



The
Treasury

Annual Report
2014-15



NSW Treasury

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The Treasury

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

Dear Treasurer

I have pleasure in submitting the Annual Report of the NSW Treasury for the financial year ended 30 June 2015, 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 financial statements for NSW Treasury for the period 1 July 2014 to 30 June 2015.

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

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

Yours sincerely

Rob Whitfield
Secretary

30 October 2015

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Rob Whitfield
Secretary

I was delighted to take up the role of NSW Treasury Secretary on 13 July this year and I would like to acknowledge and say thank you to former NSW Secretary Philip Gaetjens who was Secretary for the period of this annual review.

Under his leadership Treasury made a significant contribution to helping the NSW Government achieve its vision of being the nation's leading economy – providing high quality public services and infrastructure, while protecting the most vulnerable in our society.

The NSW economy is in a strong position. CommSec reaffirmed NSW as the number one State economy for the third straight quarter, noting NSW has the fastest annual economic growth rate in the nation.

Just recently Standard and Poor's also confirmed NSW's triple-A credit rating and recognised NSW's stronger financial management over recent years, providing further confidence to the private sector and consumers and cementing NSW as the number one destination to live, work and do business.

Treasury's vision focuses on ensuring the long term prosperity for the people of our State through strong budget and financial management and during 2014-15 Treasury continued to deliver strongly against this mandate.

In June 2015 the Budget surplus was \$2.5 billion, allowing us to invest in infrastructure including the Sydney Metro, the light rail network and the North / South West link roads, as well as essential services like health and education.

NSW retail sales growth remained the strongest among the states over the period, housing construction also grew with the number of completed homes the highest on record since 2005.

In addition to Treasury's key role in budget and financial management, we also completed a number of key projects relating to the State's commercial assets which will have long term positive impacts for our State.

Among these was the role we played in overseeing the Electricity Network Assets (Authorised Transactions) Bill and the Electricity Retained Interest Corporations Bill – known as the 'Poles and Wires' Bills. This legislation, passed in June, will see a 49 per cent share of the state's electricity networks leased to the private sector through three transactions – a 100 per cent lease of TransGrid and the lease of 50.4 per cent of Ausgrid and Endeavour. The country-based Essential Energy will remain fully government owned and operated. These transactions will take place over the next 18 months and be managed by Treasury. The transactions will contribute substantial funding for new infrastructure in NSW.

We also amalgamated the State's key funds management activities. As a result NSW Treasury Corporation is now one of Australia's largest investment managers with over \$70 billion of funds under management and delivering significant cost savings.

In our role as a key adviser to other state agencies and following the success of the development of the Social Benefit Bonds in 2013-14, NSW Treasury launched a new social advocacy program – the Expert Advice Exchange. The Exchange is a platform to assist social sector organisations in building capacity in areas like accounting, legal and financial advice, governance, project management, communications and business strategy. At launch, 24 leading businesses including Westpac, CBA, PwC, KPMG and Allen & Overy had committed more than 2,000 hours of pro bono expertise to the Exchange. Since then more firms have joined the initiative to make a total of 35.

Our Industrial Relations group worked with the Public Service Commission to successfully maintain the Government's Wages Policy. This policy will see 290,000 employees receive increases in remuneration of 2.5 per cent per annum across the public sector. Since July 2011 this policy has saved the State around \$1.7 billion.

Treasury is currently working closely with agencies across NSW on the Financial Management Transformation program. The program will simplify the way we consolidate and manage financial information, making it quicker and easier to access and analyse data. Due for completion in June 2017, Financial Management Transformation will enable us to provide world class analysis and advice to the government to inform better decisions and result in better service for the people of New South Wales.

In collaboration with the Department of Premier and Cabinet and the Ministry, NSW Treasury moved to an agile workplace in 2014, a first for government agencies in Australia. Our leading edge premises at 52 Martin Place feature technology and workspaces that allow our people to work more effectively – while also delivering great environmental and health benefits. Relocation to this new space has saved NSW Government approximately \$89 million in tenancy and related costs in addition to significant sustainability benefits over the new 12-year lease.

I feel incredibly privileged to be leading NSW Treasury as we stand on the cusp of an even more exciting era of strong investment. Our focus over the next year will be on further building our internal capabilities to become a world class Treasury, providing outstanding advice and excellence in delivery – to improve the living standards of everyone in New South Wales.



Rob Whitfield
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; implement industrial relations policy, as well as review policy, expenditure and budgets of NSW Government Agencies; and monitor the performance of the State's commercial assets.

The NSW Treasury Annual Report outlines the organisation's operations and performance for the 2014-15 reporting period, in both a quantitative and qualitative manner.

During 2014-15 NSW Treasury had administrative responsibility for the following entities:

- Long Service Corporation
- 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 Newcastle Lessor Pty Ltd
- Port Botany and Port Kembla Lessor Companies Pty Ltd
- Cobbora Holding Company Pty Ltd
- Hunter Valley Training Company Pty Ltd

*A corporations Law company. TCorp has separate governance arrangements.

Our Purpose

Treasury's structure

The Treasury Group Executive comprises the Secretary of Treasury, three Deputy Secretaries, the Chief Operating Officer and the Executive Director Industrial Relations. The organisation chart is presented on page 9.

As at 30 June 2015 NSW Treasury's structure incorporated the following five groups:

- Fiscal and Economic Group
- Agency Budget and Policy Group
- Commercial Group
- Industrial Relations
- Corporate Group

The functions, responsibilities and performance of each area are outlined on pages 17 to 62.

The Secretary of NSW Treasury is also the nominal employer of the NSW Public Service for industrial purposes and is responsible for the central management of NSW public sector industrial relations functions.

Our **Human Resource Business Partners** undertake professional development reviews regularly with senior management



Treasury Group Executive

Rob Whitfield
BCom, GradDipBanking, GradDipFin
Department Secretary
Secretary



Maryanne Mrakovcic
BA (Hons) MEc
Senior Executive Band 3
Deputy Secretary
Fiscal and Economic Group



Caralee McLiesh
BEc (Hons) PhD (Finance)
Senior Executive Band 3
Deputy Secretary
Agency Budget and
Policy Group



Tim Spencer
BSc (Hons)
Senior Executive Band 3
Deputy Secretary
Commercial Group



Vicki Telfer
BSc, DipEd, MPA, MALP, MAICD
Senior Executive Band 2
Executive Director
Industrial Relations



Tomas Gilmartin
NDBS (Finance), FCCA
Senior Executive Band 2
Chief Operating Officer
Corporate Group



*Structure effective as at 13 July 2015.

Primary legislation administered by NSW Treasury

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

- Annual Reports Acts (Departments, 1985; Statutory Bodies, 1984)
- Fiscal Responsibility Act 2012
- Industrial Relations Act 1996
- Long Service Corporation Act 2010
- Public Finance and Audit Act 1983
- Public Authorities (Financial Arrangements) Act 1987
- Government Sector Employment Act 2013 (Part 4, Division 6, jointly with the Premier)
- Appropriation Act 2014
- Appropriation (Budget Variations) Act 2014
- Appropriation (Parliament) Act 2014
- Restart NSW Fund Act 2011
- Annual Holidays Act 1944
- Long Service Leave Act 1955
- Public Holidays Act 2010
- Retail Trading Act 2008
- Building and Construction Industry Long Service Payments Act 1986
- Contract Cleaning Industry (Portable Long Service Leave Scheme) Act 2010
- Entertainment Industry Act 2013

Our stakeholders

Treasury's stakeholders include:

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

Our principal stakeholder is the Treasurer. Treasury strives to increase the prosperity of the New South Wales people, through a focus on good policy and efficient resource allocation.

We regularly interact with other government agencies and representatives from private business and community groups with the aim to continually grow the State's economy over all sectors.

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

NSW Treasury Corporate Plan

The Treasury Corporate Plan outlines our vision for progressing our prosperous state and the commitment we have to the people of New South Wales.

The Corporate Plan details our business as usual priorities which largely align with the external goals of the organisation set out in our Strategic Plan.

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.

What we do

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

What we live by - our values

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

Treasury upholds these core values and has developed specific principles that highlight the particular behaviours we regard as crucial 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
- Focusing 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

Organisational Change

As Treasury continues to evolve to meet its strategic objectives we continue to make changes to our organisational design, to roles and responsibilities and to how and where we work.

Internal redesign

The enactment of the *Government Sector Employment Act 2013* continued to drive design changes within Treasury. Within the defined three year period to ensure compliance with the new Act within the Senior Executive Service, significant work commenced on organisational design and continues to evolve. In June 2015 Treasury completed recruitment of Deputy Secretaries roles in the Band 3 Public Service Senior Executive. The organisation structure of the Treasury Group Executive is presented on page 9.

Sector changes

In April 2014 the former Department of Finance and Services became part of the Treasury and Finance Cluster as the Office of Finance and Services. Further administrative changes this year resulted in the separation of Office of Finance and Services from Treasury. On 1 July 2015, the Office of Finance and Services became known as the Department of Finance, Services and Innovation.

New offices and agile working

In October last year Treasury's New Ways to Work team successfully relocated 450 employees from Governor Macquarie Tower into the new Martin Place premises, with the final Treasury amalgamation of three Treasury sites completed earlier this year. Preparations for our relocation included implementing new enabling technologies together with new agile work practices aimed at improving collaboration, focus and wellness within the organisation. The introduction of a new electronic document management system and the business information management challenge resulted in a 62 per cent reduction in on-site storage. The result is a modern work environment which allows people to work in ways that suit them best, encourages collaboration and sharing of best practice, and is healthier and more environmentally friendly.

Economic Factors

At the time of the 2014-15 Budget, the NSW economy was expected to continue to perform strongly. In particular, the national transition away from mining investment towards more diversified economic growth was expected to play to New South Wales' strengths. Low interest rates, a lower exchange rate and strong population growth were all expected to support strong growth. The household sector was expected to be the main driver of growth, while non-mining business investment would remain firm and the State's external sector would improve. In contrast, national economic growth was forecast to slow, reflecting a sharp decline in mining investment.

While the key drivers of NSW economic growth were largely as expected, a more subdued international and national economic picture has weighed on NSW economic performance, particularly interstate exports. As a result, the 2015-16 Budget lowered the forecast for 2014-15 NSW Gross State Product (GSP) to 2.5 per cent, half a percentage point lower than anticipated in the 2014-15 Budget.

A weaker than expected international economy reflected lower growth in emerging economies, particularly China, and weak recoveries in the Euro zone and Japan. This also led to sharper falls in commodity prices than initially expected. This has in turn led to a larger than forecast decline in the terms of trade and placed downward pressure on national income and domestic demand, with overall growth weaker than anticipated over 2014-15.

For New South Wales economic activity was, as expected, driven primarily by the household sector. Dwelling investment was supported by strong pent-up demand and investor interest in residential property and low interest rates. Positive wealth effects from rising house prices supported household consumption despite soft labour income growth being persistently weak.

A tentative recovery in non-mining business investment emerged over 2014-15, despite the dampening effect for much of the year from subdued business confidence both nationally and in New South Wales.

While the significant depreciation in the Australian dollar provided some boost to international exports, softer demand growth nationally weighed on NSW interstate exports, leading to the overall downgrade to GSP expectations.

Despite this downgrade the outlook for economic growth beyond 2014-15 remains solid, continuing to be led by household consumption and dwelling investment, while forward indicators suggest non mining business investment will grow solidly. Economic growth will also be supported by record expenditure on planned public infrastructure projects.

NSW experienced a slowdown in employment growth and a rise in the unemployment rate in early 2015, in line with most other states and territories. In NSW this was also driven in part by strong population growth and rising participation. However, by the last quarter of 2014-15, employment growth had rebounded strongly, the unemployment rate eased back below 6 per cent and labour market leading indicators started improving. The strong economy is expected to continue this momentum in employment growth, although the strength in population growth will moderate further declines in the unemployment rate in the near-term.

Fiscal influences and responses

New South Wales is rated triple-A by the two major credit rating agencies.

Standard & Poor's confirmed NSW's triple-A credit rating on 15 October 2014 and returned the rating to 'stable' by removing the negative outlook. Standard & Poor's stated, "The outlook revision reflects NSW's stronger financial management over recent years, which we have reassessed to be very strong from strong. This improved financial management, along with higher revenue growth, has boosted the state's financial performance".

On 9 December 2014, the other major credit rating agency, Moody's also confirmed NSW's triple-A credit rating with stable outlook stating that the rating "reflects its diverse economic base, considerable budget flexibility and secure and predictable grants from the Commonwealth".

BUDGET PAPERS 2015-16



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Maryanne Mrakovcic

Deputy Secretary Fiscal and Economic Group

- Prepared the 2013-14 Report on State Finances, advised on and prepared the 2014-15 Half-Yearly Review and the 2015-16 State Budget.
- Progressed the Financial Management Transformation Program revising financial governance arrangements for the NSW public sector and a supporting financial IT system for Treasury to prepare whole-of-Government budgeting and reporting.
- Advised on optimal approaches to delivering the Rebuilding NSW and Asset Recycling initiatives.
- Implemented cash management reforms with increased focus on centralised management by NSW Treasury.
- Introduced a 'carry forwards' policy, improving Budget forecasting by agencies and management of risks to Budget aggregates from carry forwards over time.
- Formalised the requirement for agency Chief Financial Officers to certify the effectiveness of agency internal controls over financial information and introduced minimum standards for assessment of those controls.
- Supported the Government's decision making on major projects and transactions through detailed fiscal modelling of different options and strategies.

Fiscal and Economic Group

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

The Group coordinates preparation of the State Budget, Half-Yearly Review and annual Total State Sector Accounts. It is also responsible for the integrity of the NSW Government's financial governance arrangements, including the management of the financial management framework. Specifically, the Fiscal and Economic Group provides policy advice to the Treasurer and other government agencies on issues including:

- Economic conditions and microeconomic reform
- The fiscal outlook, fiscal policy and credit rating issues
- Revenue and expenditure strategies and policies, including performance evaluation, taxation and intergovernmental financial relations
- Public sector financial framework reforms and accounting policy
- Management of debt, superannuation, self-insurance and other liabilities
- Advice and secretariat support for intergovernmental engagement processes

The Group leads and participates in the coordination of projects and collaborative work involving stakeholders from across Treasury and, more broadly, from agencies across the sector. Examples of collaborative work led by the Group during the year included the preparation of the NSW State Budget, the Financial Management Transformation Program, provision of advice on the Commonwealth White Papers on Federation and Taxation, development of the Treasury policy paper Certifying the Effectiveness of Internal Controls over Financial Information (TPP14-05), and review and rewrite of the Internal Audit and Risk Management Policy (TPP15-03).

The NSW State Budget

The Group prepared the 2014-15 Half-Yearly Review and the 2015-16 State Budget. The Half-Year Review, released on 18 December 2014, was the last major fiscal statement before the State Election in March 2015 and reflected the updated fiscal position for changes in economic parameters since the 2014-15 Budget. Alongside the Half Year Review, the Secretary of Treasury released the Statement of Uncommitted Funds (15 December 2014) which is required under Section 24 of the *Parliamentary Budget Officer Act 2010*.

The 2015-16 Budget was released by the Treasurer on 23 June 2015 and included: the addition of 2018-19 into the forward estimates; the full funding of election commitment spending; and adjustment of the key fiscal aggregates for the introduction of the Transport Asset Holding Entity from 1 July 2015. The 2015-16 Budget also included new formats for the Budget Statement (Budget Paper No.1) and the Infrastructure Statement (Budget Paper No.2) and improvements to the web-based regional infrastructure map, launched jointly with the Department of Planning in 2014-15 (myinfrastructure.planning.nsw.gov.au).

The Group also provided support to the NSW Parliamentary Budget Office during the 2015 State Election, including provision of policy advice and the secondment of staff, to assist the Parliamentary Budget Office to prepare costings of election commitments.

Financial Management Transformation

The Financial Management Transformation program is a multi-year program to develop revised financial governance arrangements for the NSW public sector and a supporting financial information technology system for Treasury to prepare whole-of-Government budgeting and reporting. These reforms will:

- Improve the timeliness and quality of information and advice provided to the Government to support the Government's investment and resource allocation decisions.
- Contribute to the efficiency and effectiveness of Government spending.
- Support the development of financial management capability across the sector.

Throughout 2014-15 the Group engaged widely across the sector and benefited from the expert views of key personnel, such as the Chief Financial Officers of departments.

Achievements in 2014-15 included:

- Releasing the Directions Paper for consultation within Government, which outlines proposed reforms across all major aspects of financial management.
- Progressing the procurement activities associated with PRIME, i.e. the new information technology system.
- Releasing Program Guidelines to inform the development of the initial program structure for the sector.
- Establishing a sector-wide Financial Management Transformation information technology committee, comprising of members from across government to assist in implementation of the new PRIME information technology system.

Strengthening economic and financial frameworks

Asset recycling and Rebuilding NSW

Over the past three years NSW has led the nation in recycling public capital initially using the proceeds from asset divestments, including from the long term leases of Ports at Newcastle, Port Kembla and Botany to fund Restart NSW which in turn is investing in new public infrastructure. This year, the Government commenced implementing the Rebuilding NSW plan to lease 49 per cent of its electricity network businesses. The lease proceeds, plus a Commonwealth incentive payment, together with interest earned on these monies is intended to support a \$20 billion infrastructure plan.

The Group continues to advise on many elements of the asset recycling program including assessing competing allocations for potential contributions to the NSW economy, optimising available incentive payments from the Commonwealth Government under the National Partnership Agreement on Asset Recycling and providing advice on the fiscal impact of the Rebuilding NSW program.

Regulating the collaborative economy

The collaborative economy includes online marketplaces, car sharing, social lending and travel experiences. The rise of online marketplaces has been a remarkable feature of the economy in recent years. Many of these new businesses such as Airbnb, Airtasker and Uber pose challenges to traditional models of regulation, taxation and consumer protection. Collaborative economy businesses offer sellers a way to make money from their assets which would otherwise be sitting idle.

The Group contributed to identifying the public policy issues which may need to be addressed by Government regarding the collaborative economy. Work undertaken included research and analysis, and consultation with other agencies. Resources have been contributed to the independent taskforce currently examining the sustainability of taxis, hire cars and emerging point-to-point transport providers, including ridesharing apps. The taskforce is headed by Professor Gary Sturgess AM, who is assisted by Tom Parry AM.

Energy and climate change issues

The Group has lead responsibility for advising on energy reforms including improvements to regulation, pricing and supply. The Group advised NSW Government on preferred approaches to regulation and pricing including drafting NSW submissions to the Australian Energy Regulator for pricing determinations. During the year the Group advised on renewable energy and climate change issues including the Commonwealth's Direct Action climate change policy.

The Group also considers policy responses to technological changes and adjustments in the structure of the electricity and gas markets in Australia. Technological advancements have given rise to new products provided by new players. These are challenging traditional business models and provide an opportunity to increase competition in the market and productivity in the economy.

The Group coordinates Treasury advice on the Council of Australian Governments (COAG) energy reform processes and policies. This has included advice to Cabinet regarding the Australian Energy Market Operator's proposal to establish a new gas trading hub in Moomba and Commonwealth initiatives such as the Energy White Paper which aims to address challenges and opportunities facing the resources and energy sectors. The Group also prepared advice supporting Australia becoming a member of the Extractive Industries Transparency Initiative, which aims to improve transparency regarding payments to government by mining and related extraction industry companies.

Transport Asset Holding Entity

The Group was closely involved in the design of the new Transport Asset Holding Entity. The purpose of the new entity is to focus accountability for the coordinated management and development of public transport infrastructure within a single organisation, which is removed from the day-to-day operation of public transport services. This reform provides opportunities to inject public transport asset management with greater efficiencies and synergies. The Group led the negotiation with the Australian Bureau of Statistics on the classification and will continue to work collaboratively with key Government and non-Government stakeholders to implement the full transition.

Centre for Program Evaluation

During 2014-15 the Group continued to have a strong role in encouraging program evaluation across the NSW Government sector informing service delivery that achieves program aims and objectives leading to improvements in resource allocation.

The Centre for Program Evaluation (CPE) worked with the Department of Premier and Cabinet and all clusters towards identifying and improving aspects of evaluation practices across the NSW Government as well as providing select advice on specific evaluation designs. CPE also finalised the evaluation of the Community Justice Program and commenced the evaluation of the CBD Entertainment Precinct Plan of Management.

Supporting better services and growth through competition policy

Competition is a critical driver of productivity and economic growth, and this year saw an increased focus on competition policy with the finalisation of the Competition Policy Review. The Review was chaired by Professor Harper, in March 2015. The Group drew on a significant body of analysis to prepare the NSW Government's first submission to the Review in June 2014, a final submission in November 2014, and is leading the advice on the Review's final recommendations.

This work extends to improving the way that government itself provides goods and services to ensure quality and value for money for the public. Work is ongoing to identify and assess international best practice in service delivery, including innovations such as commissioning models for purchasing complex social services.

Throughout the year the Group provided advice on the regulatory impact of matters being considered by the Government. This year, in conjunction with the NSW Industrial Relations, the Group advised Government on the legislative changes that would be needed to deregulate retail trading hours on Boxing Day across New South Wales. The Government announced its commitment to this reform with legislative changes planned in 2015. The Group also strongly supported the NSW Government initiative to improve competition in the taxi industry, allowing the use of smartphone applications for booking and reducing the electronic payments surcharge from 10 per cent to 5 per cent to reduce costs for consumers.

The Group supported the delivery of Council of Australian Governments (COAG) reforms to reduce regulatory overlaps and the overall regulatory burden, focusing on regulations that affect small businesses, the higher education, manufacturing and early childhood education sectors. The Group advised on measures to allow mutual recognition of licenses for the electrical, plumber, drainer and gasfitter occupations to allow licence holders to work across borders and repealing licensing requirements for the refrigeration and air-conditioning occupations. Other improvements to competitiveness included repealing the *Poultry Meat Industry Act 1986* to reduce the regulatory burden on the industry and simplifying licensing and regulation in the motor vehicle repairs industry.

Provision of economic forecasts

NSW Treasury prepared economic forecasts covering economic activity, household activity, demography, the labour market, prices and financial variables. The analysis covers expectations for the global and national economies as well as New South Wales. In 2014-15 the Group continued reviewing and enhancing NSW Treasury's forecasting methodology and framework. This ongoing responsibility ensures that evolving best practice in forecasting is identified, understood and adopted.

Forecasting is especially challenging during this time of national economic transition away from mining investment towards more diversified and broad-based economic growth. In addition, there has been continuing uncertainty in global markets and shifts in the fortunes of major trading partners, including ongoing concern on the European economy and the impact of the moderation in Chinese growth. To respond to these challenges, the Group ensures data and insights from a wide range of sources, including all of Treasury, the private sector and other public sector institutions are captured in our analysis.

Fiscal policy tools

The NSW medium-term fiscal model is relied on to assess the impact of a range of policies on the fiscal aggregates. The Group is currently reviewing and updating the model's assumptions and structure to ensure that the model is appropriate for the current policy challenges.

The NSW long-term fiscal model supports the annual budget assessment of the fiscal gap as required under the *Fiscal Responsibility Act 2012*. It will also underpin the 5-yearly reassessment of long-term fiscal pressures (NSW Intergenerational Report).

The NSW fiscal models inform advice on policy options on a range of issues, including the Commonwealth Government's White Paper on Reform of the Federation and White Paper on Taxation. These white papers together will examine the allocation of roles and responsibilities between the states and the Commonwealth and appropriate funding arrangements.

Treasury's **Financial Management Transformation** program seeks to improve the agencies' financial management practices through the introduction of new policy, IT infrastructure and enhanced capabilities



Better practice financial management and reporting

Maintaining a focus on continuous improvement

The Group continued to work with agencies to build on the achievement of the unqualified audit opinion on the 2013-14 NSW Total State Sector Accounts.

A key focus is providing support and guidance to agencies to ensure early identification and resolution of any issues in agency accounts that could give rise to qualification of the Total State Sector Accounts and/or the General Government Accounts. During the year, the Group built on earlier work engaging agencies to enhance the quality of financial management and information by initiating regular financial reporting working group meetings with lead cluster agencies to address and resolve existing and emerging financial reporting issues. In addition, all material agencies provided emerging issue updates in February, April and June of 2015. An issues register was maintained to monitor resolution of prior and emerging issues.

Mandatory early close procedures were widened to all NSW public sector agencies including State Owned Corporations for the 2014-15 financial year. All early close procedures were conducted as at 31 March 2015 unless otherwise agreed with Treasury and a copy of the agency financial statements previously sent to the Audit Office only was requested by Treasury for the first time. The availability of accurate up-to-date information from the early close has improved the underlying data used to assist with the preparation of the State Budget.

The Treasury Circular, Agency Guidelines for the 2014-15 Mandatory Annual Returns to Treasury (NSWTC15-11), was issued on 3 June 2015. This Circular formalised the requirements for the Total State Sector Accounts together with the Financial Accounting Arrangements for the Crown Entity. A briefing on the Agency Guidelines for the 2014-15 Mandatory Annual Returns hosted by the Group was attended by over 80 agencies.

Cash management reforms

The Group led and implemented a cash management reform project in 2014-15, with the primary objective of centralising cash management across NSW public sector agencies where possible, with the exception of State Owned Corporations and certain other agencies as approved by the Treasurer. As part of the project, it was determined that from 2015-16 onwards, budget-dependent agencies would be funded on a cash flow basis and will be required to hold minimum balances in line with their working cash needs.

Centralising cash management practices facilitates the State's ability to optimise balances, provides greater visibility and control of funds, reduces risk by improving internal controls and governance, and generates efficiency savings in the management of cash and debt portfolios.

The first phase of the reform has resulted in \$2 billion of additional cash moving from the control of individual agencies to be centrally managed by Treasury. The next phase of the project will begin in 2015-16.

Agency Carry Forwards Policy

The Group developed and implemented a new policy for agency 'carry forwards' to better manage the Budget risks associated with the impacts of carry forwards over time. The policy provides incentive to agencies to declare carry forwards at an earlier stage and requires agencies to provide better information on the drivers of carry forward adjustments to ensure more informed Government decision-making. The policy is streamlining approval for carry forwards which are clearly outside agency control, while limiting the Budget impacts for adjustments within agency control.

Developments in Australian Accounting Standards

The Group worked with agencies to help them prepare for changes in Australian Accounting Standards. This included identifying and researching emerging issues with particular relevance to the public sector. To enhance engagement with agencies, working groups were established with cluster lead agencies to facilitate sharing and discussion of relevant issues. As a further initiative the electronic newsletter 'The Looking Glass' was introduced and was well-received by agencies.

As an example of this collaborative approach, in November 2014, a workshop was conducted by the Group on the application of a new accounting standard with potentially significant impacts, AASB 10 Consolidated Financial Statements. This workshop provided an opportunity for agencies to share their experiences in preparing for the changes and for the Group to share its research with agencies. The workshop was attended by more than 30 agency representatives.

Supporting small business and jobs

The Group worked with the Office of State Revenue (OSR) on a number of other tax initiatives. The initiatives include extending the closure date of the Jobs Action Plan by four years from 30 June 2015 to 30 June 2019; and implementing the Fresh Start Support scheme to provide an additional \$1,000 payroll tax rebate to employers hiring a worker made redundant after 1 January 2014 from a list of designated employers. The Group also worked with the Office of State Revenue to implement the Small Business Grants Employment Incentive Scheme. This is designed to assist small business to expand and employ more staff by providing a grant of up to \$2,000 per full time employee. The grant scheme will apply to new positions filled on or after 1 July 2015 and will continue to 30 June 2019.

Strengthening and applying economic assessment tools

The Group actively contributed to the development of new State-wide policy frameworks to deliver better services to NSW citizens through improving and applying best practice in economic assessments. Accurate and reliable analysis depends on using fit for purpose tools which are understood and accepted by all parties interested in economic assessment.

Activities in 2014-15 included reviewing and updating Treasury's Economic Appraisal Guidelines, as well as development of Cost Benefit Analysis frameworks and related guidance for specific sectors and programs including cultural venues, government advertising and other related applications.

The group conducted various Regulatory Impact Statements as required including Co-operative Housing and Starr-Bowkett Societies Regulation, the Conveyancers Licensing Regulation, Pawnbrokers and Second-hand Dealers Regulation and Electricity (Consumer Safety) Regulation.

Accounting advice for significant transactions

The Group provided technical accounting support to the increasing program of asset sales, leases and infrastructure transactions in 2014-15, as well other large complex transactions.

The Australian Accounting Standards Board has proposed major changes in accounting for service concession arrangements. The Group is leading the response by the Commonwealth and State Treasuries through our membership of the Treasuries Accounting and Reporting Advisory Committee.

Enhancing governance and assurance

Providing assurance on programs and projects

During 2014-15, the Group facilitated 49 Gateway Reviews with project values totalling approximately \$10 billion. A diverse range of projects were reviewed ranging across large urban renewal programs, major hospital redevelopments, public school upgrades, broad-ranging ICT programs, significant renewable energy projects, dam safety upgrades and more. To ensure a high level of expertise on the review team, reviewers were drawn equally from both the public and private sectors and from other jurisdictions including Western Australia, Queensland and Tasmania.

The Group continued delivering Gateway training during the year, including the Gateway Familiarisation program, Reviewer Simulation and the Building a Credible Business Case Training.

The Gateway Unit provided expert advice including working with the Government Architects Office on the recently approved Design Excellence Prequalification Scheme, designed to align with the Gateway processes. Advice was also provided to the Public Service Commission to assist with the development of Human Capital Systems.

Formalising and setting minimum standards for CFO certifications

The Group introduced new mandatory requirements that formalised the annual requirement for agency Chief Financial Officers to certify the effectiveness of the agency's internal controls over financial information. Treasury's policy 'Certifying the Effectiveness of Internal Controls over Financial Information' (TPP14-05) introduced mandatory requirements setting minimum standards around the process of certification. In addition to the mandatory requirements, better practice guidance was also provided consisting of 10 best practices for an effective system of internal control over financial information. Chief Financial Officers will be able to benchmark their systems of internal control over financial information against this guidance.

Review of the Internal Audit and Risk Management Policy

A comprehensive review of the Internal Audit and Risk Management Policy for the NSW Public Sector (TPP09-05) was undertaken in a highly consultative process with stakeholders and the general public.

A multi-stage consultation process was initiated in July 2014 with a request to key stakeholders to provide feedback on the current policy. Over 40 submissions were received in response to this request. This feedback was used to review and draft a new version of the Policy. In January 2015, the draft Policy was released for public consultation. In addition to targeted consultation with stakeholders, the draft Policy was published on the NSW Government's 'Have your Say' website for public consultation. Treasury received 52 submissions on the draft Policy from a diverse range of respondents including agencies, professional associations, and risk and audit professionals (both from within the sector and outside of the sector). In response the Group formulated the 'Response to Submissions' document acknowledging the feedback and contribution of stakeholders.

The Group finalised the resultant new Internal Audit and Risk Management Policy for the NSW Public Sector (TPP15-03) which commenced from 1 July 2015.

Supporting intergovernmental collaboration

Advising on intergovernmental matters

The Group advises the Treasurer and Treasury Group Executive regarding intergovernmental transactions, collaboration and agreements. This includes providing advice to the Premier regarding Council of Australian Governments (COAG), and to the Treasurer regarding Council on Federal Financial Relations. The Group also supports associated officer level engagement between the Commonwealth and the states and territories with particular focus on coordinating advice for Heads of Treasuries meetings.

During this reporting period, the Group oversaw negotiations on National Partnership Agreements and Project Agreements. This work included consulting with all State and Territory Treasuries in addition to NSW agencies, advising on the Future of Expiring National Partnership Agreements 2014 Submission by State and Territory Treasurers to the Commonwealth Treasurer. The Group also provided specific advice on the signing of a two year Agreement providing continued support to homelessness service providers.

The Group made a significant contribution to the NSW negotiation of 17 agreements signed with the Commonwealth during 2014-15, including Land Transport, Universal Access to Early Childhood Education, and Legal Assistance Services agreements. National agreements signed included Universal Access to Early Childhood Education, further support for Projects under the Murray Darling Basin Regional Economic Diversification Programme and Great Artesian Basin Sustainability Initiative (Phase Four) as well as hospital upgrades and ongoing support for Essential Vaccines.

Advising on the White Paper on Reform of Federation

This year, the Group has been advising on the White Papers on Reform of Federation and Tax. This includes providing research and advice supporting policy development and the governance of Federal Financial Relations. Federal Financial Relations includes the institutional arrangements and performance reporting, accountability and transparency agreements and payment mechanisms for financial transfers between the Commonwealth and the States.

Advising on Commonwealth GST revenue payments

The Group coordinates and produces New South Wales input to the Commonwealth Grants Commission's (CGC) inquiries into the distribution of Commonwealth GST revenue between the States. The Group aims to achieve a fair share of GST revenue for New South Wales.

In 2014-15 the Group produced four further submissions to the Commonwealth Grants Commission's Review of GST Revenue Sharing Relativities (the 2015 Review) and provided and coordinated responses to the Commission's requests for data for the Review.

Responding to the Draft Report, in September 2014 the Group provided a third major submission to the Review. The submission continued recommending an equal per capita distribution of GST revenue between the states, with supplementary Commonwealth payments to financially weaker states so

no state is worse off. It argued a population-based distribution would provide a more contemporary, stable, transparent, administratively simple and less policy-distorting GST revenue distribution mechanism than the current arrangements. Additionally, the submission presented New South Wales' views on the specific assessments proposed by the Commonwealth Grants Commission and comments on the Priority Issues identified by the Commission.

The Group provided a fourth submission to the Review in October 2014 responding to the Commonwealth Grants Commission's Staff Discussion Paper 2014-03-S, Update and Supplementary Issues for the 2015 Review. The 2015 Review Draft Report provided to states on 1 August 2014 contained a number of assessments in which the Commission had used 'placeholders' where assessments were still being developed or up-to-date data was not available. The Update and Supplementary Issues paper provided Commonwealth Grants Commission staff proposals on developments in the assessments and data since the Draft Report.

A fifth submission was prepared by the Group in December 2014 responding to Commission Position Paper 2014-04, Significant Changes since the Draft Report. It also took the opportunity to respond to the Commonwealth Grants Commission staff request for State views on commitments under the National Education Reform Agreement.

A sixth and final submission was prepared by the Group responding to the Commission's request for State comments on issues of revenue volatility and contemporaneity of outcomes raised in the Commonwealth Treasurer's letter of 23 December 2014 to the Commission. This inquiry delivered its Final Report to the Commonwealth Government in February 2015, recommending the method of distribution of GST revenue between the states under Horizontal Fiscal Equalisation. The Commonwealth Treasurer released the report to the states in April 2015.



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Agency Budget and Policy Group



Caralee McLiesh

Deputy Secretary Agency Budget and Policy Group

- Established the Office of Social Impact Investment, together with the Department of Premier and Cabinet, facilitating growth in the social impact investment market.
- Implemented National Education Reform Agreement and an associated Resource Allocation Model across government schools together with the Department of Education and Communities.
- Supported development of the NSW submission to the Commonwealth's Reform of Federation process.
- Piloted the Policy Impact Assessment Tool within the criminal justice sector to inform the selection of policy interventions and evidence-based resource allocation.
- Provided strategic advice to Government on establishing the Greater Sydney Commission with the charter of implementing A Plan for Growing Sydney.
- Implemented the Transport Asset Holding Entity, collaborating with the Transport Cluster and the Fiscal and Economic Group, centralising management of public transport assets to deliver efficiencies.

Agency Budget and Policy Group

The Agency Budget and Policy Group launched its new name at the Group's planning day in August 2014, replacing the former Resource Allocation Group.

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

- Providing high quality advice to Government on all portfolio matters in the preparation and monitoring of the State Budget.
- Promoting sector reforms that recognise and capture economic drivers and develop policy to increase human and social capital and generate productivity growth in the NSW economy.
- Supporting agencies in their delivery of savings and value for money, and working collaboratively to manage major cost drivers and risks to service provision.
- Providing advice to prioritise 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.
- Supporting growth in the social impact investment market through the Office of Social Impact Investment.

During 2014-15 the Agency Budget and Policy Group structure consisted of five branches:

- Office of Social Impact Investment
- Education, Families and Communities
- Health and Justice
- Natural Resources and Government Services
- Transport, Infrastructure and Planning, Fiscal Effectiveness Office and the Centre for Excellence

Treasury's Office of Social Impact Investment has connected 40 social sector organisations with 27 advisory firms to provide more than 600 hours of advice across a range of industry practices



Office of Social Impact Investment

New social impact investment market in NSW

In a joint venture, NSW Treasury and the NSW Department of Premier and Cabinet established the Office of Social Impact Investment. The charter of the Office is to facilitate growth in the social impact investment market.

During 2014-15 the work undertaken by the Office included:

- Supporting the Department of Family and Community Services (FACS) in the implementation of Australia's first Social Benefit Bonds including monitoring performance of the services and negotiating amendments to contractual arrangements.
- Developing and launching the NSW Social Impact Investment Policy in February 2015.
- Inviting proposals for social impact investment transactions in June 2015, as part of a target to deliver two transactions to market each year.
- Preparing the market for future transactions by presenting five market sounding sessions and publishing the 2015 Statement of Opportunities and the Principles for Social Impact Investment Proposals to the NSW Government.
- Launching the Expert Advice Exchange, a platform to connect social sector organisations with pro bono expert advice from 28 leading legal, professional services and financial firms to build capability in the social sector.
- Launching the online Social Impact Investment Knowledge Hub to promote understanding of the market and share information.
- Establishing and supporting an intergovernmental social impact investment network, which meets bi-monthly to discuss local approaches and developments in the market.

Education, Families and Communities

National Education Reform Agreement and Resource Allocation Model for School Funding

The 2014-15 period was the first full financial year of implementation for the National Education Reform Agreement, which commenced in January 2014. The Agreement included additional funding for schools from both the Commonwealth and NSW Governments. The reforms are being implemented consistently with the Government's Local Schools Local Decisions reforms. Associated with this reform is the introduction of the Resource Allocation Model for School Funding across Government schools. The Group worked with the Department of Education and Communities on the rollout of the Resource Allocation Model, focusing on the increased loadings for certain student characteristics for the 2015 school year.

Smart and Skilled reform of NSW vocational education and training

In 2014-15 the Group contributed to the implementation of the Smart and Skilled reform of the NSW vocational education and training system to meet the State's need for skills contributing to increased productivity and workforce participation. The Group also worked with stakeholder agencies to complete the separation of TAFE NSW from the Department of Education and Communities.

Agency Budget and Policy Group

Out-of-Home Care

Working together with the Department of Family and Community Services, the Group further developed a cost and demand model for the expenditure on Out-of-Home Care services. The model provided input into the 2015-16 Budget which included \$960 million to support approximately 20,000 vulnerable children and young people in out-of-home care.

NSW Treasury and the Department of Family and Community Services also supported a staged development of a demand model to inform the composition of Out-of-Home Care services and pathways into and out of care.

National Disability Insurance Scheme

During 2014-15 the Group provided key financial modelling and analysis in progressing the State's approach to implementing the National Disability Insurance Scheme. In collaboration with the Department of Family and Community Services, the Group's work included analysing and advising on system design, interaction with other government services agencies and the program to transfer services seamlessly to the non-government sector. This transfer of services is being approached with a clear focus on maintaining continuity of care to existing clients while supporting the State's workforce through the transition.

Reform of Federation

The Group supported development of the NSW submission into the Commonwealth's Reform of Federation process. The Reform of Federation presents an opportunity for the Commonwealth and states to reform the current health, education and housing funding arrangements to ensure the long run sustainability of the health, education and housing systems. To identify and assess potential reform options, the Group's collaboration included working with the Department of Premier and Cabinet, the Ministry of Health, the Department of Education, the Department of Family and Community Services and other jurisdictions.

Health and Justice

Mental Health Strategic Plan

In 2014-15, the Group provided input into the Government's response to Living Well: A Strategic Plan for Mental Health in NSW 2014–24. This Plan provides an outline of future directions for reform of the NSW mental health system. The work, which was undertaken in conjunction with the Ministry of Health, the Department of Premier and Cabinet and other line agencies, included developing initiatives to address priority actions under the Plan and establishing an associated funding framework for the implementation.

Prison funding reform

The Group worked closely with Corrective Services NSW to plan and fund increased capacity and develop an in-year adjustment process. This development enables Treasury and the agency to identify population trends more effectively, determine the need to increase or decrease operating capacity and assess funding and budget adequacy.

Policy impact assessment tool

The Group piloted the Policy Impact Assessment Tool – an evidence-based cost benefit model used in 18 jurisdictions around the world. The work involved collaborating with several government agencies and undertaking complex financial modelling work that is the first of its kind in Australia. The successful application of this approach in the criminal justice system and across social service provision has the potential to assist in the selection of policy interventions and inform evidence-based resource allocation.

Natural Resources and Government Services

Implementing a container deposit scheme

The Government will introduce a cost-effective container deposit scheme by 1 July 2017. The Group advised the Government on implementation issues and the economic merit of the scheme. On completion of consultation with both community and industry groups, the full details of the NSW scheme will be finalised in 2016, and the scheme will be underpinned by a comprehensive cost benefit analysis.

Biodiversity regulation reform

The Government is proceeding with a major reform of Biodiversity regulation following the independent panel review of biodiversity legislation. The reforms include a new *Biodiversity Conservation Act* and significant changes to regulation of agricultural land and biodiversity aspects of planning assessment. The Group participates in the reform management through a senior officer group and will have a particular role in designing market mechanisms for private land conservation, including a biodiversity offsets fund.

Water Policy

The Group took part in the Hawkesbury-Nepean Valley Flood Management Task Force, and contributed to the Government's response to Broken Hill's emergency drought situation. ABP also participated in the assessment of proposed water security and backlog water and sewerage projects that are being funded under Restart NSW. The Group also provided assistance in the development of the NSW Drought Strategy that was announced by the Government in February 2015.

Mining Policy

The Group, along with the Fiscal and Economic Group, contributed advice and analysis towards the Government's mining policy related reforms. This included the implementation of the NSW Independent Commission Against Corruption (ICAC) recommendations relating to coal exploration licences and the NSW Government's Gas Plan that was released in late 2014. On behalf of Treasury, the Group was responsible for leading technical development for the allocation processes for mineral exploration licences.

Transport, Infrastructure and Planning

Supporting Sydney's growth

Treasury worked with the Department of Planning and Environment in developing A Plan for Growing Sydney and the financial and resource requirements for the Greater Sydney Commission. Treasury supported the development of an integrated strategy and response to managing growth and infrastructure requirements.

State Infrastructure Strategy

In mid-2014, the Premier initiated Infrastructure NSW updating the 20 year State Infrastructure Strategy to take into account funds that would be made available through the Government's Rebuilding NSW plan. The Group supported this review through the short-term secondment of a senior Treasury officer to Infrastructure NSW to assist in identifying and assessing projects for inclusion in the State Infrastructure Strategy 2014. The revised Strategy was adopted in full by the Government in November 2014.

Major infrastructure proposals business case review

The Group reviewed business cases providing feedback to Transport for NSW and UrbanGrowth NSW on major infrastructure proposals including:

- Sydney Metro City and Southwest
- NorthConnex
- Newcastle Light Rail and Urban renewal
- New Intercity Fleet
- WestConnex

In particular, economic and financial analysis was completed for these business cases and the Group worked closely with Infrastructure NSW on projects with a commitment of Restart funding.

Rail capital structure review

During 2014-15 the Group worked closely with Transport for NSW to review the capital structures of Sydney Trains and NSW TrainLink. The capital structures of the rail entities had previously been identified by the Auditor-General as a risk factor facing these entities. To stabilise the financial position of these agencies and enable their financial performance to be more appropriately assessed the capital structures of the entities were adjusted for the 2015-16 financial year.

Transport Asset Holding Entity

The Group worked closely with the Transport cluster and the Fiscal and Economic Group on the implementation of the Transport Asset Holding Entity from 1 July 2015. The Government began reforming the delivery of public transport services in November 2011, including the establishment of Transport for NSW, Sydney Trains and NSW TrainLink for the delivery of transport services to customers. The 2015-16 Budget builds on these reforms with the creation of a dedicated asset manager, the Transport Asset Holding Entity. This Entity will manage all public transport assets for the State, with public transport assets being managed on a portfolio basis, generating greater efficiencies and synergies.

Agency Budget and Policy Group

Premier's innovation initiative

The Premier's innovation initiative provided an opportunity in 2014-15 for the NSW Government to engage with business, community and other non-government stakeholders to help deliver services to the people of New South Wales.

The Group worked closely with Transport for NSW and the Department of Premier and Cabinet on the congestion priority area within the Innovation Initiative which aims to reduce congestion in hot spots across Sydney's Roads. As a member of the congestion working group and evaluation panel, the Group participated in evaluating bids at the expression of interest and detailed proposal stages of the process. The successful proponents are expected to be announced during the 2015 calendar year.

Fiscal Effectiveness Office and the Centre for Excellence

Within the Group, the Fiscal Effectiveness Office supports the effective planning and delivery of savings initiatives across government, provides financial analysis to support the operation of the NSW Public Sector Wages Policy, and leads internal process improvements through the Agency Budget and Policy Centre for Excellence.

2015-16 State Budget and agency monitoring

The Group supported the preparation of the State Budget by working with agencies to assess funding needs, business cases and the alignment of proposals with the Government's priorities and fiscal strategy. Work included ongoing monitoring and analysis of financial performance of agencies to understand how they managed financial risks to remain on budget and successfully deliver on Government commitments.

Clusters budgets

Within the Group, the Fiscal Effectiveness Office continued supporting the Clusters developing consistent and transparent budget plans to meet whole-of-government budgets targets. The Fiscal Effectiveness Office is currently monitoring over 640 budgets plans (or Roadmaps) across the sector. The Office provided progress reports on budgets for clusters to include in their quarterly submissions to the Expenditure Review Committee of Cabinet, as well as preparing quarterly whole-of-government progress reports to the committee.

Administering the rigorous program management methodology ensures that the budget plans developed by agencies are consistent and transparent for reporting purposes. The methodology also encourages early discussion with Treasury if any issues arise with the budget plans. The Fiscal Effectiveness Office encourages the Community of Practice of Project Management Offices across the sector to assist clusters manage their budget portfolios and promote knowledge sharing and collaboration.

Wages Policy

During 2014-15 the Fiscal Effectiveness Office worked with NSW Industrial Relations and the Public Service Commission overseeing the application of the Government's Wages Policy for all industrial agreements renewed during the year. The Office provided financial analysis to ensure that wage outcomes complied with the wages policy. This involvement included monitoring and advising on ongoing changes in wage price indices.

ABP Centre for Excellence

The Agency Budget and Policy Centre for Excellence continued its work increasing levels of consistency and coordinating activities across the ABP Group. During 2014-15 the Centre coordinated key Budget process including the preparation of Budget Paper 3. The Centre also contributed to a range of strategic projects including cash management reforms and ongoing work enhancement to the Treasury's periodic monitoring framework.



Commercial Group

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*Photography credit: TransGrid

Commercial Group



Tim Spencer

Deputy Secretary Commercial Group

- Successfully completed amalgamation of the State's key funds management activities, resulting in NSW Treasury Corporation becoming one of Australia's largest investment managers with over \$70 billion of funds under management.
- Completed the Electricity Networks Transaction Scoping Study in December 2014, and provided advice and drafting instructions on the enabling legislation which passed through Parliament in June 2015.
- Continued the divestment of the State's electricity generator assets with the sale of the Colongra gas-fired power station for \$234 million, and completed wind-up activities for the Macquarie Generation and Green State Power entities following their respective asset sales.
- Assumed primary New South Wales responsibility for the Disability and Community Care Services Transfer, commencing with the transfer of Home Care Service of NSW to a non-government operator in 2015.
- Provided commercial and financial advice on the innovative procurement of \$15 billion of major infrastructure projects such as WestConnex, NorthConnex, Sydney Light Rail and Sydney Metro.
- Oversaw reform programs in the State's businesses to create operational and capital efficiencies, and formally established Water NSW and the Port Authority of NSW.

Commercial Group

The Commercial Group has five areas of responsibility:

- Commercial policy development
- Complex infrastructure procurement
- Managing the State's shareholding in its commercial businesses
- Managing major asset transactions
- Analysis and review of the State's commercial assets, liabilities and activities

The Infrastructure and Structured Finance Unit facilitates private sector involvement in major infrastructure projects through innovative financing structures and an appropriate allocation of risk. It also monitors compliance with agreements on projects with major risk, and is responsible for identifying areas where the management of the State's assets and liabilities can be improved.

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

The Asset Transactions Unit manages major asset divestments to the private sector and their relationship with public policy and regulation.



NSW's central financing authority
**TCorp is a top 10 Australian
investment manager** with more than
\$70 billion in funds under management

Infrastructure and Structured Finance

The Commercial Group is developing and implementing arrangements for the private finance of major infrastructure projects and the recycling of capital, as well as providing transaction governance and commercial advisory services to Government agencies.

WestConnex

To facilitate the WestConnex motorway project, the Group established and managed the State's interests in the new State owned financing and project entities – the Sydney Motorway Corporation Pty Ltd and WCX M4 Pty Ltd respectively. The Group advised the State and negotiated the terms of a State underwriting of the debt-raising for Stage 1B of the project in 2017. The Group also provided commercial and financial advice to Roads and Maritime Services on the agency's concession agreements with WCX M4 Pty Ltd for Stage 1 of the WestConnex project.

NorthConnex

The Group acted as commercial advisor to Roads and Maritime Services, contributing to the successful development, negotiation and finalisation of the detailed Stage 3 Unsolicited Proposal received from the M7 shareholders. A unique aspect of the project was the implementation of a network funding strategy, where concession terms on an existing toll road were amended (M7 Motorway) to assist in funding the NorthConnex development.

North West Rail Link

During the financial year, the Group worked with Transport for NSW on the evaluation of proposals and closing negotiations for the Operations, Trains and Systems public-private partnership contract. In September 2014, financial close was reached with the Northwest Rapid Transit consortium. The Northwest Rapid Transit consortium consists of MTR Corporation (Australia), John Holland, Leighton Contractors, UGL Rail Services and Plenary Group.

Northern Beaches Hospital

The Group worked with the Ministry of Health, Health Infrastructure and the Northern Sydney Local Health District developing the innovative delivery strategy for the Northern Beaches Hospital. In 2014-15 the Group provided financial and commercial advice to the Health agencies during the tender process and negotiations with the private sector to enter into a successful long-term partnership with the hospital operator. The successful tenderer will design, construct, finance, operate and maintain the 488-bed hospital on the Northern Beaches, providing clinical services to both public and private patients over the next 20 years.

Sydney Light Rail

The CBD South East Light Rail is a new light rail system to operate from Circular Quay along George Street to Central station then to Randwick and Kingsford. The Sydney Light Rail system will include the operation and maintenance of the existing Inner West Light Rail creating an integrated light rail network for Sydney.

During 2014-15 the Group worked with Transport for NSW by providing specialist advice on the commercial and financial aspects of the project throughout tender discussions with proponents for the public-private partnership. The Group also worked on the evaluation of proposals and closing negotiations of the Sydney Light Rail's public-private partnership contract. In February 2015, financial close was achieved with the ALTRAC consortium, which consists of Transdev Sydney, Alstom Transport Australia, Acciona Infrastructure Australia and Capella Capital.

Social and Affordable Housing Fund

The Group advised on the commercial, financial and governance principles for the Social and Affordable Housing Fund. The Fund is a joint initiative with the Council of Social Services of NSW and Infrastructure Partnerships Australia to facilitate up to \$1 billion in new social and affordable housing stock in New South Wales.

New intercity fleet

The Group is working on the procurement of the new intercity train fleet that will operate in the intercity and outer suburban areas, linking Newcastle and the Hunter, South Coast, the Blue Mountains and the Sydney CBD. The work included providing input into the procurement documentation, participating at all levels of bid evaluation and analysing alternative financing mechanisms and key market risks. The Expressions of Interest shortlist was announced in mid-2015 with request for proposals to be released shortly thereafter.

Grafton Correctional Facility

The Grafton Correctional Facility project is a new public-private partnership. The project is currently in the pre-procurement phase. During 2014-15 the Group provided strategic and commercial input into the business case for the 600-bed correctional facility and provided project management support to Corrective Services NSW in securing procurement approval.

Sydney Metro City & Southwest

Sydney Metro City & Southwest is a new 30 kilometre metro line linking with Metro Northwest at Chatswood and then travelling under Sydney Harbour, through the CBD and south west to Bankstown.

During 2014-15 the Group provided commercial and financial advice to Transport for NSW on the development of the delivery and financing strategy for the Sydney Metro City and Southwest project. This strategy will form part of the final business case to be considered by the NSW Government in early 2016 for a final investment decision. The Group will provide ongoing support during the contract procurement phase.

Bathurst Rail Fabrication Centre

The Group led negotiations for the sale in December 2014 of Bathurst Rail Fabrication Centre to VAE Railway Systems as part of the RailCorp Reform Program. This sale included negotiating a long-term supply agreement between the privately-held Bathurst Rail Fabrication Centre and Sydney Trains.

M7 rent monetisation

During 2014-15 the Group investigated the potential monetisation of the stream of annual rental revenue the State is due to receive from the M7 Motorway operator up to the year 2037. The Commercial Group is the lead adviser to Roads and Maritime Services for this transaction. The Group's involvement also includes coordination of a multi-agency Steering Committee consisting of members from Treasury, Department of Premier and Cabinet, and Roads and Maritime Services.

The Scoping Study (May 2015) identified an achievable value for money outcome for the State. The monetisation will be structured to transfer risk from the State's balance sheet to the private sector, with the proceeds being used to fund part of the State's contribution to the NorthConnex project. The execution phase commenced in June 2015.

Commercial Group

Commercial advisory services

The Group provided commercial advice to a number of Government agencies on management, structuring, refinancing or change of control issues across the State's existing public-private partnership portfolio, including:

- Roads and Maritime Services on the refinancing of the existing private-sector debt on the M7 motorway.
- NSW Health on Mater Hospital change of ownership to Commonwealth Superannuation Corporation.
- NSW Health on AMP Capital's acquisition of 100 per cent interest of RBS' stake in the Royal North Shore Hospital public-private partnership.
- Land and Housing Corporation on the transition of the Bonnyrigg public-private partnership into a new delivery framework.
- Transport for NSW on the transition of ownership to CCCC International Holding Limited from Leighton Holdings.

Commercial Assets

During the 2014-15 reporting year, the Group continued implementing strategies to improve the performance of public trading and financial enterprises, of which State Owned Corporations are a significant component.

Managing the Government's shareholding in State Owned Corporations, the Group assesses and monitors their commercial strategies, manages appointments to the Boards and is responsible for the development of the NSW Government's Commercial Policy Framework. The Group also plays a key role in reviewing the structure and operations of its businesses to reduce costs, improve service delivery and manage the State's balance sheet. This work contributes to a key NSW 2021 State Plan target of improving the performance of the commercial public trading enterprise sector (goal 2, target 5).

Commercial Policy Framework

The Commercial Policy Framework provides 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 New South Wales. The Framework encourages Government businesses to operate in an efficient and commercial manner, through providing appropriate disciplines and incentives replicating those faced by private sector companies.

During 2014-15 the capital structure and financial distribution policies were revised to bring them into line with contemporary practice. Preparatory work is underway for revising the reporting and monitoring policy, guidelines for boards of government businesses, and the State Owned Corporation indemnity policy during 2015-16.

Business plans and reporting

On behalf of shareholder Ministers, the Group negotiated Statements of Corporate Intent outlining State Owned Corporations' business strategies and forecast financials for 2014-15. As a result, in 2014-15 Statements of Corporate Intent were signed for each of the 13 State Owned Corporations and the Half-Yearly Reports were tabled as required under the State Owned Corporations Act 1989.

The Group also assisted the State owned water businesses with their pricing proposals which were submitted to the Independent Pricing and Regulatory Tribunal in June 2015.

Improving board governance

The Group supported the NSW Government in the State Owned Corporations board selection processes. During the year, a total of 33 State Owned Corporation board appointments were finalised, of which 33 per cent were women. Women currently occupy 29 per cent of State Owned Corporation Board positions. The NSW Government aims to improve the gender balance on the Boards of State Owned Corporations by targeting 40 per cent female representation.

In addition, two appointments (one male and one female) were also made to the Board of the NSW Treasury Corporation. Treasury's governance discipline and framework, including in respect of board appointments, will be broadened to apply to other non-State Owned Corporation businesses and entities overseen by Treasury.

Reform and performance of government businesses

The Group continued implementation of the Government's reform agenda, delivering significant operational and capital efficiencies within State Owned Corporations. Overseen by the Group on behalf of the shareholding Ministers, Sydney Water and Hunter Water have improved capital and operational efficiency and reduced pressure on customer bills while still meeting environmental and regulatory requirements.

Sydney Water has delivered a strong return to the State driven by stronger demand for water, operational efficiencies and an improved capital structure. As a result of these efficiencies and a lower cost of capital, Sydney Water's submission to the Independent Pricing and Regulatory Tribunal points to an 8.6 per cent step reduction in average household residential bills from July 2016 in real terms. Hunter Water's submission points to no real growth in bills for most customers, and has been assessed as already having the country's lowest average water bills and the lowest operating costs of any major water utility.

Capital structure improvements

The Group is reviewing the capital structures of a number of state-owned businesses to ensure that they are closely aligned with regulatory benchmarks and private sector best practice. Efficient debt levels are important for maintaining financial discipline on operational and capital spending, as well as balance sheet management. This in turn supports the State's triple-A credit rating and places downward pressure on consumer prices.

In 2014-15 the Group conducted research, developed detailed financial models, consulted with private sector asset managers and utility owners and sought expert external advice on private sector investment management. The State owned water businesses improved their credit rating metrics, and additional distributions were declared by Sydney Water and the Sydney Catchment Authority in 2014-15.

Supported by a stronger financial modelling capability, the Group is revising the Commercial Policy Framework to ensure Government businesses target and maintain commercially appropriate capital structures going forward. The work has concluded that shareholders and the businesses should agree a target capital structure that maintains an agreed target credit rating over the medium term and annual distributions that maintain the target capital structure. In conjunction with the release of the revised policies in 2015-16, the Group will conduct capital structure reviews in consultation with individual government businesses.

Surplus asset sales

The Group provided commercial advice and support to Hunter Water in continuing its program of non-core asset sales. During the year, provision of advice to Hunter Water included advising on the sale of its head office property; the sale of non-core Hunter Water Australia engineering consulting and laboratory business; progressing the sale of surplus land at Tillegra; and considering the potential sale of the Kooragang Island Recycled Water Plant which serves industrial customers. These reforms will improve Hunter Water's balance sheet management and lower its cost of capital.

Water NSW

The Group led the Steering Committee overseeing the enactment of legislation to formally effect the merger of Sydney Catchment Authority and State Water Corporation into Water NSW. *The Water NSW Act 2014* commenced on 1 January 2015. This amalgamation brings together water quality, dam management, flood mitigation and catchment protection expertise to create a stronger organisation with shared knowledge and skills. The full integration of business processes and cultures is continuing.

Port Authority of NSW

With the successful long-term lease of the three major ports, the Group undertook a leading role in combining the management of the State's residual port responsibilities at Sydney, Newcastle and Port Kembla into a single entity. The Port Authority of NSW has undertaken an organisational restructure to better align its cost base with its business activities.

Integrated funds management and investment strategy

The successful amalgamation of funds management activities, led by the Group, brought together financial assets of around \$70 billion within the NSW Treasury Corporation (TCorp). Funds of \$21.4 billion were transferred from Safety, Return to Work and Support (SRWS now called icare) and \$34.6 billion from SAS Trustee Corporation (STC) to add to funds already managed by TCorp. As a result TCorp is now a top 10 Australian funds manager.

Amalgamating funds management staff within TCorp mitigates the State's fiscal risks by ensuring efficient funds management through a single entity. Responsibility for investment objectives, risk management and asset allocation remains with each of the separate entities and their respective Boards. The Government will be seeking to amend the legislation of TCorp, STC and SRWS to further facilitate more efficient and sustainable funds management.

In parallel, the Group progressed work on developing a governance, reporting and financial risk management framework to enhance the State's whole-of-portfolio perspective of its asset and liability risk position.

Property

The Group advised on major property transactions during 2014-15 including:

- The Property Asset Utilisation Taskforce Review, the Bays Precinct and Parramatta North Urban renewal Projects.
- The NSW Government's Strategic Property Transactions Committee on the sale of the Parramatta Justice Precinct and 'The Sandstones'.
- Various real property disposal programs covering education, transport, health, heritage and justice assets.
- Working with Transport for NSW on the negotiation team for the Macquarie Park Interchange unsolicited proposal.

Governance and accountability of State Owned Corporations

Working with representatives from the Department of Premier and Cabinet, the Group reviewed the legislative framework providing governance and accountability over State Owned Corporations. The Review considered 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. The Steering Committee's report was completed in 2014-15.

Strategic Insurance Review

The Strategic Insurance Review was established to investigate, recommend and develop the structural and operational reforms necessary to optimise the NSW Government's policy relating to insurance and self-insurance functions. The Review was led by an Independent Chair, with Treasury acting in capacity as Secretariat. A final report was delivered to the Minister for Finance and Services and Property, and the Treasurer in May 2015.

Asset Transactions

Lease of electricity network assets

Following the announcement of the NSW Government's Rebuilding NSW program, the Group undertook preliminary work in 2014-15 on the proposed leasing of 49 per cent of the State's electricity network assets to fund \$20 billion investment in new and productive infrastructure across New South Wales.

An extensive scoping study was undertaken by the Group and a team of expert advisors to determine the best structure for the lease transactions to maximise returns for New South Wales taxpayers, whilst safeguarding public interest through sound policy and regulatory outcomes. The NSW Government outlined the proposed structure and sequencing of the transaction in December 2014 after considering the findings of the Scoping Study. Under the proposal, 100 per cent of TransGrid will be leased first, followed by a lease of 50.4 per cent of Ausgrid and 50.4 per cent of Endeavour Energy.

The Group developed the enabling legislation to assist the implementation of the lease transactions. The Electricity Network Assets (Authorised Transactions) Act 2015 authorising the long term leases of the network assets, and the Electricity Retained Interest Corporations Act 2015 providing for the stewardship of the State's retained interests in Ausgrid and Endeavour, passed through the NSW Parliament in early June 2015. The execution phase of the transaction process commenced with the Expressions of Interest stage for the TransGrid lease launched in late June 2015.

Sale of electricity generation assets

During 2014-15 the Group again took the lead role managing major electricity generation transactions on behalf of the NSW Government. In July 2014 the Group completed the sale of Green State Power's portfolio of wind and hydro-electric assets to Trustpower for \$72 million. In September 2014 the Group finalised the \$1.5 billion sale to AGL Energy of Macquarie Generation's Bayswater and Liddell power stations, following the Australian Competition Tribunal's authorisation of the transaction in June 2014.

In December 2014 the Group managed the sale of Delta Electricity's Colongra power station to Snowy Hydro for \$234 million, with the transaction completed in January 2015. The Group also re-established the sale process for Delta Electricity's Vales Point power station in April 2015, and is again seeking Expressions of Interest for the Cobbya Coal Mine opportunity.

With the sale of the State's electricity generation assets almost complete, the focus is now on the management of post-transaction matters. This work relates to the rights and obligations arising from transaction documentation, and has also included the wind-up activities for Macquarie Generation and Green State Power which facilitated the dissolution of both entities in 2015.

Disability and community care services

Working with a team of independent advisors the Group completed a scoping study examining the transfer of the following selected services to the non-government sector: (i) Home Care Service of NSW and (ii) Supported Accommodation and other Disability Services provided by the Department of Family and Community Services.

The NSW Government accepted the recommendations of the study and, in September 2014 the Minister for Disability Services announced the transfer of the Home Care Service of NSW to start the transitioning of services to the non-government sector under the full roll-out of the National Disability Insurance Scheme.

Transfer of Home Care Service of NSW

The Home Care Service of NSW (HCS) is a statutory corporation and one of the largest home and community care providers in New South Wales. It has a state-wide footprint, operating under a network of 42 branches, with a workforce of over 4,000 providing support services to over 51,800 clients annually.

Following the Minister's announcement in September 2014, the Group and its advisors worked with the HCS and the Department of Family and Community Services to commence the transfer of HCS to the non-government sector. An Expression of Interest process to acquire HCS occurred in early 2015. Based on recommendations by the Group and its advisors, the competitive tender process commenced with development of a shortlist of bidders. In August 2015, after an extensive and competitive selection process, mutual provider Australia Unity was chosen as the successful new operator for HCS. Financial completion is expected in early 2016.

Transfer of Supported Accommodation and Other Disability Services

The Department of Family and Community Services provides group homes, respite centres, and specialist-supported living services for people with a disability who are unable to live independently, as well as clinical and community support services. In conjunction with the transition to the National Disability Insurance Scheme, the NSW Government is to transfer direct provision of supported accommodation and other disability services to the non-government sector.

The Group has appointed advisors and will undertake market testing and client consultation as part of the development of a transfer strategy by the end of 2015. The services are expected to be taken to the market from early 2016, following Government approval of the overall strategy.



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Industrial Relations



Vicki Telfer

Executive Director Industrial Relations

- Effectively maintained the Government's Wages Policy with around 290,000 employees receiving increases in remuneration of 2.5 per cent per annum across the public sector, and around 30,000 employees identifying savings for increases above 2.5 per cent.
- Ensured that the employment and industrial relations aspects of major transformations have fair and supportable terms for employees while improving service delivery outcomes for citizens and government.
- Prepared NSW Government submission to the Royal Commission into Trade Union Governance and Corruption, confirming the Government's commitment to ensuring that all registered organisations are accountable, transparent and responsive to their members.
- Completed preparations ensuring that the Industrial Relations (General) Regulation is remade with effect from 1 September 2015.
- Implemented a comprehensive compliance strategy for the Entertainment Industry.
- Developed a revamped Industrial Relations website for rollout in 2015-16.

Industrial Relations

NSW Industrial Relations:

- Provides strategic public and private sector policy advice to the NSW Government.
- Provides specialist support to public sector agencies regarding the application of the Government's Wages Policy and implementation of Government reforms.
- Participates actively as a partner in the Commonwealth's national workplace relations framework.
- Monitors and enforces compliance, including in the construction, entertainment and the taxi industries and in relation to long service leave entitlements.

Wages Policy

During 2014-15 NSW Industrial Relations (NSW IR) worked with the Fiscal Effectiveness Office and the Public Service Commission to oversee the application of the Government's Wages Policy for all awards and agreements up for renewal during the year. NSW IR assisted agencies to develop their bargaining parameters, chaired the Wages Policy Taskforce to approve bargaining parameters, supported referral to the Expenditure Review Committee where necessary, and oversaw progress with the negotiations and settlement proposals. The Fiscal Effectiveness Office provided financial advice to ensure that the proposed cost of annual wage outcomes complied with the current wages cap of 2.5 per cent. The Taskforce provided regular reports to Government on progress, including achieved savings.

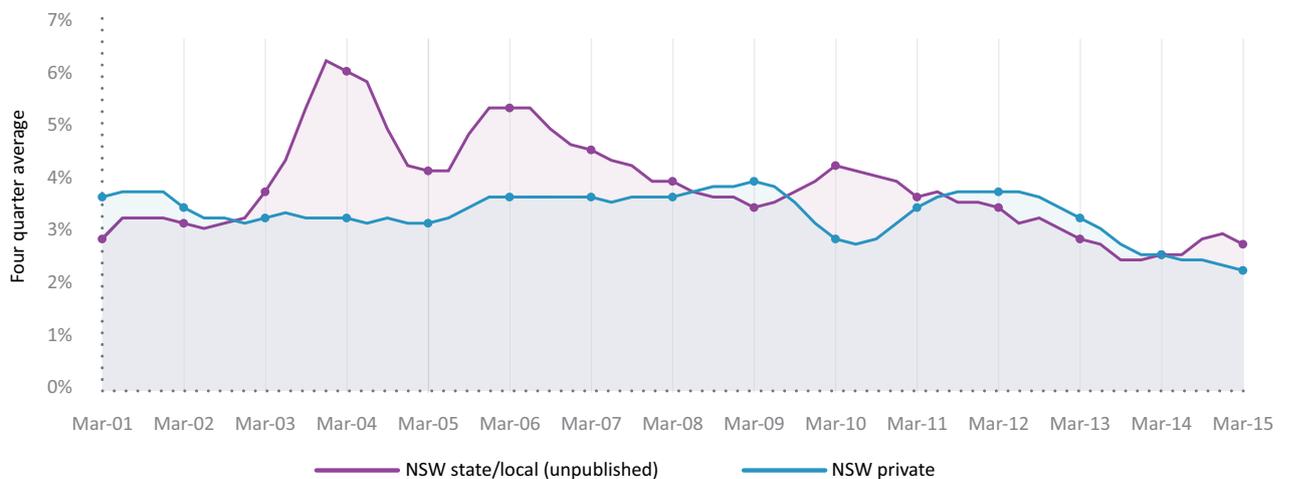
Public Sector Wages Policy

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

As a result of applying the Public Sector Wages Policy effectively, since July 2011 the Government has avoided additional costs of approximately \$1,734 million.

The graph below illustrates the comparison of pay rises in the public sector and the private sector in New South Wales from March 2001 to March 2015.

Pay increases in NSW Public and Private Sectors



Industrial Relations

NSW Public Sector pay rates increased by 2.8 per cent in the March 2015 quarter, compared to 2.9 per cent in the previous quarter of December 2014. This is the same as the public sector in the rest of Australia, but higher than NSW private sector where rates of pay increased by 2.3 per cent over the same period. All increases above the 2.5 per cent Wages Policy figure were as a result of achieved employee-related cost savings.

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

During 2014-15 there was almost 100 per cent agency compliance with the procedural components of the Wages Policy, which required Bargaining Parameters to be approved by Wages Policy Taskforce or the Expenditure Review Committee prior to the expiry of the relevant instrument.

Industrial Relations and Fair Work Commission

NSW IR represents the Secretary of Treasury (as Industrial Relations Secretary) and the Minister for Industrial Relations at matters before the Industrial Relations Commission (IRC) and the Fair Work Commission (FWC).

No extra claims

NSW IR prepared and coordinated the submissions and appeared on behalf of the Industrial Relations Secretary in IRC proceedings advocating for inclusion of a No Extra Claims clause given it demonstrated the intent of the parties and its legal as well as practical utility.

A decision of a Full Bench of the NSW Industrial Relations Commission Crown Employees Wages Staff (Rates of Pay) Award 2011 and others, upheld the Government's Wages Policy by finding that "Should an application be made during the term of an award which either proceeded on the basis that a matter had been reserved or made a claim which was in the nature of an 'extra claim', the Commission would simply deal with such an application according to law, that is, by rejecting it."

Working with Children Check

Unions NSW made an application for a new Child Protection (Working with Children) Award 2014, seeking reimbursement by way of an allowance for employees required to pay for the Working with Children Check.

NSW IR appeared on behalf of the Industrial Relations Secretary in the Industrial Relations Commission proceedings and successfully advocated for the claim to be disallowed.

A Full Bench of the NSW Industrial Relations Commission found that "a validly made award will necessarily extinguish the capacity of any party to agitate the subject matter of that award within... certainly a 12 month period from the making of the award".

The Commission concluded that it lacked the jurisdiction to deal with the matter and therefore dismissed the application.

The decision in this matter successfully upheld the Wages Policy and the Government's decision that such proposals must be included in the 2.5 per cent cap when awarding increases in remuneration and other conditions of employment.

Fair Work Commission hearing re Ausgrid and Endeavour Energy

Ausgrid and Endeavour Energy were notified of protected industrial action to be taken by all employees on 3 March 2015, consisting of rolling four hour stoppages. In late February 2015 the Minister for Industrial Relations applied to the Fair Work Commission (FWC) to intervene and provided evidence and submissions that the action proposed by the unions would threaten to endanger the personal safety or health, or welfare of at least part of the population. On 27 February 2015 the FWC ruled in favour of the Minister and the electricity businesses and suspended the proposed industrial action.

Industrial relations aspects of major transformations

In August 2014, NSW IR refocused existing internal resources to ensure a coordinated framework for carrying out a large amount of significant work on the industrial relations aspects of major transformations to support agencies in improving service delivery outcomes for citizens and government.

National Disability Insurance Scheme

In 2014-15, the entitlements and arrangements for Home Care Service New South Wales' employees transferring to a non-government provider were agreed for those employees covered by United Voice. The overriding consideration was to ensure continuity of client care and the final package of transfer arrangements were aimed to fulfil this commitment.

NSW IR was an active member on the Steering Committee, chaired the Employee Issues Working Group that provided advice to Government on the employee entitlements and transfer arrangements and jointly led the negotiations with unions about the transfer arrangements.

This was a major milestone in implementing the National Disability Insurance Scheme (NDIS) in New South Wales.

ServiceFirst and Water NSW

The entitlements and arrangement for employees affected by the decision to outsource the functions of a shared service provider to a number of government agencies, ServiceFirst, were also settled in 2014-15. NSW IR was an active member on the Steering Committee and also participated in the Industrial Relations Working Party to determine the employee entitlements and transfer arrangements.

In addition, NSW IR provided significant assistance to developing the industrial relations arrangements to enable the establishment of Water NSW, a keystone for the Government's aggregation of water management in NSW.

Trade Union Royal Commission

The Royal Commission into Trade Union Governance and Corruption was established on 13 March 2014. The Royal Commissioner's Interim Report was tabled in Parliament on 19 December 2014.

The Commissioner invited submissions from interested parties to inform his Interim Report and the NSW Government submission was lodged in August 2014.

NSW IR prepared the NSW Government submission which confirmed the Government's commitment to ensuring that all registered organisations are accountable, transparent and responsive to their members. The submission also noted that an appropriate regulatory regime has been established in New South Wales to achieve these aims and its adequacy is continually assessed. Consistency between Commonwealth and state regulatory frameworks was desirable. A key theme in the submission was that the NSW Government believes that the regulation of registered organisations should be closely aligned with the regulation of corporations and their directors.

Industrial relations regulation

Proposed Industrial Relations (General) Regulation 2015

During the reporting year NSW IR has been preparing the proposed Industrial Relations (General) Regulation 2015 to replace the Industrial Relations (General) Regulation 2001, which is due for automatic repeal on 31 August 2015. The new 2015 Regulation effective from 1 September 2015. NSW IR's work has included instructing the Parliamentary Counsel on the drafting of the new regulation and the preparation of a Regulatory Impact Statement.

The Regulatory Impact Statement for the new Regulation was published in newspapers and the Government Gazette on 10 June 2015. The advertisement invited submissions from the public with the submission period closing on 1 July 2015. NSW IR is currently considering the submissions received in response to the Statement, with a view to finalise the new regulation.

Compliance activities

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

During the 2014-15 reporting period NSW IR work included:

- Responding to 17,579 telephone enquiries and 875 email enquiries.
- Recovering \$434,122.79 in long service leave entitlements for 77 employees.
- Developing and presenting 35 live and interactive webinars and video presentations to 560 participants.
- Presenting additional pre-recorded online webinars that were viewed by a further 7,315 participants.

NSW IR provided information to 1,818 people at our 185 educational workshops, including 118 workshops attended by 1,165 people in regional NSW. Workshop locations included Tweed Heads, Moree, Kempsey, Wagga Wagga, Gunnedah, Ballina, Kiama, Bowral, Taree, Narrabri, Glenn Innes, Blackheath, Lismore, Armidale, Forster and Griffith. These workshops covered a variety of topics, including 'Workplace Issues for Payroll', 'Rights and Responsibilities', 'Dealing with Workplace Bullying' and 'Managing Employees'.

The NSW IR Construction Compliance Unit monitored 466 projects (272 public infrastructure and 194 privately funded). Of those projects 129 are completed, 245 under construction, 18 'shovel ready', 35 at post-tender stage and 39 at tender or pre-tender stage.

The Construction Compliance Unit assessed 177 Workplace Relations Management Plans, conducting 167 site inspections, completing one audit and commencing two new audits. The Unit also published a fact sheet on construction industry labour market trends in July 2014, providing wages growth data for consideration in enterprise bargaining.

The NSW IR Aboriginal and Torres Strait Island Unit provided strong support and information for employees and employers. During 2014-15 the Unit attended 33 Aboriginal and Torres Strait Islander community events, produced eight Koori Mail articles and four Two Rivers newsletters, and provided eight information sessions on indigenous radio.

Industrial Relations

Entertainment industry reforms

The NSW IR's Policy and Proactive Compliance Units implemented a comprehensive compliance strategy and developed information resources for the entertainment industry. The resources included publishing three new fact sheets in the 2014-15: 'A Guide for Performer Representatives', 'Entertainment Industry Managerial Agreements' and 'Entertainment Industry Managerial Agreement Checklist'.

All previous managerial agreements for services provided by performer representatives expired on 1 March 2015. As a result NSW IR conducted a further education campaign before the expiration date to alert performer representatives of the need to implement new managerial agreements where the representatives proposed to charge more than the capped fees.

The NSW IR education campaign included issuing advisory information to all known performer representatives, such as copies of the new fact sheets, together with offering newly developed free workshops designed to assist entertainment industry participants understand the practical implications of the new laws. In addition, the Compliance Branch provided feedback directly to performer representatives who submitted draft managerial agreements for comment.

Developing a new look website

To ensure that the NSW Industrial Relations public website is user-friendly and accessible for people with disabilities, in the last year it has been redesigned. From August 2015 the new-look website will also be available for a variety of mobile devices.

NSW IR relocation to 52 Martin Place

The NSW IR Business Support Unit worked closely with Treasury's New Ways to Work team managing and coordinating the relocation of NSW IR to Treasury's new premises in Martin Place. Strong advocacy and negotiation, a comprehensive local communications strategy and effective project management ensured that project milestones and constraints were met without compromising core business requirements and with minimal disruption to the delivery of services.

This included addressing issues unique to NSW IR which fell outside the formal project scope, including the reduction of the large and diverse NSW IR Library collection. To facilitate the reduction, a consultative approach was taken by extending an invitation to the State Library to accept items of historical or state significance.

NSW Industrial Relations assisted more than **18,000 individuals** with workplace advice in the last financial year



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Corporate Group



Tomas Gilmartin

Chief Operating Officer Corporate Group

- Worked closely with Department of Premier and Cabinet and Ministry on the Central Government to deliver a highly successful move to agile working at 52 Martin Place.
- Implemented new information communication technologies to support new agile ways of working as well as a new file management system to enable greater collaboration and enhanced security of information.
- Drove employee engagement through the introduction of a Culture and Workforce program and a new Human Capital Management System.
- Launched streamlined Treasury intranet site to enable timely and relevant communication to our employees.
- Introduction of a number of initiatives to provide better information and communication support to the Treasurer.

Corporate Group

The core function of the Corporate Group is to improve the effectiveness of NSW Treasury by providing best-in-class advice and support to the Treasury Group Executive and their Groups.

Key functions include:

- Communications – developing and implementing communication strategies to enhance the reputation of Treasury and increase employee engagement.
- Executive and Ministerial Services – provides executive support to the Treasurer’s Office and Executive Government, managing information as well as disclosure through Government Information (Public Access) and Privacy and Public Interest Disclosures.
- Facilities Management – managing Treasury’s office facilities and providing commercial management of major supplier relationships and procurement.
- Finance and Business Performance Management – providing accurate, strategic and operational advice to Treasury.
- Human Resources, Workforce Development and Management – partnering with Treasury business to drive leadership capability and a culture of connection and accountability.
- Information Management Systems – maturing the information technology capability of Treasury.
- Portfolio Management Office – effectively managing key strategic change critical to the delivery of Treasury’s strategic plan.

Corporate and strategic planning

Treasury’s Strategic Plan 2014–2016

NSW Treasury’s Corporate Plan sets out our vision, mission values and priorities for 2015-16 within the requirements of Treasury’s Front Office Strategic Plan and the NSW 2021 strategy.

To support the delivery of NSW Treasury’s Corporate Plan, the Corporate Group took the lead in developing the Treasury’s Strategic Plan 2014–16 which provided a shared vision and identified key initiatives required to deliver on the Corporate Plan. These initiatives will lead to the provision of better quality advice, clearer roles and responsibilities, greater accountability and enhanced employee capabilities.

Corporate’s Strategic Initiatives Program aims to provide better quality advice, clearer roles and responsibilities, greater accountability and enhanced employee capabilities



Corporate Operating Model redesign

Central to the delivery of the Treasury's Strategic Plan was a redesign of the Corporate Operating Model. The operating models for Human Resources, Finance and Communications were implemented in 2014-15 with the remainder to be completed in 2015-16.

Relocation to 52 Martin Place and agile work practices

The move to new premises and agile working required changes to workplace practices and culture, office fittings and information and communications technology. Across the Corporate Group, each function played its part in the successful delivery of this project.

The result is a new workplace which allows our employees to choose the settings which best suit the work they need to do – enabled by technology, collaborative workspaces, ergonomic furniture and shared storage facilities.

New information communication technologies were provided to all employees to facilitate this new way of working including laptops for all employees, wireless access to Treasury networks, Microsoft Lync, Objective file management, Condeco remote booking of meeting space and video conferencing.

From an environmental perspective, furniture, fit-out materials and paint were specified with the lowest-level volatile organic compound ratings for a healthier work place. Centralised printing allows for more effective waste management, and print rooms have separate air outlets to ensure fumes are not circulated in the general workplace.

The Communications and Human Resource teams supported the New Ways to Work initiative through a change management program to familiarise employees with new technology and new work practices.

Corporate functions

Communications

Budget 2015-16

For the first time the Communications team supported the production of the Budget Overview, a document summarising the key Budget initiatives and developed in conjunction with Treasury's Budget Strategy team and the Treasurer's Office. The overview became a key document during the Budget 2015-16 launch.

Internal communication

A new intranet which supports the internal communications strategy and enables enhanced search and measurement functionality was launched in 2014-15.

Conversations on the Couch, a regular forum held with staff and the Treasury Group Executive, was launched in 2014-15 to provide the opportunity for sharing of information and conversations between executives and employees.

Corporate Group

Events

Communications managed the launch of the Agency Budget and Policy group. The rebrand of this group supports the focus of stronger relationship management.

Publications

Communications developed The Looking Glass, a new quarterly e-bulletin prepared in conjunction with the Accounting Policy Group, providing over 500 Chief Financial Officers across the public and private sector with high level insights into recent accounting and financial reporting developments at NSW Treasury.

We also helped meet Treasury's regulatory requirements by producing Treasury Circulars, policy papers and other publications, including internal policies and procedures and the Annual Report.

Executive and Ministerial Services

Supporting the core business of Government

Throughout 2014-15 Executive and Ministerial Services provided quality and timely Parliamentary support including the coordination of briefing material, monitoring Question Time and legislative debate proceedings as well as various related coordination activities including responses to Questions On Notice, Petitions and standing orders.

eCabinet

The implementation of a new online Cabinet Document Management System 'eCabinet' has fundamentally changed existing processes with the introduction of a new, enhanced two stage consultation process.

Electronic Document Records Management System

A new Electronic Document Records Management System was introduced in 2015. Called Objective, the system protects confidential information and allows for collaboration across Groups and Divisions and features an automated workflow management driving increased efficiency.

Information and Parliament Unit compliance

During 2014-15, the Information and Parliament Unit implemented a new system for the creation and quality control of House Folder Notes to assist the Treasurer in Parliament.

The Unit also developed and implemented a new Government Information and Parliamentary portal on the Treasury intranet to provide key information and contact points to assist in Treasury's ongoing compliance and quality Ministerial service delivery function.

Facilities Management

The Central Government relocation project was the main focus of Treasury Facilities Management in 2014-15. Collaboration between relocating agencies (Treasury, the Department of Premier and Cabinet and the Ministry) and key government service providers (GPNSW, Government Architect, NSW Public Works) resulted in the first move to Activity Based Workplace (ABW) by major government agencies in Australia.

The move has also saved approximately \$89 million in tenancy and related costs in addition to significant sustainability benefits over the 12-year lease. As part of the relocation project, Treasury cost effectively managed its exit from all expiring leases.

Finance and Business Performance Management

Contract Data Management System

In 2014-15 Finance and Business introduced the Contract Data Management System (CDMS) to deliver financial reporting on major asset sales by NSW Government.

CDMS is a central repository for data relating to commercial transactions and invoicing- providing full visibility of expenditures across key asset sales under the Commercial Group.

These asset sales include Electricity Transactions, Disability and Community Care Services, and Generator Assets.

Human Resources

A new operating model including the introduction of Human Resources Business Partner roles and an Organisational Development unit was launched in 2014-15.

The Business Partner model has driven stronger relationships between Human Resources and the business and enabled a greater focus on key initiatives like coaching, performance management, leadership and management development.

Human Capital Management System

A new interactive Human Capital Management System across Treasury designed to build staff capability, drive innovation and enhance engagement was rolled out to all employees.

The system enables performance management, career development, talent and succession planning. One of the first key benefits of the system has been the launch of the online Performance Development Program (PDP). The PDP standardises the performance management process to enable leaders and their teams to more easily manage their performance and development objectives as well as free up time for more meaningful performance conversations.

The system will be a key strategic tool over the next year as Treasury looks to implement key initiatives to drive a high performing culture.

Culture and Workforce program

Treasury's Culture and Workforce program commenced with the identification of the current and desired organisational culture and our future workforce requirements.

Key elements included 360 degree surveys, one-on-one coaching and group coaching for both managers and employees. The review of the organisations' culture included a series of employee workshops exploring the gap between current culture and desired culture in order to identify opportunities for change.

Human Resources has already rolled out leadership training and has a further program of work planned for 2015-16 to drive positive cultural change.

Policy review

Treasury's Code of Ethics and Conduct was revised in accordance with the Public Service Commissioner's Direction No 1, 2015 to implement the Ethical Framework for the government sector – mandatory for all employees under the Government Sector Employment Act 2013. Further human resource policies will be reviewed in the next reporting period.

Taleo e-recruitment

Improvements were made to Treasury's recruitment processes with the introduction of the Taleo e-recruitment system which streamlines recruitment approvals, advertising, tracking and on-boarding. It also enhanced merit based recruitment including assessment methodologies such as online psychometric testing.

The full integration of the system assisted Treasury to achieve full compliance with the Government Sector Employment Act 2013.

2015 Secretary's Awards

Twenty-four teams and individuals were nominated for the 2015 Secretary's Awards for Individual and Team Excellence.

The individual Secretary's Award for Excellence was awarded to Marsha Guthrie in the Fiscal Estimates and Financial Reporting Branch for outstanding work on the Financial Management Transformation project and 2014-15 Budget.

The 2015 Team Excellence Awards were awarded to two nominees:

The News Ways to Work team received the award for their work in relocating Treasury from the old office site at Governor Macquarie Tower to 52 Martin Place – while providing ongoing advice and support.

The Amalgamation of Funds Management team also won the award for delivering a new framework for centralised investment in the management of public funds under NSW Treasury Corporation.

The awards were presented on 1 July by Treasurer Gladys Berejiklian and former Secretary Phil Gaetjens.

Information Management Systems

Budget 2014-15

Working with the Communications and Budget Strategy team, Information Management Systems built and launched the 2014-15 Budget website.

The site contained all Budget Papers for the forecasted year in addition to an Overview and compliance with Election Commitments by the NSW Government. The site also featured a video and introductory message from NSW Treasurer Gladys Berejiklian.

The Budget website launched on Budget Day, 23 June 2015 and received over 140,000 hits in the first 24 hours.

Corporate Group

Network security testing

In June 2015 Information Management Systems engaged Pure Hacking to undertake an independent review of Treasury's Information Security Management System and compliance with digital information security policy controls.

The review found that Treasury's information security management processes and controls are appropriate to secure our digital information and information systems.

Treasury's Digital Information Security Attestation Statement for the financial year 2014-15 is available on page 63 of this Annual Report.

Portfolio Management Office

The Portfolio Management Office drove the delivery of Treasury's Strategic Plan, with a clear mandate to support the Treasury Group Executive in ensuring alignment of the portfolio of projects, programs and change initiatives to the organisation's strategy and objectives.

Operating expenditure

In 2014-15 Treasury's total expenses excluding cluster grant payments increased by \$19.4 million to \$111.1 million. This was primarily as a result of the continuation of the Financial Management Transformation program within Treasury and across the NSW public sector, as well as the completion of the New Ways to Work program. See page 20 for details on the FMT program and page 58 for details on the New Ways to Work program.

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

Benchmark ≤ 100%	2010-11 actual	2011-12 actual	2012-13 actual	2013-14 actual	2014-15 actual
% of Actual NCS to Budget	97.8%	99.0%	91.4%	96.7%	99.4%*

* Based on approved budget adjustments.

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

Governance

Insurance

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

To minimise the occurrence and impact of workplace injury, Treasury's workers compensation risks are proactively managed with initiatives that include training and education for all staff, early intervention through pre-emptive workplace inspections, Workplace Health and Safety (WHS) representatives and active rehabilitation plans.

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

In 2014-15 as a result of the effective management of risk, NSW Treasury secured an incentive adjustment (refund of premium) through the Treasury Managed Fund. The adjustment is retrospective and the 2014-15 adjustment refers to risk management in the 2012-13 reporting period.

NSW Treasury Digital Information Security Attestation Statement

I, Rob Whitfield, am of the opinion that NSW Treasury has an Information Security Management System in place consistent with the Core Requirements set out in the Digital Information Security Policy for the NSW Public Sector.

I, Rob Whitfield, am of the opinion that there are security controls in place to mitigate risks to the digital information and digital information systems of NSW Treasury and there are plans to further strengthen controls in the foreseeable future.

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

I, Rob Whitfield, am of the opinion that, where necessary in accordance with the Digital Information Security Policy for the NSW Public Sector, NSW Treasury has been independently assessed as compliant with the AS/NZS ISO/IEC 27001 Information technology – Security techniques – Information security management systems – Requirements.

Internal Audit

Treasury's Internal Audit Branch supports management in the tasks of risk identification and internal audit management. The three main functions of the Internal Audit Branch are:

- Facilitating the identification, management and monitoring of risk
- Planning and managing the internal audit program and associated reporting
- Supporting the Audit & Risk Committee

The Branch is also involved in compliance monitoring and liaison between the Audit and Risk Committee and external audit, i.e. the annual audit of financial statements performed by the Audit Office of NSW. The Chief Audit Executive reports directly to the Secretary and to the independent Audit and Risk Committee.

Achievements in 2014-15 included:

- Updating the Treasury Internal Audit and Risk Management webpage, providing agencies with new guides, templates and examples that are compliant with current policies and standards, including guides for new Audit and Risk Committee members and for staff called upon to write responses for, or present to, the Committee.
- Supporting Treasury's Audit and Risk Committee which met nine times in 2014-15. As a Principal Department and Shared Arrangement Committee it oversees Treasury itself, eight smaller entities and the Total State Sector Accounts.
- Undertaking 12 risk-based internal audits, of which eight were completed during the year, covering a range of compliance audits and reviews based on Treasury's strategic risks.
- The Audit and Risk Committee provided special oversight and advice in relation to Treasury's New Ways to Work program and relocation to 52 Martin Place, and in respect of the Financial Management Transformation program which, when completed, will affect the entire public sector.

Initiatives completed by the Branch accelerated the receipt and implementation of management responses to audit recommendations. As a result, there was a 54 per cent reduction in agreed actions outstanding at 30 June 2015, compared with the same date in 2014. Of these, the recommendations rated 'high' or 'significant' comprised 25 per cent, down from 60 per cent in 2014.

The Branch also completed a formal select tender process, resulting in KPMG's appointment as Treasury's outsourced internal audit service provider.

Risk management gained increased emphasis as a component of Treasury's implementation of the *Government Sector Employment Act 2013*. As a result the organisation moves forward into 2015-16 with recruitment underway for a new Director, Risk to assist the Director Audit and the Committee to implement a 'three lines of defence' model, comprising management oversight, risk management and internal audit.

Report from the Audit & Risk Committee

Dear Secretary

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

- Assess risks arising from the operations of NSW Treasury's Principal Department and Shared Arrangements Agreement, and the adequacy of measures in place to control those risks.
- Liaise with external audit in relation to these same entities.
- 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 2014-15, entities overseen by the Committee included:

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

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

As you are aware, the remaining agencies of the Treasury and Finance Cluster have their own Audit and Risk Committees or shared arrangements.

Committee membership

The Committee is constituted in compliance with NSW Treasury policy TPP09-05. Current membership:

- Peter Lucas (independent Chair from April 2012, extended March in 2015 to 17 April 2017)
- Carolyn Burlew (independent member from 2009, extended in 2011 to October 2015)
- Jon Tyers (independent member from August 2012, first term extended August to October 2015)
- Garry Dinnie (independent member from June 2013, first term expires June 2017)

Committee meetings

The Committee met on nine occasions during 2014-15. During the course of the year the Committee monitored matters including:

- Preparation and external audit of the cluster's financial statements, including those of the Crown and the Total State Sector Accounts.
- Risks and controls around key Treasury projects and programs such as New Ways to Work and Financial Management Transformation (including the viability of the existing financial information system during the transformation period).
- Treasury's work with agencies to resolve errors impacting the Total State Sector Accounts, and to proactively manage emerging risks to those accounts.
- Consideration of the ServiceFirst assurances received during the year, in particular any risks they highlight which might affect Treasury's accounts.

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

Internal Audit Program

The Committee oversees audits and reviews of the activities of NSW Treasury and the Shared Arrangement entities according to its annual internal audit plan. The areas to be audited are determined based on exposure to potential strategic or operating risks, and on length of time since previous review.

The following assurance audit reports were tabled before the Committee during 2014-15 and commended, with management responses, to the Secretary for approval:

- Audit of the compliance and organisation responsibilities of the Tier 3 entities.
- Desktop Review of Key Planning Documents Supporting the Financial Management Transformation (FMT) Business Case.
- Desktop review of previous assessments of the Financial Information System (FIS), accompanied by an audit of the current use of spreadsheets and other workarounds.

Governance

- Risks and controls around Crown Special Deposit Accounts
- Post completion assessment of the NSW Government cash and banking services tender
- Internal Controls, Crown (Part 2 of a three-year rolling program)
- Review of the implementation of audit recommendations (2013-14)

The following audits and reviews were in the field, or with management for responses, as at 30 June 2015:

- Review of procedures for escalation of agency financial issues by Agency Budget and Policy Group
- Controls around government withdrawal from the Entertainment Industry Licensing Scheme
- Key project aspects of Financial Management Transformation (FMT) (annual audit focusing on the key aspects in each year)
- Post completion review of a major asset transaction
- Profile of Treasury fraud and corruption risks and controls
- Governance around Ministerial correspondence and Cabinet briefings
- Review of the implementation of previous audit recommendations (2014-15)

The Committee monitors the appropriateness and timeliness of the implementation of agreed internal audit recommendations; those included in Audit Office management letters; those from Audit Office Performance Audits, and recommendations for Treasury by the Public Accounts Committee and other oversight entities.



Peter Lucas

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

Internal Audit and Risk Management Statement for the 2014-15 Financial Year for NSW Treasury

I, Caralee McLiesh, Acting Secretary of NSW Treasury, am of the opinion that 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 NSWTC 09/08 Internal Audit and Risk Management Policy.

I am of the opinion that the Audit and Risk Committee for NSW 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 2017)
- Independent Member 1, Carolyn Burlew, (September 2009 – October 2015)
- Independent Member 2, Jon Tyers, (August 2012 – October 2015)
- Independent Member 3, Garry Dinnie, (June 2013 – June 2017)

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

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



Caralee McLiesh, Acting Secretary
Date: 17 September 2015

Treasury Contact Officer:
Nadia Fletcher, Chief Audit Executive
Telephone: 02 9228 4445

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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 2015, the statement of comprehensive income, statement of changes in equity, statement of cash flows, service group statements and summary of compliance with financial directives for the year then ended, notes comprising a summary of significant accounting policies and other explanatory information.

Opinion

In my opinion the financial statements:

- give a true and fair view of the financial position of the Department as at 30 June 2015, and of its financial performance and its cash flows for the year then ended in accordance with Australian Accounting Standards
- are in accordance with section 45E of the *Public Finance and Audit Act 1983* (PF&A Act) and the Public Finance and Audit Regulation 2015.

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

Secretary's Responsibility for the Financial Statements

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

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 an 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 entity'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 entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, 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.

Financial Statements

My opinion does *not* provide assurance:

- about the future viability of the Department
- that it carried out its activities effectively, efficiently and economically
- about the effectiveness of the 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 PSM
Acting Auditor-General

18 September 2015
SYDNEY

Financial Statements

The Treasury

Statement by the Department Head

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

- (a) the accompanying financial statements in respect of the year ended 30 June 2015 have been prepared in accordance with applicable Australian Accounting Standards, the requirements of the *Public Finance and Audit Act 1983*, applicable clauses of the *Public Finance and Audit Regulation 2015*, the requirements of the Financial Reporting Directions published in the Financial Reporting Code for NSW General Government Sector Entities and the Treasurer's Directions;
- (b) the financial statements exhibit a true and fair view of the financial position of The Treasury as at 30 June 2015 and the financial performance for the year then ended, and
- (c) there are no circumstances which would render any particulars included in the financial statements to be misleading or inaccurate.



Department Head
17 September 2015

Financial Statements

The Treasury

Statement of comprehensive income for the year ended 30 June 2015

	Notes	Actual 2015 \$'000	Budget 2015 \$'000	Actual 2014 \$'000
Expenses excluding losses				
Operating expenses				
Employee related	2(a)	75,835	77,023	62,113
Other operating expenses	2(b)	32,455	33,701	28,099
Depreciation and amortisation	2(c)	2,727	2,716	1,060
Grants and subsidies	2(d)	699,671	480,745	165
Finance costs	2(e)	(101)	33	264
Total expenses excluding losses		810,587	594,218	91,701
Revenue				
Recurrent appropriation	3(a)	767,607	567,073	74,439
Capital appropriation	3(a)	4,982	17,982	3,285
Sale of goods and services	3(b)	8,116	14,155	6,217
Personnel services revenue	3(c)	7,515	-	6,779
Investment revenue	3(d)	650	300	522
Grants and contributions	3(e)	-	-	2,790
Acceptance by the Crown Entity of employee benefits and other liabilities	3(f)	3,599	2,745	2,252
Other revenue	3(g)	1,101	1,101	84
Total Revenue		793,570	603,356	96,368
Gain / (loss) on disposal	4	(368)	(395)	(1)
Net result	19	(17,385)	8,743	4,666
Other comprehensive income				
<i>Items that will not be reclassified to net result</i>				
Superannuation actuarial gains / (losses) on defined benefit plans	15	(1,375)	-	(1,101)
Superannuation actual return on fund assets less interest income	15	1,335	-	1,304
Total other comprehensive income		(40)	-	203
TOTAL COMPREHENSIVE INCOME		(17,425)	8,743	4,869

The accompanying notes form part of these financial statements.

Financial Statements

The Treasury

Statement of financial position as at 30 June 2015

	Notes	Actual 2015 \$'000	Budget 2015 \$'000	Actual 2014 \$'000
ASSETS				
Current Assets				
Cash and cash equivalents	6	5,590	22,899	25,054
Receivables	7	7,547	4,381	6,295
Other	8	-	-	11,400
Total Current Assets		13,137	27,280	42,749
Non-Current Assets				
Receivables	7	6,382	5,648	6,244
Plant and equipment	9	21,065	17,689	9,423
Intangible assets	10	5,848	19,133	2,779
Total non-Current Assets		33,295	42,470	18,446
Total Assets		46,432	69,750	61,195
LIABILITIES				
Current Liabilities				
Payables	12	6,365	5,031	4,819
Provisions	13	13,740	10,242	10,995
Other	14	1,383	1,515	1,551
Total current Liabilities		21,488	16,788	17,365
Non-Current Liabilities				
Provisions	13	8,812	26,339	8,310
Other	14	14,910	-	16,873
Total non-Current Liabilities		23,722	26,339	25,183
Total Liabilities		45,210	43,127	42,548
Net Assets		1,222	26,623	18,647
EQUITY				
Accumulated funds		1,222	26,623	18,647
Total Equity		1,222	26,623	18,647

The accompanying notes form part of these financial statements.

Financial Statements

The Treasury

Statement of changes in equity for the year ended 30 June 2015

	Notes	Accumulated Funds \$'000
Balance at 1 July 2014		<u>18,647</u>
Net result for the year		(17,385)
Other comprehensive income		
Superannuation actuarial gains / (losses) on defined benefit plans	15	(1,375)
Superannuation actual return on fund assets less interest income	15	<u>1,335</u>
Total other comprehensive income		<u>(40)</u>
Total comprehensive income for the year		<u>(17,425)</u>
Balance at 30 June 2015		<u>1,222</u>
Balance at 1 July 2013		<u>13,778</u>
Net result for the year		4,666
Other comprehensive income		
Superannuation actuarial gains / (losses) on defined benefit plans	15	(1,101)
Superannuation actual return on fund assets less interest income	15	<u>1,304</u>
Total other comprehensive income		<u>203</u>
Total comprehensive income for the year		<u>4,869</u>
Balance at 30 June 2014		<u>18,647</u>

The accompanying notes form part of these financial statements.

Financial Statements

The Treasury

Statement of cash flows for the year ended 30 June 2015

	Notes	Actual 2015 \$'000	Budget 2015 \$'000	Actual 2014 \$'000
CASH FLOWS FROM OPERATING ACTIVITIES				
Payments				
Employee related		(61,050)	(72,736)	(58,096)
Grants and subsidies		(614,627)	(480,745)	(165)
Other		(30,830)	(35,746)	(26,050)
Total Payments		(706,507)	(589,227)	(84,311)
Receipts				
Recurrent appropriation		682,563	567,073	74,439
Capital appropriation (excluding equity appropriations)	3(a)	4,982	17,982	3,285
Sale of goods and services		8,113	15,084	10,588
Interest received		641	453	522
Grants and contributions		-	-	2,790
Other		182	13,495	3,181
Total Receipts		696,481	614,087	94,805
NET CASH FLOWS FROM OPERATING ACTIVITIES	19	(10,026)	24,860	10,494
CASH FLOWS FROM INVESTING ACTIVITIES				
Proceeds from sale of plant and equipment		18	-	8
Purchases of plant and equipment		(6,024)	(10,688)	(3,914)
Other		(3,493)	(16,596)	(2,461)
NET CASH FLOWS FROM INVESTING ACTIVITIES		(9,499)	(27,284)	(6,367)
NET INCREASE / (DECREASE) IN CASH		(19,525)	(2,424)	4,127
Opening cash and cash equivalents		25,054	25,323	20,927
Cash transferred in / (out) as a result of administrative restructuring	23	61	-	-
CLOSING CASH AND CASH EQUIVALENTS	6	5,590	22,899	25,054

The accompanying notes form part of these financial statements.

Financial Statements

The Treasury

Supplementary Financial Statements

Service Group Statements for the year ended 30 June 2015

ENTITY'S EXPENSES & INCOME	State Resource Management*		Cluster Grant Funding*		Not Attributable		Total	
	2015 \$'000	2014 \$'000	2015 \$'000	2014 \$'000	2015 \$'000	2,014 \$'000	2015 \$'000	2014 \$'000
Expenses excluding losses								
Operating expenses								
Employee related	75,835	62,113	-	-	-	-	75,835	62,113
Other operating expenses	32,455	28,099	-	-	-	-	32,455	28,099
Depreciation and amortisation	2,727	1,060	-	-	-	-	2,727	1,060
Grants and subsidies	215	165	699,456	-	-	-	699,671	165
Finance costs	(101)	264	-	-	-	-	(101)	264
Total expenses excluding losses	111,131	91,701	699,456	-	-	-	810,587	91,701
Revenue								
Recurrent appropriation	-	-	-	-	767,607	74,439	767,607	74,439
Capital appropriation	-	-	-	-	4,982	3,285	4,982	3,285
Sale of goods and services	8,116	6,217	-	-	-	-	8,116	6,217
Personnel services revenue	7,515	6,779	-	-	-	-	7,515	6,779
Investment revenue	650	522	-	-	-	-	650	522
Grants and contributions	-	2,790	-	-	-	-	-	2,790
Acceptance by the Crown Entity of employee benefits and other liabilities	3,599	2,252	-	-	-	-	3,599	2,252
Other revenue	1,101	84	-	-	-	-	1,101	84
Total Revenue	20,981	18,644	-	-	772,589	77,724	793,570	96,368
Gain / (loss) on disposal	(368)	(1)	-	-	-	-	(368)	(1)
Net result	(90,518)	(73,058)	(699,456)	-	772,589	77,724	(17,385)	4,666
Other comprehensive income								
<i>Items that will not be reclassified to net result</i>								
Superannuation actuarial gains / (losses) on defined benefit plans	(1,375)	(1,101)	-	-	-	-	(1,375)	(1,101)
Superannuation actual return on fund assets less interest income	1,335	1,304	-	-	-	-	1,335	1,304
Total other comprehensive income	(40)	203	-	-	-	-	(40)	203
TOTAL COMPREHENSIVE INCOME	(90,558)	(72,855)	(699,456)	-	772,589	77,724	(17,425)	4,869

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

The Cluster Grant Funding service group manages the grant funding to agencies within the Treasury and Finance cluster. As at 30 June 2015, the service group has no assets or liabilities to disclose.

The Treasury

Summary of compliance with financial directives

	2015				2014			
	Recurrent Appropriation \$'000	Expenditure/Net Claim on Consolidated Fund \$'000	Capital Appropriation \$'000	Expenditure/Net Claim on Consolidated Fund \$'000	Recurrent Appropriation \$'000	Expenditure/Net Claim on Consolidated Fund \$'000	Capital Appropriation \$'000	Expenditure/Net Claim on Consolidated Fund \$'000
Original Budget Appropriation/Expenditure								
* Appropriation Act	567,073	477,917	17,982	4,982	74,439	2,445	2,445	
* s 24 <i>Public Finance and Audit Act 1983</i> - transfers of functions between entities	324,197	289,621	-	-	-	-	-	
* s 32 Appropriation Act - transfers from another agency	69	69	-	-	-	-	-	
* Treasurers Advance	-	-	-	-	-	2,190	840	
Total Appropriations/Expenditure/ Net Claim on Consolidated Fund (includes transfer payments)	891,339	767,607	17,982	4,982	74,439	4,635	3,285	
Amount drawn down against Appropriation		767,607		4,982			3,285	
Liability to Consolidated Fund								

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'.

Financial Statements

The Treasury

Notes to the Financial Statements 30 June 2015

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 Administrative Arrangements (Administrative Changes—Miscellaneous Agencies) Order 2014 (413), the staff and their functions from the Office of Finance were transferred from the Office of Finance and Services (OFS) to The Treasury effective from 1 July 2014.

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

These financial statements for the year ended 30 June 2015 have been authorised for issue by the Secretary on 17 September 2015.

Basis of preparation

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

- applicable Australian Accounting Standards (which include Australian Accounting Interpretations)
- the requirements of the *Public Finance and Audit Act 1983* and *Public Finance and Audit Regulation 2015* 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.

(b) Statement of compliance

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

(c) Administered activities

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

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

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

(d) 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.

Financial Statements

The Treasury

Notes to the Financial Statements 30 June 2015

1. Summary of Significant Accounting Policies (continued)

(e) Accounting for the Goods and Services Tax (GST)

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

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

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

(f) Income recognition

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

(i) Parliamentary appropriations and contributions

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

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

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

(ii) Sale of goods

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

(iii) Rendering of services (including personnel services)

Revenue is recognised when the service is provided or by reference to the stage of completion (based on labour hours incurred at the reporting date).

(iv) Investment revenue

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

(g) Assets

(i) Acquisition of assets

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

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

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

Where payment for an asset is deferred beyond normal credit terms, its cost is the cash price equivalent, i.e. the deferred payment amount is effectively discounted over the period of credit.

(ii) Capitalisation thresholds

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

The Treasury

Notes to the Financial Statements 30 June 2015

1. Summary of Significant Accounting Policies (continued)

(iii) Revaluation of plant and equipment

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

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

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

The majority of The Treasury's assets are non-specialised with short useful lives and are therefore measured at depreciated historical cost, as an approximation of fair value. The entity has assessed that any difference between fair value and depreciated historical cost is unlikely to be material.

(iv) Impairment of plant and equipment

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

(v) Depreciation of plant and equipment

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

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

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

(vi) Restoration costs

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

(vii) Maintenance

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

(viii) Leased assets

Operating lease payments are recognised as an expense on a straight-line basis over the lease term.

(ix) Intangible assets

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

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

The Treasury

Notes to the Financial Statements 30 June 2015

1. Summary of Significant Accounting Policies (continued)

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

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

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

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

(x) Receivables

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

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

(xi) Impairment of financial assets

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

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

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

(xii) Derecognition of financial assets and financial liabilities

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

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

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

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

(xiii) Trust funds

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

The Treasury

Notes to the Financial Statements
30 June 2015

1. Summary of Significant Accounting Policies (continued)

(h) Liabilities

(i) Payables

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

(ii) Employee benefits and other provisions

(a) Personnel services arrangements

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

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

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

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

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

(c) Long service leave (LSL) and superannuation

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

LSL is measured at present value in accordance with AASB 119 *Employee Benefits*. This is based on the application of certain factors (specified in NSW Treasury Circular TC 15/09) to employees with five or more years of service, using current rates of pay. These factors were determined based on an actuarial review to approximate present value.

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

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

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

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

Financial Statements

The Treasury

Notes to the Financial Statements
30 June 2015

1. Summary of Significant Accounting Policies (continued)

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

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

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

(d) Consequential on-costs

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

(iii) Other provisions

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

(iv) Fair value hierarchy

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

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

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

(i) **Grants expense**

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

(j) **Equity**

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

(k) **Equity Transfers**

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

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.

Financial Statements

The Treasury

Notes to the Financial Statements 30 June 2015

1. Summary of Significant Accounting Policies (continued)

(l) Budgeted amounts

The budgeted amounts are drawn from the original budgeted financial statements presented to Parliament in respect of the reporting period. Subsequent amendments to the original budget (e.g. adjustment for transfers of functions between entities as a result of Administrative Arrangement Orders) are not reflected in the budgeted amounts. Major variances between the original budgeted amounts and the actual amounts disclosed on the primary financial statements are explained in Note 18.

(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 standards and interpretations not yet effective

Certain new standards and interpretations have recently been issued or amended but are not yet effective for the annual reporting period ended 30 June 2015. It is considered impracticable to presently determine the impact of adopting those new standards and interpretations issued or amended but not yet effective.

In compliance with NSW Treasury mandates per Treasury Circular NSW TC15/03, the Treasury has not adopted any new accounting standards, amendments and interpretations.

(o) New, revised or amending standards and interpretations

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

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

Financial Statements

The Treasury

Notes to the Financial Statements 30 June 2015

2. Expenses Excluding Losses

	2015 \$'000	2014 \$'000
(a) Employee related expenses		
Salaries and wages (including annual leave)	63,238	52,500
Superannuation - defined benefit plans	1,260	1,290
Superannuation - defined contribution plans	4,090	3,290
Long service leave	3,383	1,480
Workers compensation insurance	145	325
Payroll tax and fringe benefits tax	3,719	3,228
	75,835	62,113

Employee related expenses of \$Nil (2014: \$36,518) have been incurred and are capitalised in Intangibles and therefore excluded from the above. Except as noted, there are no other employee related payments included in asset and expenditure accounts.

(b) Other operating expenses include the following:

Auditor's remuneration

Audit of the financial statements	95	92
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Operating lease rental expense

Minimum lease payments	9,884	9,323
Contractors	7,328	5,516
Centralised corporate support charges	5,209	4,867
Consultants	3,052	2,607
Training	1,558	1,201
Information management	1,252	1,033
Building management maintenance and utilities	653	352
Staff recruitment	534	711
Computer maintenance and software licences	407	223
Internal audit fees	359	276
Maintenance ⁽ⁱ⁾	248	210
Printing and advertising	241	353
Travel	261	283
Minor plant, equipment and stores	251	290
Management Fee - Port Lessor	345	0
Board remuneration	82	81
Insurance	34	43
Event management	109	92
Postal charges	82	37
Legal fees	118	61
Other	353	448
	32,455	28,099

Reconciliation - Total maintenance

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

	248	210
Employee related maintenance expenses included in Note 2(a)	-	37
Total maintenance expenses included in Note 2(a) and 2(b)	248	247

Financial Statements

The Treasury

Notes to the Financial Statements
30 June 2015

2. Expenses Excluding Losses (continued)

	2015	2014
	\$'000	\$'000
(c) Depreciation and amortisation expense		
Depreciation (Note 9)		
Computer hardware	881	233
Office equipment	7	21
Office furniture	21	45
Leasehold improvements	1,416	548
	<u>2,325</u>	<u>847</u>
Amortisation of software intangibles (Note 10)	402	213
Total depreciation and amortisation	<u>2,727</u>	<u>1,060</u>
(d) Grants and subsidies		
Grants & subsidies	<u>699,671</u>	<u>165</u>
(e) Finance costs		
Unwinding of discount rate	<u>(101)</u>	<u>264</u>

Financial Statements

The Treasury

Notes to the Financial Statements
30 June 2015

3. Revenues

	2015 \$'000	2014 \$'000
(a) Appropriations		
Recurrent appropriations		
Total recurrent draw-downs from NSW Treasury (per Summary of compliance)	767,607	74,439
Less: Liability to Consolidated Fund (per Summary of compliance)	-	-
	<u>767,607</u>	<u>74,439</u>
Comprising:		
Recurrent appropriations (per Statement of comprehensive income)	767,607	74,439
	<u>767,607</u>	<u>74,439</u>
Capital appropriations		
Total capital draw-downs from NSW Treasury (per Summary of compliance)	4,982	3,285
Less: Liability to Consolidated Fund (per Summary of compliance)	-	-
	<u>4,982</u>	<u>3,285</u>
Comprising:		
Capital appropriations (per Statement of comprehensive income)	4,982	3,285
	<u>4,982</u>	<u>3,285</u>
(b) Sale of goods and services		
Rendering of services		
Recoupment of costs ⁽ⁱ⁾	8,115	6,216
Other	1	1
	<u>8,116</u>	<u>6,217</u>
(c) Personnel services revenue		
Recoupment of Long Service Corporation staff costs	<u>7,515</u>	<u>6,779</u>
(d) Investment revenue		
Interest	<u>650</u>	<u>522</u>
(e) Grants and contributions		
Grants from Crown Entity for recurrent expenditure	<u>-</u>	<u>2,790</u>
(f) Acceptance by the Crown Entity of employee benefits and other liabilities		
The following liabilities and/or expenses have been assumed by the Crown Entity:		
Long service leave	2,731	1,331
Superannuation - defined benefit	826	877
Payroll tax	42	44
	<u>3,599</u>	<u>2,252</u>
(g) Other revenue		
Other	<u>1,101</u>	<u>84</u>

(i) Relates to the recoupment of administrative costs composed mainly of salaries and accommodation relating to the Crown Entity.

Financial Statements

The Treasury

Notes to the Financial Statements
30 June 2015

4. Gain / (loss) on Disposal

	2015	2014
	\$'000	\$'000
Gain / (loss) on disposal of plant and equipment		
Proceeds from disposal	18	8
Written down value of assets disposed	(386)	(9)
Net gain / (loss) on disposal of plant and equipment	(368)	(1)
Total net gain / (loss) on disposal of non-current assets	(368)	(1)

5. Service Groups of the Treasury

Service Group

Purpose:

State Resource Management

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

Cluster Grant Funding

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

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

6. Current Assets – Cash and Cash Equivalents

	2015	2014
	\$'000	\$'000
Cash at bank	5,590	25,054
	5,590	25,054

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

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

Cash and cash equivalents (per statement of financial position)	5,590	25,054
Closing cash and cash equivalents (per statement of cash flows)	5,590	25,054

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

Financial Statements

The Treasury

Notes to the Financial Statements 30 June 2015

7. Current / Non-Current – Receivables

	2015 \$'000	2014 \$'000
Current		
Personnel services recoverable from LSCorp	3,315	2,929
Sale of goods and services	280	695
Interest	312	303
Prepayments	79	3
GST	963	608
Other	2,598	1,757
Total	7,547	6,295
Non-Current		
Personnel services recoverable from LSCorp	6,382	6,244
Total	6,382	6,244
Total Receivables	13,929	12,539

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

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

	2015 \$'000	2014 \$'000
Receivables - Personnel services, Sale of goods and services and Other		
Current amount	5,740	5,381
Overdue amount	453	-
	6,193	5,381
Less: Allowance for impairment	-	-
	6,193	5,381

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

8. Current – Other

	2015 \$'000	2014 \$'000
Current		
Lease incentive - fit out	-	10,049
Lease incentive - rent free period remaining	-	1,351
Total	-	11,400

Financial Statements

The Treasury

Notes to the Financial Statements
30 June 2015

9. Non-Current Assets- Plant and Equipment

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

Reconciliation

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

	Plant and Equipment \$'000	Leasehold improvements \$'000	Total \$'000
Year ended 30 June 2015			
Net carrying amount at start of year	2,786	6,637	9,423
Additions	1,740	12,592	14,332
Disposals	(1,735)	(1,795)	(3,530)
Depreciation expense	(909)	(1,416)	(2,325)
Other movements:			
Write back on disposal	1,387	1,778	3,165
Net carrying amount at end of year	3,269	17,796	21,065
At 1 July 2013 - fair value			
Gross carrying amount	2,254	1,795	4,049
Accumulated depreciation and impairment	(1,396)	(1,157)	(2,553)
Net carrying amount	858	638	1,496
At 30 June 2014 - fair value			
Gross carrying amount	4,392	8,342	12,734
Accumulated depreciation and impairment	(1,606)	(1,705)	(3,311)
Net carrying amount	2,786	6,637	9,423

Financial Statements

The Treasury

Notes to the Financial Statements 30 June 2015

9. Non-Current Assets- Plant and Equipment (continued)

Reconciliation

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

	Plant and Equipment \$'000	Leasehold improvements \$'000	Total \$'000
Year ended 30 June 2014			
Net carrying amount at start of year	858	638	1,496
Additions	2,236	6,547	8,783
Disposals	(98)	-	(98)
Depreciation expense	(299)	(548)	(847)
Other movements:			
Write back on disposal	89	-	89
Net carrying amount at end of year	2,786	6,637	9,423

10. Intangible Assets

	Software \$'000	Capital Works in Progress \$'000	Total \$'000
At 1 July 2014 - fair value			
Gross carrying amount	4,713	1,075	5,788
Accumulated amortisation and impairment	(3,009)	-	(3,009)
Net carrying amount	1,704	1,075	2,779
At 30 June 2015 - fair value			
Gross carrying amount	2,916	4,568	7,484
Accumulated amortisation and impairment	(1,636)	-	(1,636)
Net carrying amount	1,280	4,568	5,848

Reconciliation

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

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

Financial Statements

The Treasury

Notes to the Financial Statements
30 June 2015

10. Intangible Assets (continued)

	Software \$'000	Capital Works in Progress \$'000	Total \$'000
At 1 July 2013 - fair value			
Gross carrying amount	3,327	-	3,327
Accumulated amortisation and impairment	(2,796)	-	(2,796)
Net carrying amount	531	-	531
At 30 June 2014 - fair value			
Gross carrying amount	4,713	1,075	5,788
Accumulated amortisation and impairment	(3,009)	-	(3,009)
Net carrying amount	1,704	1,075	2,779

Reconciliation

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

	Software \$'000	Capital Works in Progress \$'000	Total \$'000
Year ended 30 June 2014			
Net carrying amount at start of year	531	-	531
Additions	1,386	1,075	2,461
Amortisation	(213)	-	(213)
Net carrying amount at end of year	1,704	1,075	2,779

11. Fair Value Measurement of Non-Financial Assets

Valuation techniques, inputs and processes

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

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

12. Current / Non-Current Liabilities – Payables

	2015 \$'000	2014 \$'000
Current		
Accrued salaries, wages and on-costs	2,058	1,751
Creditors	4,307	3,068
	6,365	4,819

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

Financial Statements

The Treasury

Notes to the Financial Statements
30 June 2015

13. Current / Non-Current Liabilities – Provisions

	2015 \$'000	2014 \$'000
Current		
Employee benefits and related on-costs		
Recreation leave	5,716	5,288
Long Service Leave not assumed by the Crown	2,063	1,818
Provision for On-costs on employee benefits	3,154	2,801
Provision for Fringe benefits tax	15	63
Provision for Redundancies	2,792	-
	<u>13,740</u>	<u>9,970</u>
Other		
Restoration costs	-	1,025
Total Current	<u>13,740</u>	<u>10,995</u>
Non-current		
Employee benefits and related on-costs		
Long Service Leave not assumed by the Crown	14	93
Provision for Payroll tax on Long Service Leave Liability	65	36
Provision for On-costs on Long Service Leave Liability	110	73
	<u>189</u>	<u>202</u>
Superannuation	<u>6,366</u>	<u>6,134</u>
Other		
Restoration costs	2,257	1,974
Total Non-current	<u>8,812</u>	<u>8,310</u>
Aggregate employee benefits and related on-costs		
Provisions-current	13,740	9,970
Provisions-non-current	6,555	6,336
Accrued salaries, wages and on-costs (Note 12)	2,058	1,751
	<u>22,353</u>	<u>18,057</u>
Movements in provisions (other than employee benefits)		
Restoration costs		
Carrying amount at the beginning of financial year	2,999	1,025
Additional provision recognised	383	1,974
Unused amounts reversed	(1,025)	-
Unwinding / change in the discount rate	(100)	-
Carrying amount at end of financial year	<u>2,257</u>	<u>2,999</u>

14. Current / Non-Current Liabilities – Other

	2015 \$'000	2014 \$'000
Current		
Lease incentive	1,383	1,551
	<u>1,383</u>	<u>1,551</u>
Non-current		
Lease incentive	<u>14,910</u>	<u>16,873</u>

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

The Treasury

Notes to the Financial Statements 30 June 2015

15. Defined Benefit Superannuation Schemes

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

Nature of the benefits provided by the fund

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

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

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

All the schemes are closed to new members.

Description of the regulatory framework

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

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

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

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

An actuarial investigation of the Pooled Fund is performed every three years. The last actuarial investigation was performed as at 30 June 2012. The next actuarial investigation is due as at 30 June 2015 and the report is expected to be released by the end of 2015.

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

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

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

Description of risks

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

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

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

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15. Defined Benefit Superannuation Schemes (continued)

Description of significant events

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

	SASS 2015	SANCS 2015	SSS 2015	TOTAL 2015	TOTAL 2014
Member Numbers					
Contributors	6	10	4	20	22
Deferred benefits	-	-	2	2	2
Pensioners	-	-	15	15	15
Pensions fully commuted	-	-	7	7	7
Superannuation Position for AASB 119 purposes	\$'000	\$'000	\$'000	\$'000	\$'000
Accrued liability (Note 1)	2,666	602	21,441	24,709	23,182
Estimated reserve account balance	(3,506)	(784)	(14,054)	(18,344)	(17,048)
1. Deficit/(surplus)	(840)	(182)	7,387	6,365	6,134
2. Future Service Liability (Note 2)	259	134	269	662	720
3. Surplus in excess of recovery available from schemes (- 1. - 2. and subject to a minimum of zero)	-	-	-	-	-
4. Net (asset)/liability to be recognised in statement of financial position (1. + 3.)	(840)	(182)	7,387	6,365	6,134

Note 1:

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

Note 2:

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

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15. Defined Benefit Superannuation Schemes (continued)

Reconciliation of the net defined benefit liability/ (asset)

	SASS 2015 \$'000	SANCS 2015 \$'000	SSS 2015 \$'000	Total 2015 \$'000	Total 2014 \$'000
Net Defined Benefit Liability/(Asset) at start of year	(608)	(119)	6,861	6,134	6,200
Current service costs	122	27	51	200	183
Net interest on the defined benefit liability/(asset)	(23)	(5)	243	215	230
Actual return on Funds assets less Interest income	(256)	(55)	(1,024)	(1,335)	(1,304)
Actuarial (gains)/losses arising from changes in demographic assumptions	(3)	-	(5)	(8)	-
Actuarial (gains)/losses arising from changes in financial assumptions	35	17	1,807	1,859	819
Actuarial (gains)/losses arising from liability experience	(12)	(25)	(440)	(477)	282
Adjustment for effect of asset ceiling	-	-	-	-	-
Employer contributions	(95)	(22)	(106)	(223)	(276)
Net Defined Benefit Liability/(Asset) at end of year	(840)	(182)	7,387	6,365	6,134

Reconciliation of the fair value of fund assets

	SASS 2015 \$'000	SANCS 2015 \$'000	SSS 2015 \$'000	Total 2015 \$'000	Total 2014 \$'000
Fair value of Fund assets at beginning of the year	3,360	714	12,974	17,048	15,733
Interest income	115	25	453	593	580
Actuarial return on Fund assets less interest income	256	55	1,024	1,335	1,304
Employer contributions	95	22	106	223	275
Contributions by participants	42	-	51	93	122
Benefits paid	(344)	(42)	(602)	(988)	(979)
Taxes, premiums & expenses paid	(19)	10	49	40	13
Fair value of Fund assets at end of the year	3,505	784	14,055	18,344	17,048

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15. Defined Benefit Superannuation Schemes (continued)

	SASS 2015 \$'000	SANCS 2015 \$'000	SSS 2015 \$'000	Total 2015 \$'000	Total 2014 \$'000
Present value of defined benefit obligations at beginning of the year	2,751	596	19,835	23,182	21,932
Current service cost	122	27	51	200	183
Interest cost	92	20	696	808	810
Contributions by participants	42	-	51	93	122
Actuarial (gains)/losses arising from changes in demographic assumptions	(3)	-	(5)	(8)	-
Actuarial (gains)/losses arising from changes in financial assumptions	35	17	1,807	1,859	820
Actuarial (gains)/losses arising from liability experience	(11)	(25)	(439)	(475)	282
Benefits paid	(344)	(42)	(602)	(988)	(980)
Taxes, premiums & expenses paid	(19)	10	49	40	13
Present value of defined benefit obligations at end of the year	2,665	603	21,443	24,711	23,182

Reconciliation of the effect of the Asset Ceiling

	SASS 2015 \$'000	SANCS 2015 \$'000	SSS 2015 \$'000	Total 2015 \$'000	Total 2014 \$'000
Adjustment for effect of asset ceiling at beginning of the year	-	-	-	-	-
Change in the effect of asset ceiling	-	-	-	-	-
Adjustment for effect of asset ceiling at end of the year	-	-	-	-	-

Fair value of Fund assets

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

	Quoted prices in active markets for identical assets Level 1 \$'000	Significant observable inputs Level 2 \$'000	Unobservable inputs Level 3 \$'000	2015 Total \$'000	2014 Total \$'000
Short term securities	95,603	2,545,913	-	2,641,516	2,452,755
Australian fixed interest	958	2,638,759	16,881	2,656,598	2,365,014
International fixed interest	(110)	1,003,959	-	1,003,849	880,529
Australian equities	9,898,541	503,999	4,400	10,406,940	11,738,636
International equities	9,963,287	2,585,150	563,044	13,111,481	10,953,329
Property	948,421	718,406	1,785,782	3,452,609	3,272,986
Alternatives	622,102	3,020,225	3,527,860	7,170,187	6,329,410
Total*	21,528,802	13,016,411	5,897,967	40,443,180	37,992,659

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15. Defined Benefit Superannuation Schemes (continued)

As at 30 June 2015

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

	2015	2014
Short term securities	6.5%	6.5%
Australian fixed interest	6.6%	6.2%
International fixed interest	2.5%	2.3%
Australian equities	25.7%	30.9%
International equities	32.4%	28.8%
Property	8.6%	8.6%
Alternatives	17.7%	16.7%
Total*	100.0%	100.0%

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

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

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

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

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

Fair value of entity's own financial instruments - Para 143

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

The fair value of the Pooled Fund assets as at 30 June 2015 includes \$209.2 million in NSW government bonds.

Of the direct properties owned by the Pooled Fund:

- GPNSW occupies part of a property owned by the Pooled Fund with a fair value of \$159 million (30 June 2014: \$153 million).
- NSW Ambulance occupies part of a property 50% owned by the Pooled Fund with a fair value of \$204 million (30 June 2014: \$205 million).

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15. Defined Benefit Superannuation Schemes (continued)

Significant Actuarial Assumptions at the Reporting Date

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

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

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15. Defined Benefit Superannuation Schemes (continued)

Sensitivity Analysis

The entity's total defined benefit obligation as at 30 June 2015 under several scenarios is presented below. The total defined benefit obligation disclosed is inclusive of the contribution tax provision which is calculated based on the asset level at 30 June 2015.

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

	2015			2014		
	Base Case	Scenario A -1.0% discount rate	Scenario B +1.0% discount rate	Base Case	Scenario A -1.0% discount rate	Scenario B +1.0% discount rate
Discount rate	3.03%	2.03%	4.03%	3.57%	2.57%	4.57%
Rate of CPI increase	as above	as above	as above	as above	as above	as above
Salary inflation rate	as above	as above	as above	as above	as above	as above
Defined benefit obligation (\$'000)	24,709	28,627	21,545	23,182	26,746	20,295

	Base Case	Scenario C +0.5% rate of CPI increase	Scenario D -0.5% rate of CPI increase	Base Case	Scenario C +0.5% rate of CPI increase	Scenario D -0.5% rate of CPI increase
Discount rate	as above	as above	as above	as above	as above	as above
Rate of CPI increase	as above	plus 0.5% pa	less 0.5% pa	2.5%	3.0%	2.0%
Salary inflation rate	as above	as above	as above	as above	as above	as above
Defined benefit obligation (\$'000)	24,709	26,441	23,138	23,182	24,762	21,745

	Base Case	Scenario E salary increase rate	Scenario F salary increase rate	Base Case	Scenario E salary increase rate	Scenario F salary increase rate
Discount rate	as above	as above	as above	as above	as above	as above
Rate of CPI increase	as above	as above	as above	as above	as above	as above
Salary inflation rate	as above	above rates plus 0.5% pa	above rates less 0.5% pa	as above	above rates plus 0.5% pa	above rates less 0.5% pa
Defined benefit obligation (\$'000)	24,709	24,837	24,586	23,182	23,304	23,060

	Base Case	Scenario G +5% pensioner mortality rates	Scenario H -5% pensioner mortality rates	Base Case	Scenario G +5% pensioner mortality rates	Scenario H -5% pensioner mortality rates
Defined benefit obligation (\$'000)	24,709	24,444	24,991	23,182	22,958	23,418

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

Asset-Liability matching strategies

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

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Notes to the Financial Statements 30 June 2015

15. Defined Benefit Superannuation Schemes (continued)

Funding arrangements

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

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

Surplus/deficit

The following is a summary of the 30 June 2015 financial position of the Fund calculated in accordance with AAS 25 "Financial Reporting by Superannuation Plans":

	SASS 2015 \$'000	SANCS 2015 \$'000	SSS 2015 \$'000	Total 2015 \$'000	Total 2014 \$'000
Accrued benefits	2,595	539	11,064	14,198	14,082
Net market value of Fund assets	(3,506)	(784)	(14,054)	(18,344)	(17,048)
Net (surplus)/deficit	(911)	(245)	(2,990)	(4,146)	(2,966)

Contribution recommendations

Recommended contribution rates for the entity are:

	SASS multiple of member contributions	SANCS % member salary	SSS multiple of member contributions
2015	2.1	2.5%	2.1

Comparative for last financial year

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

Economic assumptions

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

Weighted-Average Assumptions	2015	2014
Expected rate of return on Fund assets backing current pension liabilities	8.3% pa	8.3% pa
Expected rate of return on Fund assets backing other liabilities	7.3% pa	7.3% pa
Expected salary increase rate (excluding promotional salary increases)	SASS, SANCS, SSS 2.7% pa (PSS 3.5% pa) to 30 June 2018, then 4.0% pa thereafter	SASS, SANCS, SSS 2.7% pa (PSS 3.5% pa) to 30 June 2018, then 4.0% pa thereafter
Expected rate of CPI increase	2.5% pa	2.5% pa

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15. Defined Benefit Superannuation Schemes (continued)

Expected contributions

	SASS Financial Year to 30 June 2016 \$'000	SANCS Financial Year to 30 June 2016 \$'000	SSS Financial Year to 30 June 2016 \$'000	Total Financial Year to 30 June 2016 \$'000	Total Financial Year to 30 June 2015 \$'000
Expected employer contributions	88	23	107	218	284

Maturity profile of defined benefit obligation

The weighted average duration of the defined benefit obligation is 13.6 years.

Profit and Loss Impact

	SASS 2015 \$'000	SANCS 2015 \$'000	SSS 2015 \$'000	Total 2015 \$'000	Total 2014 \$'000
Current service cost	122	27	51	200	183
Net interest	(23)	(5)	243	215	231
Defined benefit cost	99	22	294	415	414

Other Comprehensive Income

	SASS 2015 \$'000	SANCS 2015 \$'000	SSS 2015 \$'000	Total 2015 \$'000	Total 2014 \$'000
Actuarial (gains) losses on liabilities	22	(9)	1,362	1,375	1,101
Actual return on Fund assets less Interest income	(256)	(55)	(1,024)	(1,335)	(1,304)
Total remeasurement in Other Comprehensive Income	(234)	(64)	338	40	(203)

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16. Commitments for expenditure

	2015	2014
	\$'000	\$'000
Operating Lease Commitments		
Future non-cancellable operating lease rentals not provided for:		
Not later than one year	8,797	7,901
Later than one year and not later than five years	38,598	27,673
Later than five years	55,144	52,820
Total (including GST)	102,539	88,394

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 2015 include input tax credits of \$9,322 (2014: \$8,036) which are recoverable from the Australian Taxation Office.

17. Contingent Liabilities and Contingent Assets

There are no contingent assets or liabilities as at the reporting date (2014: Nil).

18. Budget Review

Net result

The actual net result was a loss of \$17.4 million compared to a budget surplus of \$8.7 million. The variance of \$26.1 million is mainly due to additional grants provided to Treasury cluster agencies of \$218.9 million partly offset by an increase in grant funding of \$200.5 million. Capital funding requirements decreased by \$13.0 million due to the reprioritisation of project efforts to other areas within the Financial Management Transformation (FMT) project. Other variations include a \$1.2 million reduction in employee related expenses due to vacancies; \$1.2 million reduction in other operating expenses mainly due to lower combined consultancy/contractor spending; and higher recoupment of services provided to other agencies of \$1.5 million.

Assets and liabilities

Current assets decreased by \$14.1 million due to a decrease in cash of \$17.3 million predominately due to an additional grant payment of \$21.1 million to Service NSW from cash reserves. This was partly offset by savings on employee related and other operating expenditure. Current receivables are higher by \$3.2 million due to amounts relating to staff and consultancy services provided to other agencies.

Non-current assets decreased by \$9.2 million mainly due to the reprioritisation of project efforts to other areas within the FMT project by \$13.0 million, partly offset by higher plant and equipment costs incurred in completing the relocation of Treasury to new premises.

Current liabilities increased by \$4.7 primarily due to a \$3.5 million increase in provisions relating to additional employee provisions as a result of the new *Government Sector Employment Act 2013* and an increase in payables relating to higher year end accruals than originally expected.

Non-current liabilities decreased by \$2.6 million mainly due to the transfer of leasehold obligations to the Department of Premiers and Cabinet.

Cash flows

The net cash flows from operating activities decreased by \$35.0 million mainly due to a \$21.1 million grant paid to Service NSW and \$13.0 million less capital funding received due to the reprioritisation of project efforts within FMT.

The net cash flows from investing activities increased by \$17.8 million due to less capital expenditure on FMT and fitting out new leased premises.

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

	Notes	2015 \$'000	2014 \$'000
Net cash used on operating activities		(10,026)	10,494
Depreciation and amortisation	2(c)	(2,727)	(1,060)
Increase / (decrease) in receivables		4,547	1,244
Increase / (decrease) in other current assets		(11,400)	11,400
Decrease / (increase) in provisions		3,247	1,097
Decrease / (increase) in payables and other liabilities		(658)	(18,508)
Net gain / (loss) on sale of plant and equipment		(368)	(1)
Net result		(17,385)	4,666

20. Trust Funds

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

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

Comparative information as at 30 June 2014

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

- (i) Entertainment Industry bonds were from provisional licence holders under the *Entertainment Industry Act 1989* which are returned after 12 months on conversion to a full licence or on the person ceasing to hold a licence. On 1 March 2014 this act was replaced by the *Entertainment Industry Act 2013* which no longer requires bonds. The balance in this account represents funds for clients whose addresses have not yet been confirmed.
- (ii) The Public Trust account represents amounts collected by industrial inspectors acting as intermediaries in disagreements between employees and employers. The amounts are paid by one party to be forwarded to the other.

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Notes to the Financial Statements 30 June 2015

21. Administered Assets

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

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

Comparative information as at 30 June 2014

2014	Unclaimed Wages ⁽ⁱ⁾ \$'000
Opening cash balance	29
Receipts	18
Expenditure	(35)
Closing cash balance	12

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

22. Financial instruments

The Treasury's principal financial instruments are cash deposits held within the NSW Treasury Banking System, short term receivables and payables. These instruments expose The Treasury primarily to interest rate risk on cash balances held within the NSW Treasury Banking System and credit risk on short term receivables. The Treasury does not enter into or trade financial instruments for speculative purposes and does not use financial derivatives. The Secretary has overall responsibility for the establishment and oversight of risk management and agrees and reviews policies for managing risk.

(a) Financial instrument categories

Financial assets	Note	Category	Carrying Amount 2015 \$'000	Carrying Amount 2014 \$'000
Cash and cash equivalents	7	N/A	5,590	25,054
Receivables ⁽ⁱ⁾	8	Receivables (at amortised cost)	12,887	11,927

Financial liabilities	Note	Category	Carrying Amount 2015 \$'000	Carrying Amount 2014 \$'000
Payables ⁽ⁱⁱ⁾	12	Financial liabilities measured at amortised cost	4,307	3,068

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The Treasury

Notes to the Financial Statements
30 June 2015

22. Financial instruments (continued)

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

(b) Credit risk

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

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

Cash

Cash comprises bank balances within the NSW Treasury Banking System and cash on hand. 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.

(c) Liquidity risk

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

The liabilities are recognised for amounts due to be paid in the future for goods or services received, whether or not invoiced. Amounts owing to suppliers (which are unsecured) are settled in accordance with the policy set out in NSW TC11/12. If trade terms are not specified, payment is made no later than the end of the month following the month in which an invoice or a statement is received. For small business suppliers, where payment is not made within the specified time period, simple interest must be paid automatically unless an existing contract specifies otherwise. For payments to other suppliers, the Head of an authority may automatically pay the supplier simple interest. No interest for late payment was made during the 2014–2015 year (2013–2014 \$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
2015					
Financial liabilities					
Creditors	-	4,307	4,307	-	-
2014					
Financial liabilities					
Creditors	-	3,068	3,068	-	-

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Notes to the Financial Statements
30 June 2015

22. Financial instruments (continued)

(d) Market risk

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

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

Interest rate risk					
		-1%		+1%	
	Carrying amount	Net Result	Equity	Net Result	Equity
	\$'000	\$'000	\$'000	\$'000	\$'000
2015					
Financial assets					
Cash and cash equivalents	5,590	(56)	(56)	56	56
Receivables	12,887	-	-	-	-
Financial liabilities					
Payables	4,307	-	-	-	-
Total Increase / (decrease)		(56)	(56)	56	56
2014					
Financial assets					
Cash and cash equivalents	25,054	(251)	(251)	251	251
Receivables	11,927	-	-	-	-
Financial liabilities					
Payables	3,068	-	-	-	-
Total Increase / (decrease)		(251)	(251)	251	251

(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.

Financial Statements

The Treasury

Notes to the Financial Statements
30 June 2015

23. Increase / Decrease in Net Assets from Equity Transfers

The staff employed and the management functions of Office of Finance were transferred from OFS to The Treasury effective 1 July 2014 as a result of the Administrative Arrangements (*Administrative Changes—Miscellaneous Agencies*) Order 2014 (413).

The transfer to The Treasury was an increase of \$61,439 in cash and employee provisions with a nil effect on net equity for The Treasury.

24. Events after the Reporting Period

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

End of audited Financial Statements

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Performance measurement framework

Key Performance Measures		Target	2010-11	2011-12	2012-13	2013-14	2014-15
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	58.5%	64.7%	41.3%	42.5	43.0
Improved financial management and controls	Deviation of underlying actual expenses from Budget ¹	≤ +1%	<0%	<0%	1.4%	0.4%	<0%
	Keeping the State Budget in surplus	Budget result	\$153m	(\$551m)	(\$1,731m)	\$1,247m	\$2,881
Improved efficiency and effectiveness of expenditure	Maintain expense growth below long-term revenue growth ²	Growth below average revenue growth of 5.6%	5.9%	5.9%	5.3%	4.7%	4.8%
	NSW's share of GST revenue relative to an equal per capita share	Improved NSW GST relativity	0.95205	0.95776	0.95312	0.96576	0.97500
Reform revenue	NSW total State General Government revenue ³ per capita to be less than the average for the other states ⁴	NSW	NSW	NSW	NSW	NSW	NSW
		≤	\$7,923	\$8,107	\$8,159	\$8,772	\$9,124
		Other States	Others	Others	Others	Others ⁵	Others
			\$8,828	\$9,176	\$8,779	\$9,420	\$9,353

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

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

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

4. Data for 2009-10 to 2013-14 from ABS 5512.0 Government Finance Statistics, Australia, 2013-14, 2014-15 data from State and Commonwealth 2015-16 Budgets

5. State revenues are based on revised estimates published in 2014-15 Budgets.

Appendices

Performance measurement framework

Other Measures of Effectiveness		Target	2010-11	2011-12	2012-13	2013-14	2014-15
Advice on economic and fiscal strategies	Treasury's tax revenue estimation variation compared with that of other Treasuries	NSW ≤ Other states	NSW 1.0% Others 1.2%	NSW 0.5% Others -1.9%	NSW -0.6% Others 2.0%	NSW 3.5% Others 1.7%	NSW 2.1% Others 1.4%
	Treasury's economic forecasting variation compared with that of other Treasuries	NSW ≤ Other states	NSW 0.5% Others 0.9%	NSW 0.1% ¹ Others ¹ 1.1%	NSW 0.4% ¹ Others ¹ 0.9%	NSW 0.6% ¹ Others ¹ 0.8%	NSW nya ² Others ² nya
	Percentage of required government businesses with a signed Statement of Corporate or Business Intent	100%	SOCs 100% All 50%	SOCs 100% All 84%	SOCs 100% All 79%	SOCs 100% All 68%	SOCs 100% All 94%
	Deviation of actual government business dividend and tax equivalent payments from budget estimate	≤ +10%	+16.3%	+17.8% ³	+11.9%	+3.5% ⁴	+3.0%
Budget management	Treasury's general government expenses estimation variation compared with other Treasuries (ABS basis)	NSW ≤ Other states	NSW 1.9% Others 1.2%	NSW -2.3% Others 0.7%	NSW 2.2% Others 0.6%	NSW 0.5% Others -0.8%	NSW -1.0% Others ⁵ 1.1%
Infrastructure, asset management, and procurement	Percentage of state physical assets covered by a Total Asset Management Plan submission for nominated agencies	100%	100%	100%	100%	100%	100%
Financial asset and liability management	Deviation of actual net financial liabilities from the Budget estimate	≤ +10%	-	-	13.6%	3.3%	34.1%
Note: This measure was introduced in 2012-13 and includes superannuation, debt and insurance liabilities.							
Treasury financial performance	Treasury's actual net cost of services to be less than or equal to its budget allocation	≤ 100%	97.8%	99%	91.4%	96.7%	99.4% ⁶

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

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

3. Excludes variances due to non-cash notional payments.

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

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

6. Based on approved budget adjustments.

Senior executive grades and remuneration

Senior executives

Role or Position Grade	2013-14		2014-15	
	Female	Male	Female	Male
Executive Band 4	-	1	-	1
Executive Band 3	3	7	3	4
Executive Band 2	5	7	4	8
Executive Band 1	39	61	41	63
Totals	47	76	48	76
	123		124	

Executive - average remuneration

Role or Position Grade	2013-14	2014-15
Executive Band 4 (Secretary)	\$488,100	\$497,276
Executive Band 3 (Deputy Secretary)	\$360,736	\$375,504
Executive Band 2 (Executive Director)	\$260,878	\$274,625
Executive Band 1 (Director)	\$167,225	\$174,700

For the reporting period of 2014-15 senior executives' monetary remuneration and the value of employment benefits paid represented 39.81 per cent of the NSW Treasury's salaries-related expenses. In the previous 2013-14 year this figure was 39.68 per cent.

Staff statistics

In June 2015 Treasury had 442.28 full-time equivalent (FTE) staff. This equates to a headcount of 471 officers, some who worked part-time throughout the year.

Table 2 shows the number of FTE staff working in each of Treasury's Groups during 2014-15. Graduates and indigenous cadet numbers are incorporated within the Groups. These staff numbers are from Treasury's Annual Workforce Profile and include all staff on the NSW Treasury payroll. It excludes staff on unpaid leave or secondments within the NSW public sector.

Staff profile

	June 2014	June 2015
FTE count	398.03	442.28
Total EEO respondent to Ethnicity	296	322
Total EEO respondent to Language	318	339
Total EEO respondent to Disability	303	327

Note: Data at census date

Full-time equivalent staff by Group

Group	Full-time equivalent (FTE)
Fiscal and Economic	174.39
Agency Budget & Policy	107.57
Commercial	57.80
Corporate	36.31
Office of the Secretary	3.00
Risk and Audit	3.00
NSW Industrial Relations	60.20
Total	442.28

Note: Data at Census Date

Actual number of staff by age

Age range	Staff numbers	
	2013-14	2014-15
20 – 24 years	21	13
25 – 29 years	67	74
30 – 34 years	52	72
35 – 39 years	47	61
40 – 44 years	47	48
45 – 49 years	52	57
50 – 54 years	66	56
55 – 59 years	45	46
60 + years	33	44

Note: Data at Census Date

Non-executive part-time staff by classification and grade

Grade	Actual Staff Numbers	Full-time equivalent
Clerk Grade 1-2	1	0.71
Clerk Grade 3-4	3	2.04
Clerk Grade 5-6	5	3.40
Clerk Grade 7-8	7	4.51
Clerk Grade 9-10	10	5.51
Clerk Grade 11-12	9	5.75
Total	35	21.93

Note: Data at Census Date

a. Trends in the representation of Workforce Diversity Groups

EEO Group	Benchmark/Target	2013	2014	2015
Women	50.0%	52.2%	52.9%	54.8%
Aboriginal people and Torres Strait Islanders	2.6%	1.1%	1.1%	1.1%
People whose first language was not English	19.0%	23.4%	28.0%	26.2%
People with a disability	N/A	4.6%	2.6%	2.7%
People with a disability requiring work-related adjustment	1.5%	2.2%	0.6%	0.3%

b. Trends in the distribution of Workforce Diversity Groups

EEO Group	Benchmark/Target	2013	2014	2015
Women	100	93	94	94
Aboriginal people and Torres Strait Islanders	100	N/A	N/A	N/A
People whose first language was not English	100	94	91	93
People with a disability	100	93	N/A	N/A
People with a disability requiring work-related adjustment	100	N/A	N/A	N/A

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

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

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

Access and equity

Treasury is committed to developing a workplace culture that builds respect, fosters inclusiveness, promotes diversity and embraces the unique skills and qualities of all our employees. Treasury's strategic directions for 2015-17 will:

- Increase awareness and make diversity and inclusion everyone's responsibility
- Improve our ability to attract, develop and retain staff from diversity groups

Our aim is that 'being inclusive' will become an integral part of how we do business and enable our organisation to achieve its goals and objectives.

Workforce diversity

NSW Treasury continues to be committed to upholding the principles of diversity and the equal participation of all communities in a cohesive and multicultural NSW.

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

Proactive work health and safety risk management

NSW Treasury is committed to the health, safety and well-being of all staff, contractors and visitors while undertaking work for, or on, its premises.

Treasury recognises a safe and healthy workplace is essential for its employees. Treasury is committed to fostering relationships between senior managers and employees to work together to identify and mitigate potential safety hazards within the workplace.

Key achievements during the 2014-15 year included:

Treasury's move to 52 Martin Place provided the opportunity to introduce a new way of working in an agile environment including sit/stand desks and new agile technologies and communication methods. As a component of the move to 52 Martin Place, ergonomic assessments were available to all staff to participate in individually or in a group setting. The ergonomic assessments were carried out by Ergoworks, an organisation that specialises in assessing agile working environments.

An additional 16 Treasury First Aid Officers completed the St Johns Ambulance first aid certificate training course to become First Aid Officers to be able to provide first aid assistance in the event of an emergency. Treasury now has 22 certified first aid officers. In addition two staff completed further intensive training in April to become Treasury's Occupational First Aid Officers with advanced first aid skills in CPR, automated external defibrillation, treatment of wounds, injuries and major trauma. First aid officers are located on every Treasury floor.

Workplace health and safety incidents and assessments

	2011-12	2012-13	2013-14	2014-15
Reported workplace incidents	14	27	12	11
WH&S assessments conducted	9	13	8	*59

Note: Figures do not include journey claims

*Individual Ergonomic assessments

The decrease in reported workplace incidents shown in the table above can be attributed to a new office environment in which all staff have been provided the opportunity to be involved in group ergonomic assessments and the opportunity to utilise new ergonomic furniture.

Government Information (Public Access)

Accessing information held by NSW Treasury

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

Treasury's Agency Information Guide is updated regularly and published on Treasury's website. It describes the structure and functions of Treasury, how Treasury's functions affect the public, lists information that is freely available and contact details for accessing other information that is also available but not published on the website.

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

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

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

Review of proactive release program

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

Treasury's program for the proactive release of information involves Treasury's Open Government Committee reviewing documents published on Treasury's intranet and request branches to submit information that is appropriate for proactive release. The Open Government Committee reviews the information requested and released pursuant to GIPA applications received over the financial year, considering the categories of government information held by Treasury that may be suitable for proactive release, and asking groups and branches to submit information that is suitable for proactive release to the Open Government Committee.

During the 2014-15 reporting period NSW Treasury proactively released a range of information including submissions prepared for whole of government reviews; weekly economic calendars; reviews of economic data and working publications used by NSW Treasury for monitoring and analysis purposes; and internal guidelines and procedures.

Number of access applications received

During the reporting period, Treasury received 20 formal access applications under the GIPA Act (including withdrawn applications but not invalid applications).

Number of refused applications for Schedule 1 information

During 2014-15 a total of five 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 all were refused in part.

Statistical information about access applications

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

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

	Access granted in full	Access granted in part	Access refused in full	Information not held	Information already available	Refuse to deal with application	Refuse to confirm/deny whether information is held	Application withdrawn
Media	0	3	0	0	0	1	0	0
Members of Parliament	2	2	0	1	2	0	0	0
Private sector business	0	0	1	0	0	0	0	0
Not for profit organisations or community groups	0	2	0	1	1	0	0	0
Members of the public (application by legal representative)	0	0	0	0	0	1	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 recording must be made in relation to each such decision. This also applies to Table B.

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

	Access granted in full	Access granted in part	Access refused in full	Information not held	Information already available	Refuse to deal with application	Refuse to confirm/deny whether information is held	Application withdrawn
Personal information applications*	0	0	0	0	0	0	0	0
Access applications (other than personal information applications)	2	7	1	2	3	2	0	0
Access applications that are partly personal information applications and partly other	0	0	0	0	0	0	0	0

* A personal information application is an access application for personal information (as defined in clause 4 of Schedule 4 to the Act) about the applicant (the applicant being an individual). The total number of decisions in Table B should be the same as Table A.

Appendices

Table C: Invalid applications

Reason for invalidity	Number of applications
Application does not comply with formal requirements (section 41 of the Act)	2
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	2
Invalid applications that subsequently became valid applications	2

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	5
Executive Council information	0
Contempt	1
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	3
Law enforcement and security	0
Individual rights, judicial processes and natural justice	2
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)	14
Decided after 35 days (by agreement with applicant)	3
Not decided within time (deemed refusal)	0
Total	17

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

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

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

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

	Number of applications transferred
Agency-initiated transfers	1
Applicant-initiated transfers	0

Overseas visits

Financial management reform initiatives

George Sotiropoulos, Executive Director Financial Management Transformation, Mark Pellowe Director Financial Management Transformation and Karen Sanderson, Executive Director Fiscal Estimates and Financial Report, travelled to Wellington, New Zealand from 6 to 9 October 2014. The purpose of the travel was assessing reform initiatives aimed at improving public sector performance and associated governance, systems and capabilities.

The Treasury senior officers met with senior officials from the New Zealand Treasury, New Zealand State Services Commission and the New Zealand Auditor-General, as well as a line agency and private sector advisors. The cost of travel and accommodation was funded by NSW Treasury.

Appendices

Public interest disclosures

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

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

NSW Treasury maintains a Public Interest Disclosures Internal Reporting Policy for the Management of Public Interest Disclosures, which is consistent with the NSW Ombudsman's model policy. The policy sets out the manner in which Treasury meets its obligations under the PID Act and the roles and responsibilities of staff in making and receiving public interest disclosures. The policy is available to all staff on Treasury's intranet and is also published on the Treasury website.

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

- Written endorsement of internal reporting policy and commitment to the objectives of the PID Act (recently described by the NSW Ombudsman's office as the "some of the strongest language in support of the PID Act by any agency").
- Creation of a new portal on Treasury's intranet providing PID guidelines and other resources.
- Provision of training for new staff as part of the induction program.
- Provision of an online training program for all staff .
- Publication of a plain English brochure advising staff how to make a public interest disclosure and publishing this information on the intranet.
- Display of promotional posters that outline 'Reporting Wrongdoing in Treasury' throughout the agency.

In accordance with Section 4 of the Public Interest Disclosures Regulation 2011, the following information is provided on public interest disclosures for the period 1 July 2014 to 30 June 2015.

Public Interest Disclosures Report

Section 4 of the Public Interest Disclosures Regulation 2011

No of public officials who made public interest disclosures to NSW Treasury	2*
No of public interest disclosures received by NSW Treasury	2*
Of public interest disclosures received, how many were primarily about:	
Corrupt conduct	2
Maladministration	0
Serious and substantial waste	0
Government information contravention	0
Local government pecuniary interest contravention	0
No of public interest disclosures (received since 1 Jan 2012) that have been finalised in this reporting period	4

* Public interest disclosures made by public officials in performing their day to day functions as public officials.

Appendices

Protecting privacy and personal information

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

In compliance with the provisions of the PIIP Act, NSW Treasury has a Privacy Management Plan which was updated in 2015. The updated Privacy Management Plan is published on the Treasury intranet and website.

Treasury employees are informed and educated with respect to the privacy legislation and its requirements through comprehensive training and information sessions, advice provided through the designated Privacy Officer, messages from the Secretary and information on Treasury's intranet.

Employees are also alerted to privacy requirements through the Privacy Guidelines on Treasury's Privacy intranet page, Online Privacy Training and targeted communications during Privacy Week in April 2015. New employees are briefed when joining Treasury on their obligations under the PIIP Act in relation to the handling of personal information.

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

Waste Reduction and Purchasing Policy

Treasury supports the principles of waste reduction, reuse and recycling ensuring that the disposal and purchasing arrangements within Treasury are consistent with the NSW Government's Sustainability Policy. This policy sets out targets for sustainable resource use, disposal and procurement, encouraging better waste management practices and waste friendly purchases.

As a component of Treasury's relocation to 52 Martin Place, unwanted or superseded assets and waste materials in the workplace were recycled or disposed of in environmentally friendly ways. As a result, a number of projectors and smart boards were transferred to the Department of Education and Communities. In addition various printers and computers, that were not required in the office relocation process, were donated to not-for-profit organisations and charities.

The successful implementation of the Electronic Document Records Management System and introduction of electronic workflows reduced our reliance on paper transforming Treasury into a digital workplace. The electronic system enables faster responses to enquiries, automating processes that were previously tracked manually, minimising hard-copy printing and filing of documents with the added benefit of reducing office waste.

Government Resources Efficiency Policy

NSW Treasury also supports the Government Resources Efficiency Policy (GREP), that is, it incorporates resource-efficiencies; focuses on the challenge posed by rising costs of energy, water and waste management; and the procurement of resource-efficient technology and services.

As a component of the New Ways to Work program Treasury introduced managed print services utilising a follow-me-print function. Linked to the introduction of multi-function printers, our employees now activate print jobs by swiping their employee card on the closest printer regardless of their floor location. This delivers cost savings and is environmentally responsible by reducing paper and toner usage.

Another strategy of the new office design is introducing an agile working environment with employees transitioned from desktop computers to laptops – reducing electricity consumption by approximately ten per cent. In addition the new Martin Place office design fit-out has a 4.5 star energy rating – an increase from 4.0 in the former GMT building – further reducing electricity consumption.

Appendices

Credit (Purchasing) Card Certification

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

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

Accounts Payable performance

Treasury contracts ServiceFirst, a business unit of the Department of Finance, Services and Innovation, to provide financial services including processing payments. Treasury's service agreement with ServiceFirst includes the payment processing of tax invoices after the invoices have been certified and approved for payment by delegated Treasury officers.

During 2014-15 there were no instances where penalty interest was paid, as per Clause 13 of the Public Finance and Audit Regulation 2015.

There were a number of instances where Treasury did not pay the tax invoices on time. The reasons for these delays included – disputed tax invoices where the date of replacement invoices noted only the original tax invoice date; part delivery of goods/services where it is necessary to wait for full delivery of procurement before payment could be made; delay in approval process; general errors in invoice information or tax invoices were incorrectly redirected and invoices misplaced by the outsource service provider. In general these issues were resolved and accounts paid correctly.

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

Quarter	Less than 30 days overdue \$	Between 30 days and 60 days overdue \$	Between 60 days and 90 days overdue \$	More than 90 days overdue \$
September 2014	-	7,145	9,340	370
December 2014	-	23,252	407	628
March 2015	-	2,968	82	7,768
June 2015	-	138,380	9	4,600

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

Quarter	Target by number %	Actual by number %	Value paid on time \$	Total amount paid \$
September 2014	88	94.3	5,950,026	5,966,130
December 2014	88	88.7	7,968,501	8,840,346
March 2015	88	73.3	6,132,571	10,259,336
June 2015	88	84.9	17,547,221	21,262,059

Appendices

Expenditure on consultants

Consultants	Project Description	Amount \$ (excl GST)
Consultants costing \$50,000 or more		
1. Finance and Accounting/Tax		
Monash Private Capital	Financial Modelling services for Sydney Catchment Authority, State Water and a consolidated wholesale water model	66,666
Deloitte Touche Tohmatsu	Development of a sustainable capital structure for each of the Rail Entities	113,725
KPMG Australia Pty Ltd	Advice on Total State Sector accounts and Accounting Excellence Strategy	273,747
Ernst & Young	Guidance and input on policy for the Financial Management Transformation Project	365,412
2. Economic Services		
University of Melbourne	Technical advice for allocation of coal exploration licences	77,500
Acil Allen	Specialist expertise for demand modelling for Out-of-Home care services	152,317
Deloitte Touche Tohmatsu	Preserve Price for Exploration licenses	52,500
Ernst & Young	Support for strategic commissioning approach on Out-of-Home care and other human services	272,720
The University of New South Wales	Evaluation of Community Justice program	56,732
Sapere Research Group Limited	Independent review of gas settings and royalties under Section Item 16 of the NSW Gas plan	81,750
3. Information technology		
Southern Cross Coaching and Development Pty Ltd	Preparation and implementation of an updated business continuity plan for Treasury	116,470
4. Organisational Review		
Enterprise Architects (Vic) Pty Ltd	Health check and develop a 3-year plan to optimise the health of the IT Application Portfolio in line with Treasury's Business Strategy and Corporate Plan	90,000
KPMG Australia Pty Ltd	Development of plans to facilitate delivery of key strategic initiatives for Treasury including Corporate Operating Model design	399,229
Subtotal		2,118,768
Consultants costing less than \$50,000		
Finance and Accounting/Tax	20 projects	363,710
Economic Services	7 projects	216,582
Information technology	6 projects	97,100
Environmental Services	1 project	4,500
Organisational Review	7 projects	175,116
Legal	6 projects	83,673
Subtotal 47 projects		940,681
Total expenditure on consultants		3,059,449

Treasury Circulars

NSW TC 14-10	Industrial Relations: Military Leave-Defence Reserve Service (Protection) Act 2001 and Extension of Military Leave through 'Top Up' Pay	10/07/2014
NSW TC 14-11	Industrial Relations: Reduction of Accrued Recreation Leave Balances	10/07/2014
NSW TC 14-12	Industrial Relations: Purchased Leave Policy	16/07/2014
NSW TC 14-13	Industrial Relations: Managing Sick Leave Policy	16/07/2014
NSW TC 14-14	Industrial Relations: Accessing Leave Entitlements and Flexible Work Hours Arrangements to Observe Days of Religious Significance	16/07/2014
NSW TC 14-15	Industrial Relations: Breastfeeding Policy	16/07/2014
NSW TC 14-16	Industrial Relations: Support for Employees Experiencing Domestic Violence	16/07/2014
NSW TC 14-17	Industrial Relations: Managing Industrial Action	16/07/2014
NSW TC 14-18	Industrial Relations: NSW Public Sector Wages Policy 2011	16/07/2014
NSW TC 14-19	Industrial Relations: Manual of Delegations 2014	16/07/2014
NSW TC 14-20	Industrial Relations: Privacy Guidelines on Disclosure of Information during Industrial Consultations	16/07/2014
NSW TC 14-21	Industrial Relations: Dispute Resolution	16/07/2014
NSW TC 14-22	Industrial Relations: Working Arrangements in an Influenza Pandemic	16/07/2014
NSW TC 14-23	Industrial Relations: Consultative Arrangements Policy and Guidelines 2012	16/07/2014
NSW TC 14/24	Industrial Relations: Crown Employees (Public Sector – Salaries 2008) Award	6/08/2015
NSW TC 14-25	Industrial Relations: Crown Employees Wages Staff (Rates of Pay) Award 2011	6/08/2014
NSW TC 14-26	Industrial Relations: Crown Employees (Public Service Training Wage) Reviewed Award 2008	6/08/2014
NSW TC 14-27	Small Agency Annual Reporting	8/08/2014

Treasury Circulars (continued)

NSW TC 14-28 Parameter and Technical Adjustments and Measures (New Policy)	29/09/2014
NSW TC 14-29 Management of Contingency Provisions for Major Projects	13/10/2014
NSW TC 14-30 Industrial Relations: Review of Meal, Travelling and Other Allowances	12/11/2014
NSW TC 14-31 Guidelines on Reporting of Investment and Liability Management Performance	5/12/2014
NSW TC 14-32 Industrial Relations: Rostered Days Off for 2015 for Employees covered by the Crown Employees (Skilled Trades) Award	12/12/2014
NSW TC 15-01 Cash Management- Expanding the Scope of the Treasury Banking System	19/01/2015
NSW TC 15-02 Mandatory Early Close Procedures for 2014-15	30/01/2015
NSW TC 15-03 Mandates of Options and Major Policy Decisions under Australian Accounting Standards	06/02/2015
NSW TC 15-04 Industrial Relations: Deductions for Rent Directive	11/02/2015
NSW TC 15-05 Financial reporting requirements for NSW Government entities including those affected by restructures	12/03/2015
NSW TC 15-06 Industrial Relations: Notional Salary 2015-16	16/03/2015
NSW TC 15-07 Financial and Annual Reporting requirements arising from personnel service arrangements	17/03/2015
NSW TC 15-08 Agency Carry Forwards	20/03/2015
NSW TC 15-09 Accounting for Long Service Leave and Annual Leave	16/04/2015
NSW TC 15-10 Industrial Relations: Crown Employees (Public Sector Salaries 2015) Award	20/05/2015
NSW TC15-11 Agency guidelines for the 2014-15 Mandatory Annual Returns to Treasury	3/06/2015
NSW TC15-12 Industrial Relations: Early Retirement Benefits	26/06/2015
NSW TC15-13 Industrial Relations: Mobility of Superannuation	26/06/2015
NSW TC15-14 Industrial Relations: Superannuation Retrenchment Benefits	26/06/2015

Treasurer's legislation – list of legislation

NSW Treasury administers for the following primary pieces of legislation on behalf of the Treasurer:

- Annual Reports (Departments) Act 1985 No 156
- Annual Reports (Statutory Bodies) Act 1984 No 87
- Appropriation Bill 2015
- Appropriation (Budget Variations) Bill 2015
- Appropriation (Parliament) Bill 2015
- Australia and New Zealand Banking Group Limited (NMRB) Act 1991 No 35
- Bank Integration Act 1992 No 80
- Bank Mergers Act 1996 No 130
- Bank Mergers (Application of Laws) Act 1996 No 64
- Betting Tax Act 2001 No 43, jointly with the Minister for Finance, Services and Property
- Canberra Advance Bank Limited (Merger) Act 1992 No 17
- Capital Debt Charges Act 1957 No 1
- Coal and Oil Shale Mine Workers (Superannuation) Act 1941 No 45
- Commonwealth Powers (State Banking) Act 1992 No 104
- Conversions of Securities Adjustment Act 1931 No 63
- Decimal Currency Act 1965 No 33
- Duties Act 1997 No 123, jointly with the Minister for Finance, Services and Property
- Electricity Generator Assets (Authorised Transactions) Act 2012 No 35
- Electricity Network Assets (Authorised Transactions) Act 2015
- Electricity Retained Interest Corporations Act 2015
- Finances Adjustment Act 1932 No 27]
- Financial Agreement Act 1944 No 29
- Financial Agreement Act 1994 No 71
- Financial Agreement (Amendment) Act 1976 No 35
- Financial Agreement (Decimal Currency) Act 1966 No 39
- Financial Agreement Ratification Act 1928 No 14
- Financial Sector Reform (New South Wales) Act 1999 No 1
- First State Superannuation Act 1992 No 100
- Fiscal Responsibility Act 2012 No 58
- Freight Rail Corporation (Sale) Act 2001 No 35
- Gaming Machine Tax Act 2001 No 72, Part 3, jointly with the Minister for Finance, Services and Property (remainder, jointly with the Minister for Finance, Services and Property and the Minister for Racing, except Part 4 and Schedule 1, the Minister for Racing)

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- General Government Liability Management Fund Act 2002 No 60
- Government Guarantees Act 1934 No 57
- Government Insurance Office (Privatisation) Act 1991 No 38 (except sections 26 and 27, jointly with the Minister for Finance, Services and Property)
- Health Insurance Levies Act 1982 No 159, jointly with the Minister for Finance, Services and Property
- Inscribed Stock Act 1902 No 79
- Inscribed Stock (Issue and Renewals) Act 1912 No 51
- Insurance Protection Tax Act 2001 No 40, jointly with the Minister for Finance, Services and Property
- Intergovernmental Agreement Implementation (GST) Act 2000 No 44
- Internal Audit Bureau Act 1992 No 20, jointly with the Minister for Finance, Services and Property
- Land Tax Act 1956 No 27, jointly with the Minister for Finance, Services and Property
- Land Tax Management Act 1956 No 26, jointly with the Minister for Finance, Services and Property
- Local Government and Other Authorities (Superannuation) Act 1927 No 35
- New South Wales Retirement Benefits Act 1972 No 70
- NSW Grain Corporation Holdings Limited Act 1992 No 31
- NSW Lotteries (Authorised Transaction) Act 2009 No 60
- Parliamentary Budget Officer Act 2010 No 83
- Parliamentary Contributory Superannuation Act 1971 No 53
- Payroll Tax Act 2007 No 21, jointly with the Minister for Finance, Services and Property
- Payroll Tax Rebate Scheme (Jobs Action Plan) Amendment (Extension) Bill 2015
- Payroll Tax Rebate Scheme (Jobs Action Plan) Amendment (Fresh Start Support) Bill 2014 (No 2)
- Police Association Employees (Superannuation) Act 1969 No 33
- Police Regulation (Superannuation) Act 1906 No 28
- Ports Assets (Authorised Transactions) Act 2012 No 101
- Public Authorities (Financial Arrangements) Act 1987 No 33
- Public Authorities Superannuation Act 1985 No 41
- Public Finance and Audit Act 1983 No 152 (except parts, the Premier)
- Public Loans Act 1902 No 81
- Restart NSW Fund Act 2011 No 32
- Road Improvement (Special Funding) Act 1989 No 95
- Small Business Grants (Employment Incentive) Act 2015
- State Authorities Non-contributory Superannuation Act 1987 No 212
- State Authorities Superannuation Act 1987 No 211
- State Bank (Corporatisation) Act 1989 No 195
- State Bank of South Australia (Transfer of Undertaking) Act 1994 No 47
- State Bank (Privatisation) Act 1994 No 73

Appendices

- State Public Service Superannuation Act 1985 No 45
- Superannuation Act 1916 No 28
- Superannuation Administration Act 1996 No 39
- Superannuation Administration Authority Corporatisation Act 1999 No 5
- Superannuation (Axiom Funds Management Corporation) Act 1996 No 40
- Taxation Administration Act 1996 No 97, jointly with the Minister for Finance, Services and Property
- Totalizator Act 1997 No 45, section 76 (remainder, the Minister for Racing)
- Totalizator Agency Board Privatisation Act 1997 No 43
- Transport Employees Retirement Benefits Act 1967 No 96
- Treasury Corporation Act 1983 No 75
- Waste Recycling and Processing Corporation (Authorised Transaction) Act 2010 No 8

List of legislation

NSW Treasury also administers the following primary pieces of legislation on behalf of the Minister for Industrial Relations:

Minister for Industrial Relations

- Annual Holidays Act 1944 No 31
- Broken Hill Trades Hall Site Act of 1898 No 31
- Building and Construction Industry Long Service Payments Act 1986 No 19
- Coal Industry (Industrial Matters) Act 1946 No 44
- Contract Cleaning Industry (Portable Long Service Leave Scheme) Act 2010 No 122
- Employment Protection Act 1982 No 122
- Entertainment Industry Act 2013 No 73
- Essential Services Act 1988 No 41 (except parts, the Premier)
- Government Sector Employment Act 2013 No 40, Part 4, Division 6, jointly with the Premier (remainder, the Premier)
- Hairdressers Act 2003 No 62
- Industrial Relations Act 1996 No 17 (except parts, the Attorney General)
- Industrial Relations Advisory Council Act 2010 No 76
- Industrial Relations (Child Employment) Act 2006 No 96
- Industrial Relations (Commonwealth Powers) Act 2009 No 115
- Industrial Relations (Ethical Clothing Trades) Act 2001 No 128
- Long Service Corporation Act 2010 No 123
- Long Service Leave Act 1955 No 38
- Long Service Leave (Metalliferous Mining Industry) Act 1963 No 48
- Public Holidays Act 2010 No 115
- Retail Trading Act 2008 No 49

Treasurer's legislation – changes during 2014-15

New acts

Electricity Network Assets (Authorised Transactions) Act 2015

The Act authorises the long-term lease of 49 per cent of the State's electricity network assets to the private sector. The Act requires that the net proceeds of the transaction be paid into the Restart NSW Fund, established under the Restart NSW Fund Act 2011, and the Residual Liabilities Fund, established under this Act.

The Act enshrines protection of the State's retained interests in the electricity network businesses (Ausgrid and Endeavour Energy), and prevents the transfer of any assets, rights or liabilities of Essential Energy. To ensure consumers are protected, the Act also provides an electricity price guarantee that the total network charges for the financial year ending 30 June 2019 will be lower than the equivalent charges for the financial year ending 30 June 2014, and requires this to be overseen by an independent Price Commissioner.

Assented to on 4 June 2015.

Electricity Retained Interest Corporations Act 2015

The Act provides for the stewardship and oversight of the State's retained interests in Ausgrid and Endeavour Energy. The Act legislates the establishment and operation of Boards, as well as member requirements. It also requires that a Fund be established for each corporation, and sets out operational and reporting requirements.

Assented to on 4 June 2015.

Payroll Tax Rebate Scheme (Jobs Action Plan) Amendment (Extension) Bill 2015

This amended the Payroll Tax Rebate Scheme (Jobs Action Plan) Act 2011 to extend the closure date by four years from 30 June 2015 to 30 June 2019. This scheme delivered on the Government's 'Jobs for NSW' 2011 election commitment. Under the scheme payroll tax liable employers can apply for a \$5,000 payroll tax rebate for each additional full time employee, with the rebate pro-rated for part time employees based on the numbers of hours worked.

Assented to on 2 June 2015.

Appropriation Bill 2015

An Act to appropriate from the Consolidated Fund sums various sums of money required during the 2015-16 financial year for the recurrent services and capital works and services of the Government, including:

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

The Consolidated Fund largely comprises receipts from, and payments out of, taxes, fines, some regulatory fees, Commonwealth grants and income from Crown assets. The Bill for the 2015-16 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.

Appendices

The amounts appropriated for the Departments for the recurrent services and capital works and services for the financial year 2015-16 are:

- a. \$52,828,404,000 for recurrent services
- b. \$5,188,967,000 for capital works and services.

Additional appropriation for the Minister for Health and Minister for Medical Research amounts to \$324,541,787 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 2015-16 are:

- a. \$290,890,000 for recurrent services
- b. \$17,826,000 for capital works and services.

Assented to on 29 June 2015.

Appropriation (Budget Variations) Bill 2015

The Act appropriates additional amounts from the Consolidated Fund for recurrent services and capital works and services for 2013-14 for the purpose of giving effect to certain budget variations required by exigencies of government.

The additional amounts appropriated for 2013-14 are:

- a. \$2,190,000 in adjustment of the vote 'Advance to the Treasurer'
- b. \$422,000,000 for recurrent services in accordance with section 22(1) of the Public Finance and Audit Act 1983.

Assented to on 29 June 2015.

Appropriation (Parliament) Bill 2015

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 2015-16.

The amounts appropriated for the 2015-16 are:

- a. \$129,536,000 for recurrent services
- b. \$29,692,000 for capital works and services.

Assented to on 29 June 2015.

Small Business Grants (Employment Incentive) Act 2015

This Act implements a Government election commitment. The Act provides a grant of up to \$2,000 to eligible small businesses that are currently not liable for payroll tax, when they employ additional staff from 1 July 2015 to 1 July 2019. The grant will be provided pro-rata for additional part time employees based on the number of hours worked.

Assented to on 29 June 2015

Payroll Tax Rebate Scheme (Jobs Action Plan) Amendment (Fresh Start Support) Bill 2014 (No 2)

The Jobs Action Plan (Fresh Start Support) built on the existing Jobs Action Plan to assist workers made redundant by encouraging employers to hire these workers. The Fresh Start Support scheme provided an additional \$1,000 payroll tax rebate per full time employee to hiring employers when they hire redundant workers from a list of designated employers, where the hire is for a new job and results in an increase in the employer's full time equivalent numbers. The scheme applies to workers made redundant between 1 January 2014 and 30 June 2015.

Assented to on 19 November 2014.

New regulations

Retail Trading Regulation 2014

This Regulation remade the Retail Trading Regulation 2009, which was subject to statutory repeal after five years under the Subordinate Legislation Act 1989. The Regulation has two key purposes. It defines the boundaries of the Sydney Trading Precinct, within which all shops are permitted to trade without restriction on Boxing Day. It also provides the form in which applications for exemptions from retail trading restrictions on one of the four and a half restricted trading days may be made, and requires such applications to be published for comment before a decision is made.

The Regulation commenced on 1 September 2014.

Financial and annual reporting legislation

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

The general objectives of the program are two-fold:

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

Exemptions and variations from reporting requirements under acts and regulations

Agency	Applicable Financial Year(s)	Exemption/ / Variation	Reasons(s) for request
Green State Power (GSP)	2013-14	Determination that Treasury Circular TC 14/03 Mandates of Options and Major Policy Decisions under Australian Accounting Standards does not apply to GSP's first financial report.	GSP's first financial report covered an extended period that commenced on 3 June 2013 and ended on 30 June 2014. This determination permitted GSP to prepare its first financial report according to the same Accounting Standards as other NSW Government agencies.
Treasury Corporation Division	2014-15	Determination removing the requirement for the Division to prepare a final financial report for the period 1 July 2014 to 1 August 2014.	The Division was abolished on 1 August 2014.
Commission for Children and Young People	2013-14	Extended the Commission's final financial year to cover the period 1 July 2013 until its abolition.	To permit the Commission to prepare a single financial report covering the period 1 July 2013 until its abolition.
NewSouth Global (Thailand) Limited	2014	Determined that the Company was not required to prepare a final financial report.	The company had ceased trading and was in liquidation.
UNSW (Thailand) Limited	2014	Determined that the Company was not required to prepare a final financial report.	The Company had ceased trading and was in liquidation.
MUPH Hospital Pty Ltd	2014	Determined that the Company was not required to prepare a final financial report.	The Company had ceased trading and will be wound up by 31 December 2015.
Macquarie University Property Investment Company No. 3 Pty Limited	2014	Determined that the Company was not required to prepare a final financial report.	The Company had ceased trading and will be wound up by 31 December 2015.
COH Property Trust	2014	Determined that the Trust was not required to prepare a final financial report.	The Trust had ceased trading and will be wound up by 31 December 2015.
AGSM Limited	2014	Determined that the Company was not required to prepare a final financial report.	The Company had ceased trading and was in liquidation.

Appendices

Extensions of time granted to reporting dates under acts and regulations

1. To submit Financial Report

Agency	Applicable Financial Year(s)	Exemption/ / Variation	Reasons(s) for request
Department of Premier and Cabinet (DPC)	2013-14	Determination that the requirement in TC 14/02 Mandatory Early Close Procedures for 2013-14 for submission of 2013-14 annual return to Treasury by 24 July 2014 does not apply to DPC. Granted on condition that DPC submits its 2013-14 annual return by 28 July 2014.	DPC required additional time to submit its annual return due to restructure of the Department and related entities.
Macquarie Generation	2013-14	Determination that the requirement in TC 14/02 Mandatory Early Close Procedures for 2013-14 for submission of 2013-14 financial report, audit working papers and annual return to Treasury by 24 July 2014 does not apply to Macquarie Generation. Granted on condition that Macquarie Generation submits its 2013-14 financial report, audit working papers and annual return by 28 July 2014.	Macquarie Generation required additional time due to reporting changes arising from sale of its assets and changes to its superannuation position disclosures.
Motor Vehicle Repair Industry Authority	2014-15	Extended the deadline for the Authority to submit its final financial report (covering the period 1 July 2014 to 1 November 2014) until 23 February 2015.	The Authority needed additional time to prepare its final financial report.
Ministerial Holding Corporation	2013-14	Extend the deadline for the Corporation to submit its financial report until 14 November 2014.	Additional time required for work to remove a repeat of an audit qualification from 2012-13 and avoid a potential audit qualification on land and building valuation in 2013-14.
Sydney Catchment Authority (SCA)	2014-15	Extended the deadline for SCA to submit its final financial report (covering the period 1 July 2014 to 31 December 2014) until 31 March 2015.	SCA required additional time to prepare its final financial report.
University of Western Sydney Foundation Limited and Trust	2015	Determine that the Company and Trust are not required to prepare final financial reports.	The Company and Trust had both been wound up.

2. To submit Annual Reports

Agency	Applicable Financial Year(s)	Exemption/ / Variation	Reasons(s) for request
Delta Electricity	2013-14	Extended the deadline for Delta to submit its 2013-14 annual report until 31 December 2014.	Required to ensure compliance with the Electricity Generator Assets (Authorised Transactions) Act 2012.
Sydney Catchment Authority	2014	Extended the deadline for the Authority to submit its final annual report by three months to 31 July 2015.	The Audit Office will not complete the Authority's final audit until mid-June 2015.

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Abbreviations and acronyms

AASB	Australian Accounting Standards Board
ABS	Australian Bureau of Statistics
CGC	Commonwealth Grants Commission
COAG	Council of Australian Governments
DPC	Department of Premier and Cabinet
EEO	Equal Employment Opportunity
ERC	Expenditure Review Committee
FTE	Full-time equivalent
GIPA	Government Information (Public Access) Act 2009
GSE	Government Sector Employment Act 2013
GSP	Gross State Product
GST	Goods and Services Tax
ICT	Information and Communication Technology
IMS	Information management systems
IPART	Independent Pricing and Regulatory Tribunal
NCOS	Net Cost of Services
NHRA	National Health Reform Agreement
OH&S	Occupational Health and Safety
PAFA	Public Authorities (Financial Arrangements) Act 1987
PF&A	Public Finance and Audit Act 1983
PPIP	Privacy and Personal Information Protection Act 1998
PPP	Public-Private Partnership
PTE	Public Trading Enterprise
S&P	Standard and Poor's
SAP	Treasury's Corporate Accounting / HR System
SCI	Statement of Corporate Intent
SOC	State Owned Corporation
TCorp	NSW Treasury Corporation
WHS	Work Health and Safety



The
Treasury