*
- *Long Service Leave (Metalliferous Mining Industry) Act 1963 No 48*

¹ The list of legislation is correct as at 30 June 2013.

Treasurer's Legislation - Changes During 2012–13

NSW Self Insurance Corporation Amendment Act 2013

Amendments to provide principal arranged construction insurance and manage the liabilities of State officials.

Assented to on 25 June 2013.

Ports Assets (Authorised Transactions) Amendment Act 2013

An Act to amend the Ports Assets (Authorised Transactions) Act 2012 to extend the operation of that Act to Port of Newcastle; and for other purposes.

Assented to on 1 July 2013.

State Owned Corporations Legislation Amendment (Staff Directors) Act 2013

An Act to amend the State Owned Corporations Act 1989 and other legislation relating to State owned corporations to remove any requirement for a staff director.

Assented on 3 June 2013.

Energy Services Corporations Amendment (Distributor Efficiency) Act 2013

An Act to amend the Energy Services Corporations Act 1995 to make further provision for the operational efficiency of energy distributors.

Assented on 3 June 2013.

Energy Services Corporations Amendment (Distributor Efficiency) Act 2013

To improve the combined efficiency of energy distributors by providing for the appointment of a single board of directors and to provide that the board is to act in the best interests of the energy distributors as if they formed a combined operation.

Assented to on 3 Jun 2013.

Appropriation Act 2013

An Act to appropriate from the Consolidated Fund sums various sums of money required during the 2013-14 financial year for the recurrent services and capital works and services of the Government, including:

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

The Consolidated Fund largely comprises receipts from, and payments out of, taxes, fines, some regulatory fees, Commonwealth grants and income from Crown assets. The Bill for the 2013-14 financial year contains an additional appropriation which allocates revenue raised in connection with gaming machine taxes to the Minister for Health and Minister for Medical Research for spending on health related services.

The amounts appropriated for the Departments for the recurrent services and capital works and services for the financial year 2013-14 are:

- a) \$48,154,291,000 for recurrent services
- b) \$4,623,803,000 for capital works and services.

Additional appropriation for the Minister for Health and Minister for Medical Research amounts to \$254,300,000 with this being part of the revenue raised from gaming machine taxes.

The amounts appropriated for the Special Offices for the recurrent services and capital works and services for the financial year 2013-14 are:

- a) \$265,262,000 for recurrent services
- b) \$23,507,000 for capital works and services.

Assented to on 26 June 2013.

Appropriation (Parliament) Act 2013

An Act to appropriate out of the Consolidated Fund sums for the recurrent services and capital works and services of the Legislature for the year 2013-14.

The amounts appropriated for the 2013-14 are:

- a) \$117,078,000 for recurrent services
- b) \$12,133,000 for capital works and services.

Assented to on 26 June 2013.

State Revenue and Other Legislation Amendment (Budget Measures) Act 2013

This Act is cognate with the Appropriation Acts and

- ≈ increased the payroll tax threshold to \$750,000 and remove annual indexation
- ≈ increased the Job Action Plan payroll rebate to \$5,000 and close the scheme from 1 July 2015
- ≈ deferred abolition of the IGA taxes from 1 July 2013
- ≈ provides for an increase in the prescribed rate for the Health Insurance Levy
- ≈ extends the \$15,000 First Home Owners Grant.

Assented to on 26 June 2013.

Parliamentary Budget Officer Amendment Act 2013

The Bill has provided a legislative framework for a more effective, efficient and accountable Parliamentary Budget Office (PBO).

Main provisions included limiting the operation of the PBO to every four years with the sole function of preparing election policy costings, making the submission of policies for costings mandatory for the Leader of the Government and the Leader of the Opposition, allowing the Parliamentary Budget Officer to release more than one budget impact statement prior to each election to capture late policy announcements and clarifying the content of the budget impact statement released by the PBO.

Assented to on 14 May 2013.

Industrial Relations (General) Amendment (Fees) Regulation 2013

This Regulation amends the fees prescribed in Schedule 1 to the Industrial Relations (General) Regulation 2001 by 2.5%. The percentage increase is consistent with the NSW Public Sector Wages Policy and the ABS all groups CPI seasonally adjusted inflation rate. The Regulation also inserted references to the Secretary of The Treasury to reflect recent administrative changes.

The Regulation commenced 1 July 2013.

Industrial Relations (Public Sector Conditions of Employment) Amendment Regulation 2013

This Regulation amended the Industrial Relations (Public Sector Conditions of Employment) Regulation 2011 to re-declare the Government's public sector policies for the purposes of section 146C of the Industrial Relations Act 1996. The re-declaration clarifies the application of those policies in relation to the impact of increases in superannuation employment benefits.

The Regulation commenced 28 June 2013.

Annual Reports (Department) Act 1985

Annual Reports (Statutory Bodies) Act 1984

During 2012-13, the Annual Reports (Departments) Act 1985 and the Annual Reports (Statutory Bodies) Act 1984 was amended to omit the requirements regarding the land register (land register requirements are now included in the State Property Authority Act 2006).

Public Finance and Audit Act 1983

Public Finance and Audit Regulation 2010

During 2012-13, the Public Finance and Audit Act 1983 was amended to increase the term of appointment of the Auditor-General from seven to eight years and to change the frequency at which the Audit Office must be reviewed by a person appointed by the Public Accounts Committee from three to four yearly.

Assented to on 25 June 2013.

The Act was also amended by the *Fiscal Responsibility Act 2012*, to revise the contents of the Budget policy statement to be included in the Budget Papers.

During 2012-13, there were also minor changes 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 and to prescribe certain persons as officers of an authority.

Fiscal Responsibility Regulation 2013.

The *Fiscal Responsibility Act 2012* sets a target that annual expense growth should be less than the long-term average revenue growth rate, but leaves to subsequent regulation to quantify that rate. This regulation defines it as the historical long-term average growth rate of 5.6 per cent that was estimated in the *2011-12 Long Term Fiscal Pressures Report*.

The date of commencement is the date of the publication on NSW Legislation website, 14 June, 2013.

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 program is part of Treasury's strategy aimed at enhancing statutory compliance and the overall quality and relevance of agencies' annual reports.

The general objectives of the program are two-fold:

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

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

	Applicable Financial Year(s)	Exemption / Variation	Reason(s) for Approval
NSW Ministry of Health and Local Health Districts	2011-12 and subsequent years	Minor variations from the fixed format of the Financial Reporting Code for General Government Sector Entities.	To better reflect the nature of NSW Health's operations.
Department of Transport and Transport for NSW	2011-12	Exemption from requirement to include the Budget column in the primary financial statements, subject to additional disclosures	First financial year after restructure
ACN 159 272 992 Pty Ltd and ACN 159 268 041 Pty Ltd	2011-13	Extended financial year for the reporting period ended 30 June 2013	First financial year

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

	Applicable Financial Year(s)	Exemption / Variation	Reason(s) for Approval
Max Dupain and Associated Pty Ltd	2011-12	Extended final financial year and exemption from requirement for preparation and audit of final financial statements	Entity deregistered
COH Property Trust; Macquarie University Property Investment Company No.2 Pty Ltd; Macquarie University Property Investment Company No.3 Pty Ltd; MU Hospital Pty Ltd; MUPH Clinic Pty Ltd; MUPH Hospital Pty Ltd; Macquarie University Property Investment Company Pty Ltd; and MUH Operations Pty Ltd	2011-13	Extended final financial year and exemption from requirement for preparation and audit of final financial statements	Entities to be wound up
Sporting Injuries Committee	2012	Exemption from requirement for preparation and audit of final financial statements	Entity abolished
The John Lewis and Pamela Lightfoot Trust	2012	Exemption from requirement for preparation and audit of final financial statements	Entity abolished
ACN 161 263 430 Pty Ltd and UNE Physician Practice Management Company Pty Ltd	2012-13	Extended financial year to period ending 31 December 2013	First financial year
ITC (New Zealand) Ltd	2013	Exemption from requirement for preparation and audit of final financial statements	Entity deregistered
Sydney Trains and NSW Trains	2012-14	Extended financial year to period ending 30 June 2014	First financial year
Department of Transport	2012-13 and subsequent years	Exemption from the requirement to include a Budget column in the primary financial statements, subject to additional disclosures.	Department no longer receives a separate appropriation.

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

1. To Submit Financial Statements

Agency	Applicable Financial Year(s)	Exemption/Variation	Reason(s) for Approval
Metro Transport Sydney Pty Ltd Group	2011-12	Extension of time to 31 March 2013 for financial statements	First set of financial statements under State control

2. To Submit Annual Reports

Agency	Applicable Financial Year(s)	Exemption/Variation	Reason(s) for Approval
Trustees of the Anzac Memorial Trust	2011-12	Extension to 7 December 2012	Delays compiling and finalising data
Murray Catchment Management Authority	2011-12	Extension to 7 December 2012	Delays compiling and finalising data

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Abbreviations and acronyms

AASB	Australian Accounting Standards Board
ABS	Australian Bureau of Statistics
BAFFAC	Budget and Financial Framework Advisory Committee
CGC	Commonwealth Grants Commission
COAG	Council of Australian Governments
DFS	Department of Finance and Services
DPC	Department of Premier and Cabinet
EAP	Employee Assistance Program
EEO	Equal Employment Opportunity
ERC	Expenditure Review Committee
FTE	Full-Time Equivalent
GIPA	Government Information (Public Access) Act 2009
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
NCOS	Net Cost of Services
NDRRA	Natural Disaster Relief and Recovery Arrangements
NHRA	National Health Reform Agreement
OH&S	Occupational Health and Safety
PAFA	Public Authorities (Financial Arrangements) Act 1987
PEP	Performance Excellence program
PF&A	Public Finance and Audit Act 1983
PPIP	Privacy and Personal Information Protection Act 1998
PPP	Public-Private Partnership
PTE	Public Trading Enterprise
S&P	Standard and Poor's
SAP	Treasury's Corporate Accounting / HR System
SCI	Statement of Corporate Intent
SICorp	NSW Self Insurance Corporation
SOC	State Owned Corporation
TCorp	NSW Treasury Corporation
TMF	Treasury Managed Fund
TOES	Treasury Online Entry System
WHS	Work Health and Safety
