

NSW Treasury Annual Report

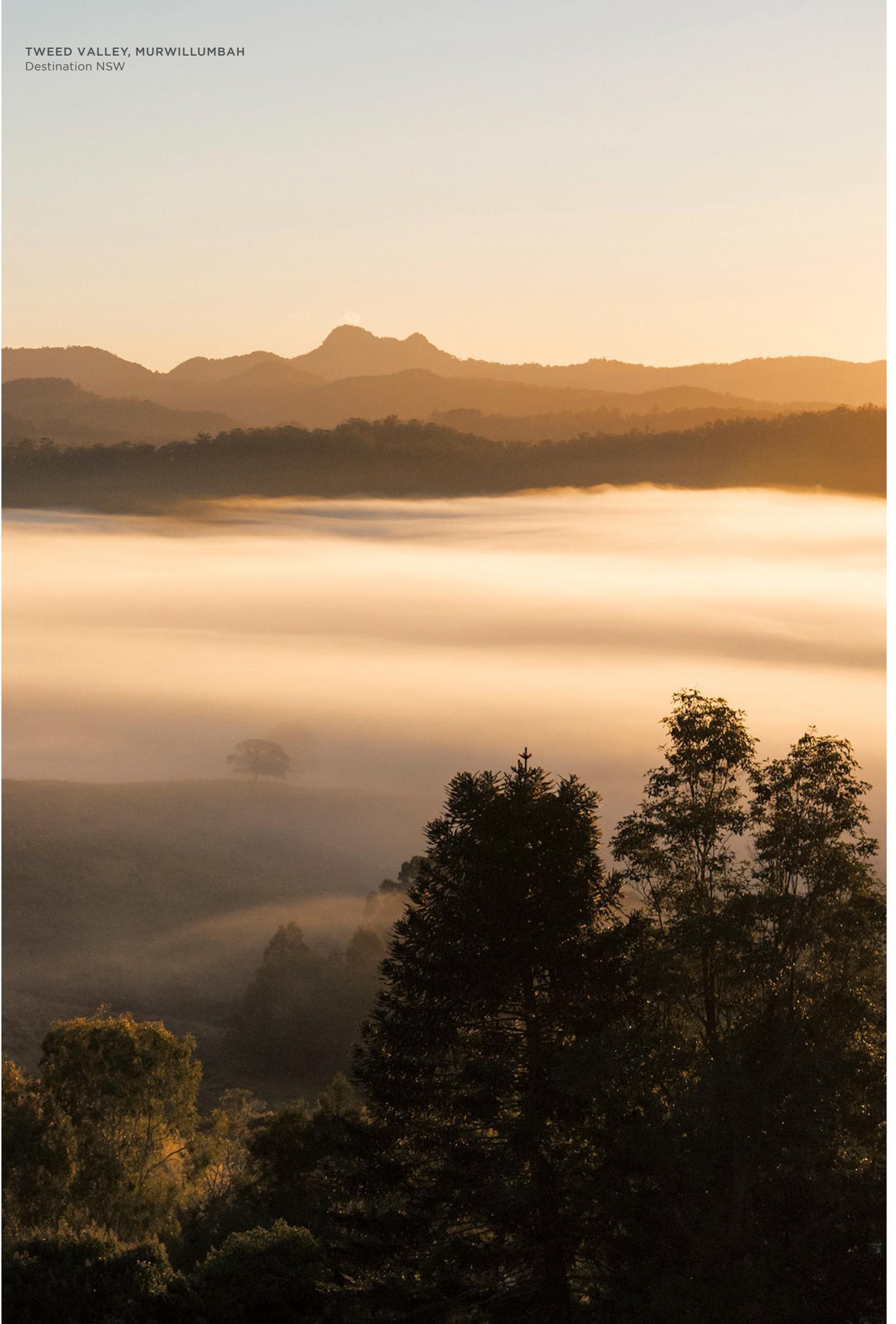
2019-2020





ACKNOWLEDGEMENT OF COUNTRY

NSW Treasury acknowledges that Aboriginal and Torres Strait Islander peoples are the First Peoples and Traditional Custodians of Australia, and recognises their continued custodianship of Country - land, seas and skies. We acknowledge the diversity of First Nations cultures, histories and peoples, recognise their enduring connection to our State, and we pay our deepest respects to Elders past, present and emerging.



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Cover image credit: Destination NSW.

30 November 2020
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Letter of submission to the NSW Treasurer

The Hon. Dominic Perrottet MP
Treasurer

GPO Box 5341
Sydney, NSW 2001

Dear Treasurer,

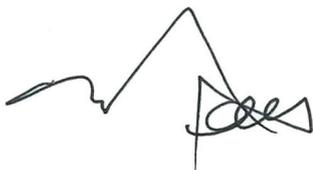
I have the pleasure of submitting NSW Treasury's Annual Report for financial year ended 30 June 2020, for presentation to the NSW Parliament in accordance with the Annual Report (Departments) Act 1985.

This volume reports on the operations and performance of the NSW Treasury, together with the consolidated financial statements for the period 1 July 2019 to 30 June 2020.

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

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

Yours sincerely,

A handwritten signature in black ink, appearing to read 'Michael Pratt', with a stylized flourish at the end.

Michael Pratt AM
Secretary
30 November 2020



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Year in review

When I presented last year's NSW Annual Report, the 2019-20 Budget forecast a \$1.0 billion surplus, net debt at 1.9 per cent of GSP and a net worth of \$267 billion in 2019-20. In addition, our Triple-A credit rating was reaffirmed. For the first half of the 2019-20 financial year, we were tracking to planned metrics, both economic and fiscal, and delivering significant milestones against our bold Outcome and Business Plan.

In the spring and summer of 2019-20, we saw the worst bushfires on record, followed closely by COVID-19 at the end of January. The health, economic and social impacts from these events have been devastating and will be felt well into the future.

We put in place multi-year bushfire recovery measures worth \$3.7 billion in partnership with the Australian Government. In response to the global pandemic, we swiftly established the Protecting NSW Treasury Taskforce, under the Respond, Recover, Reform framework. The Taskforce oversaw the commitment of more than \$15.4 billion in health and economic stimulus measures to 30 June 2020.

Our strong State surplus and excellent historical fiscal position meant we were able to provide swift and vital support and address challenges head on. However, the combined impact of bushfires and COVID-19 containment measures have been severe and for the first time since the 1990s, NSW has entered a technical recession.

While we must acknowledge the reality of our situation, it's important to recognise the significant achievements we've had in 2019-20.

Key highlights over the past financial year include:

- successfully integrating the new teams and agencies following the Machinery of Government changes after the State election in March 2019, to become a highly capable, collaborative and diverse team delivering as a united **OneTreasury**
- delivering the **NSW Economic Blueprint**, which sets out the long-term aspirations for the next phase of economic growth for the State
- developing **Global NSW**, a revitalised trade and investment strategy for our State. Launched by the Premier in December 2019, at the heart of this strategy is job creation and the economic development of a global NSW



Michael Pratt AM
NSW Treasury Secretary



- developing our first **Outcome and Business Plan**
- releasing the **NSW Productivity Commission Discussion Paper** and **Federal Financial Relations Review Paper**, which lay the groundwork for economic and productivity reform
- producing the 2019-20 **Half Yearly Budget Review**
- publishing the **Total State Sector Accounts** with an unqualified opinion from the Audit Office.

As these achievements demonstrate, we are well on the way to supporting the Government in delivering its key policy priorities and realising our outcomes-focused mandate.

Our first Outcome and Business Plan outlines our renewed vision to be world-class among treasuries globally, stewarding innovative, strategic policy reform underpinned by strong economic, financial and performance management.

Our plan is benchmarked across three key outcomes: **Economic performance:** a strong, resilient and diverse economy

Fiscal performance: a sustainable fiscal environment enabling delivery of outcomes

Public sector performance: stewardship of the public sector performance and financial management system.

Our Outcome and Business Plan also identifies four change priorities that will be a core focus of the organisation for the next four years:

- delivering an outcome focus across the sector
- developing and implementing innovative and strategic policy and service reform
- cultivating a highly capable, collaborative and diverse customer-centric team
- enabling an agile, inclusive and future-focused Treasury.

At the centre of all we've accomplished is our people. They are dedicated and bring to life our OneTreasury culture. We have supported them by developing and endorsing an updated recognition program and a Diversity and Inclusion Plan. We have taken regular pulse checks on health and wellbeing while we work remotely. We have provided our leaders with training on how to best manage teams and individuals. And we stay in regular contact via internal communications.

Despite the macroeconomic difficulties we have experienced this year, this report contains sound evidence that NSW Treasury is living its outcome goals and achieving for the people of NSW.

Michael Pratt AM
Secretary

01.

NSW's fiscal and economic environment

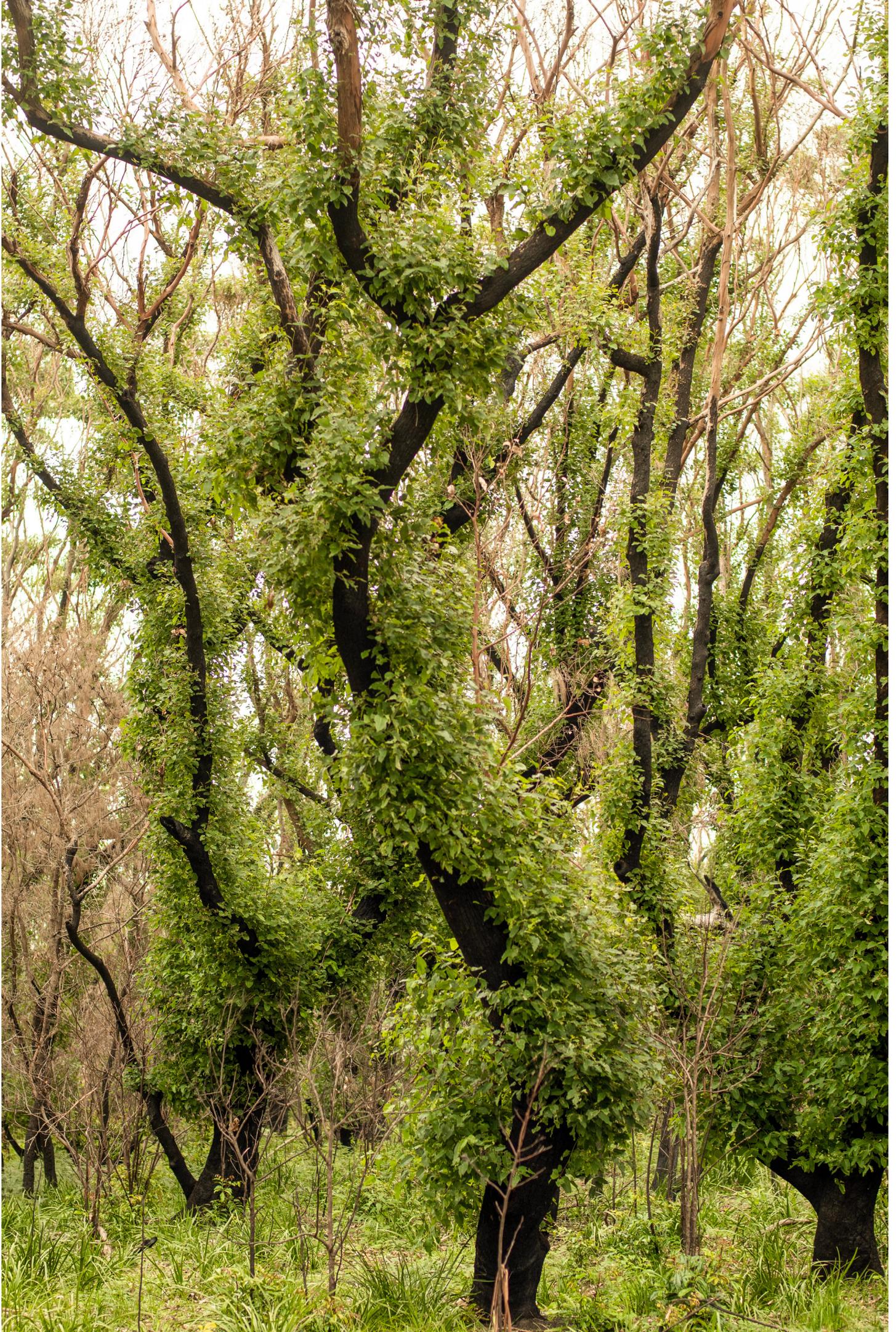
The NSW economy has been hit by several adverse developments during the fiscal year. The drought was well known when the Budget forecasts were compiled, but the summer's devastating bushfires and the subsequent onset of the global COVID-19 pandemic were not. Each of these headwinds has reduced the rate of growth in the State's economy, with the necessary activity restrictions induced by the onset of the pandemic particularly damaging.

Economic activity has been severely curtailed by the pandemic and confidence undermined, resulting in a sharp spike in the unemployment rate. The negative impact on the State's service industries like tourism and hospitality has been particularly pronounced, while growth in other sectors like mining and utilities has accelerated.

Before the bushfires and the onset of COVID-19, the NSW economy was amid a cyclical slowdown in activity, albeit after an extended period of outperformance of the national economy. In fact, on many metrics, including the unemployment rate, NSW had been the best performing state economy for some years. The slowdown in the State's housing market was a feature of this cyclical slowdown. The Budget forecasts, however, had anticipated a subsequent acceleration in the rate of economic growth for the NSW economy, not the abrupt dislocation triggered by COVID-19.

Along with COVID-19's significant impact on the NSW economy, it has also resulted in significant decreases in revenue in 2019-20, which were \$2.8 billion lower than the Half Year Review (HYR). Government also increased expenditure by \$4.8 billion from the 2019-20 HYR, which was primarily driven by the COVID-19 fiscal stimulus and bushfire packages to help support the NSW economy. Overall, the general Government's operating position has worsened by \$7.6 billion since the 2019-20 HYR, resulting in a budget deficit of \$6.9 billion in 2019-20. This is NSW's first budget deficit since 2012-13.

The impact of COVID-19 on the State's operating position has flowed through to an increase in borrowings of \$12.7 billion in 2019-20 compared to HYR. Cash balances increased compared to HYR by \$4.9 billion due to the partial pre-funding of 2020-21 borrowing requirements and a \$1.5 billion increase in financial assets due to the Government's contribution to the Treasury Managed Fund (TMF) of \$2 billion, offset by associated COVID-19's impacts on market volatility. This has seen general Government net debt increase by \$6.4 billion since the 2019-20 HYR, with general Government net debt \$19.3 billion at 30 June 2020.



02.

Responding to COVID-19

COVID-19: An unprecedented and unparalleled response

The first case of COVID-19 on our shores was recorded on 25 January 2020. It soon became apparent we'd never seen a crisis like it: a public health emergency with a dramatic impact on our economy and way of life.

Our strong fiscal position enabled the NSW Government to throw its full force behind the pandemic and the needs of people, businesses and communities in an unprecedented and unparalleled response.

As the crisis unfolded, NSW Treasury responded decisively by establishing the Protecting NSW Treasury Taskforce. The Taskforce engaged with other government agencies, business and industry to swiftly develop and implement a robust framework to provide the right support at the right time: **Respond** to immediate needs and prepare to **Recover** and **Reform** once restrictions lifted.

Respond

The objective of the Respond phase has been to maintain critical services during COVID-19 restrictions, and support and protect the economy and people of NSW.

We responded through a mix of stimulus and longer-term measures worth **\$15.4 billion as at 30 June 2020**, designed to protect the health of our citizens and boost NSW's economic potential and fiscal recovery.

\$15.4 billion 
in support and stimulus measures to 30 June 2020 included:

\$2.4 billion 
for the health system



\$8.8 billion
in business and economy support, including supporting jobs and employment for the people of NSW. Note that this is a mix of expenditure and tax measures (including revenue loss and tax deferrals).

\$378 million 
for communities and families

\$3.8 billion 
for capital and maintenance projects.

More broadly, Treasury worked with all NSW Government agencies to ensure critical services were maintained and to support and protect the economy, businesses and communities during COVID-19 restrictions. These included:

Critical services

- Supporting immediate and contingent **health and quarantine response**
- Maintaining and delivery of **education, health and other critical services**, including adapted service delivery
- **Supporting essential workers** such as transport, childcare and accommodation
- Supporting **supply chain** for critical goods and services.

Support and protect

- Supporting **liquidity and solvency** of NSW agencies
- Supporting individuals including the **vulnerable and households** under financial stress
- Supporting **solvency** of businesses, industries and sectors
- Supporting **upskilling and reskilling**
- Continuing **economic activity** that can and should continue.

We also focused on devising a series of job-creating initiatives to offer fast roads to employment across the State including:



4,900 new and re-deployed cleaners 

150 new staff employed by Service NSW to provide personalised support to business

1,000 temporary staff for Service NSW 

40 new advisors at Business Connect 

Our swift and bold **Response** would help ensure NSW was in a strong position to enter the **Recover** phase, even as it became increasingly clear both would have to run in parallel as the health crisis continued.

Recover

The Recover phase is staged to align and adjust to changes in restrictions and has many parallel streams. These include the \$3 billion Jobs and Infrastructure Acceleration Fund and the \$1.6 billion Digital Restart Fund to enhance the NSW Government's cyber security, enhance customer service and improve the digital experience across government. All the stimulus measures and investments in the Recover phase are targeted at projects with immediate job creation and economic activity benefits, prioritised based on a high economic and social benefit-cost ratio. NSW Treasury will use the Outcome Business Plans to direct expenditure to the greatest community benefit.

Reform

Reform is also critical – to turn adversity into advantage. This pandemic gives us a once-in-a-generation chance to build a better NSW. Engaging the community, business and industry on areas such as deregulation, productivity, tax reform, digitisation and trade and investment will be key.

The pandemic doesn't just provide an opportunity to reform, but an obligation. It offers the chance to move beyond a 'return to normal', and instead build a stronger NSW economy that is well positioned to meet future challenges.





03.

About NSW Treasury

NSW Treasury leads the economic, jobs and investment conversation across NSW. From its position at the centre of government, Treasury drives the economic development strategy to guide the State's growth for the benefit of the people who live, work and study in NSW. This is in addition to focusing on maintaining a sustainable fiscal position and maintaining a strong balance sheet. Its work includes boosting trade, investment and tourism, developing industry, supporting jobs growth, improving service delivery to the community and increasing living standards, now and into the future.

Established in April 1824, Treasury is proudly the oldest continuing government agency in Australia.

Our core responsibilities



Manage NSW finances



Analysis, advice and delivery



Manage NSW assets



Economic development for the State



Administrate a range of Acts and Regulations



Administer the Crown Entities

04.

Treasury leadership team as at 30 June 2020



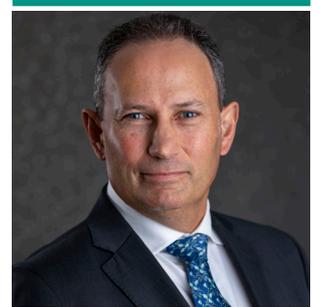
Michael Pratt AM
Secretary



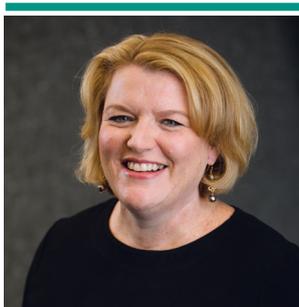
Phil Gardner
Deputy Secretary
- Commercial,
Commissioning and
Procurement



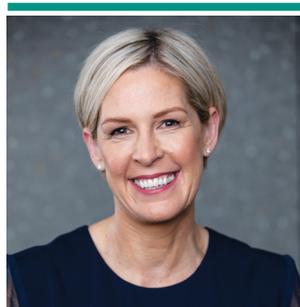
Joann Wilkie
Deputy Secretary -
Economic Strategy and
Productivity



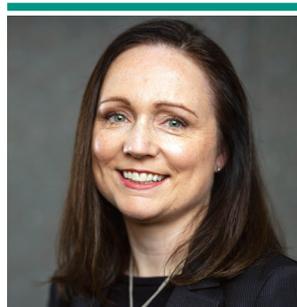
Stewart Walters
Financial and Operations
Group - Chief Financial and
Operations Officer



Jo Blackwell
Chief People Officer



Tracy Wilson
Information Technology -
Chief Information Officer



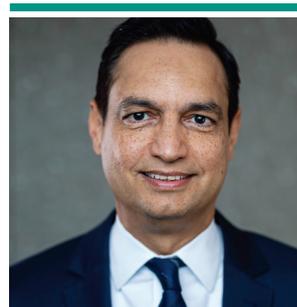
Kim Curtain
Deputy Secretary - Trade,
Tourism, Investment
and Precincts



Charles Cho
General Counsel



Kenna Ackley
Office of the Secretary -
Chief of Staff



San Midha
Deputy Secretary -
Policy and Budget

05.

Treasury's structure and responsibilities

Headed up by the Secretary, Michael Pratt AM, Treasury's structure consists of 10 divisions responsible for delivering Treasury's strategy and goals. These include:

Commercial, Commissioning and Procurement

Provides specialist advice on major capital projects, manages the Government's shareholding in State Owned Corporations and support-service delivery reforms in NSW.

Economic Strategy and Productivity

Shapes the NSW economic strategy and influences the future direction of tax policy, economic policy and reform, productivity policy, small business policy and federal financial relations.

Financial and Operations Group

Produces and publishes the Total State Sector Accounts, provides sector support, accounting and financial management policy for the Budgeting System and Risk Assurance and Internal Audit functions for Treasury.

Human Resources

Helps create and support a high-performing, results-driven workforce, as well as developing strategies and initiatives to make Treasury a rewarding place to work.

Information Technology

Responsible for all Treasury technology systems, the sector-wide budgeting platform, Prime, plus ensuring the integrity, availability and security of information and systems.

Jobs, Investment and Tourism

Focuses on job creation, investment, industry development and tourism.

Office of General Counsel

Provides legal advice to Treasurer, cluster Ministers and Treasury plus support on whole-of-government policy initiatives, commercial asset transactions and contractual, statutory and legal issues.

Office of the Secretary

Provides internal support and advice, central agency leadership and engagement and coordinates engagement and support for the Treasurer's Office.

Policy and Budget

Provides advice to NSW Government and agencies on financial management, policy reform and resource allocation.

Trade

Focuses on trade (including Study NSW), outbound growth and the international network. A new Deputy Secretary for Trade will start in the 2020-21 financial year.



06.

Machinery of Government

Following the Machinery of Government process after the March 2019 election, multiple teams and agencies joined Treasury as we reduced the Government clusters from ten to eight. A key focus of 2019-20 was integrating these agencies onto Treasury systems, platforms and processes. We conducted an organisational culture review to reflect our new structure as OneTreasury to build a strong foundation for a world-class Treasury that works together for the economic growth of NSW.

Incoming teams/agencies included:

- Destination NSW
- Economic Policy, Enablers and Analytics
- NSW Procurement
- NSW Procurement Board
- NSW Small Business Commission
- Trade and Investment
- Western City and Aerotropolis Authority

The following autonomous entities produce their own annual report:

Destination NSW

Devises and implements strategies to grow the State's visitor economy.

NSW Procurement Board

Develops and implements a government-wide strategic approach to procurement. The NSW Procurement Board's 2019-20 annual report can be found on page 84 of the Appendices in this annual report.

NSW Small Business Commission

Helps resolve issues affecting NSW small businesses and influences meaningful change.

Western City and Aerotropolis Authority

Manages the design and delivery of the Western Sydney Aerotropolis and supports the overall growth of the Western Parkland City.

07.

Our performance

ONETREASURY

OUR PEOPLE | OUR CUSTOMERS | OUR STATE

OUR VISION

To be world-class amongst Treasuries globally, stewarding innovative, strategic policy reform underpinned by strong economic and financial management.

OUR PURPOSE

Providing central agency leadership so the people of NSW have access to services and infrastructure that deliver outcomes based social and economic benefits.

	OUTCOME 1 A strong, resilient and diverse economy	OUTCOME 2 A sustainable fiscal environment enabling delivery of outcomes	OUTCOME 3 Stewardship of the public sector performance and financial system
OUTCOME INDICATORS	<p>Growth in real GSP per capita</p> <p>Jobs created in NSW since April 2019</p>	<p>Maintaining the triple-A credit rating</p> <p>Annual expense growth below long-term revenue growth</p> <p>Reducing the long-term fiscal gap</p> <p>Fully funding the State's unfunded defined benefit superannuation liabilities by June 2030</p>	<p>Provision of effective tools and frameworks (including technology) to enable sector to strengthen their performance and financial management, and promote efficient, effective and economical use of government resource</p> <p>No material adverse findings in Audit Office reports to Parliament</p> <p>A voice of the customer survey of the support provided by Treasury and the effectiveness of Treasury performance and financial management stewardship</p>
OUR PROGRAMS TO DELIVER OUR OUTCOMES	<ul style="list-style-type: none"> Building a Strong and Productive Economy Delivering the Global NSW Strategy Growing the NSW Visitor Economy 	<ul style="list-style-type: none"> Commercial and Commissioning Fiscal Planning and Management Sector Support and Resource Allocation Sector Procurement Services, Analytics and Systems Evidence Informed Investment and Policy Financial Reporting and Systems Management 	<ul style="list-style-type: none"> Performance and Financial Systems Stewardship Digitally Focussed Treasury Highly Capable, Collaborative and Diverse Team

CHANGE PRIORITIES
<ul style="list-style-type: none"> Delivering an 'outcome' focus across the sector Developing and implementing innovative and strategic policy and service reform A highly capable, collaborative and diverse customer-centric team An agile, inclusive and future-focussed Treasury



Treasury provides sector leadership to help NSW be a recognised leader in economic analysis and strategy, fiscal management, productivity, business reform, infrastructure delivery and innovative strategic policy reform.

The subsequent chapters provide a summary of our 2019-20 performance against our three core outcomes.

Outcome 1 A strong, resilient and diverse economy

Building a strong and productive economy

Economic Blueprint

Key to our role as financial managers is how we ensure the NSW economy grows and provides an improved standard of living for our citizens in coming decades.

NSW's Chief Economist Stephen Walters delivered the NSW 2040 Economic Blueprint: Investing in the State's Future. Launched by the Treasurer in November 2019, the document identifies challenges and risks and highlights major opportunities for the NSW Government to grow industries, innovate and improve our economy.

Federal Financial Relations Review

In August 2019, the Treasurer announced an independent expert panel would conduct a Federal Financial Relations Review (FFRR) to develop practical and achievable proposals for reforming the funding relationship between NSW and the Commonwealth.

Led by David Thodey AO, the panel consulted with stakeholders, including community and business groups and other states, to prepare a draft report. Finalised at the end of the 2019-20 financial year, the report found that catastrophic challenges faced by Australians in the past six months – the summer of bushfires followed by the COVID-19 pandemic – dramatically increased the urgency to reshape the Federation and the tax system that underpins it. The draft report sets out a roadmap to realign financial relations between the Commonwealth and the states to help the economy recover and ensure future governments can continue funding the essential services and infrastructure citizens expect.

Productivity reform

In October 2019, the NSW Productivity Commissioner released an inaugural discussion paper titled Kickstarting the Productivity Conversation, the first in a series of papers to shape the productivity reform agenda for NSW.

Delivered by the NSW Productivity Commissioner, Peter Achterstraat AM, the discussion paper identifies key areas that may benefit from reform and help ensure NSW continues to enjoy prosperity for future generations.

Delivering the Global NSW Strategy

In December 2019, the Premier launched the Global NSW Strategy, our revamped trade and investment strategy to grow world-leading industries, create great places to live and work, and connect NSW to the world. Having a strong, open and globally connected economy is the foundation for jobs growth, prosperity and quality of life for our citizens. At the heart of this strategy is job creation and economic development with a place-based, priority-industry focus.

In 2019-20, the team delivered four Ministerial missions and one Vice Regal mission and hosted strategic events such as the 27th New South Wales-Guangdong Joint Economic Meeting (JEM). This was the most significant trade and investment event held between Australian and China in 2019. The team also delivered export advisory services and export capability building activities to over 5,000 NSW businesses and the Study NSW program to support international education, NSW's largest service export.

In June 2020, the team successfully established Tech Central to create Australia's biggest technology hub. Tech Central will join the Sydney Startup Hub and the planned Western Sydney Startup Hub to provide targeted assistance to fast-growing innovative small-to-medium enterprises, putting NSW at the forefront of tech development.

And, as COVID-19 began making inroads, the team was a driving force to source Personal Protective Equipment (PPE) locally and globally for the State. COVID-19 also delayed the rollout of the planned global offices, designed to expand key markets around the world.

The Global NSW strategy positions NSW as not only Australia's, but the region's leading economy, building the foundations for future economic success.

Outcome 2 A sustainable fiscal environment enabling delivery of outcomes

During the last financial year, we continued to embed a rigorous approach to performance and fiscal management with an increased focus on efficiency and outcome budgeting. We focused on delivering whole-of-government approaches to manage the NSW balance sheet and financial risks.

BUDGET RESULT	CAPITAL EXPENDITURE
2019-20 -\$6.9b	2019-20 \$21.0b
NET DEBT	CREDIT RATING
June 2020 -\$19.3b	Rated by Moody's & S&P Triple-A

Commercial and commissioning

Asset optimisation

The Asset and Liability Committee (ALCO) provides advice to Treasury and the NSW Government on key decisions regarding the State's assets and liabilities. ALCO's mission is to apply a whole-of-government lens to the State's financial and balance sheet risks to enable informed decisions to achieve an efficient balance of risk and return.

ALCO's priorities during 2019-20 included:

- responding to COVID-19-related financial markets stresses, particularly in early March 2020, by reviewing and monitoring potential impacts on the State's balance sheet
- endorsing principles to guide the management of the State's self-insurance scheme
- migrating several of the State's investment funds to a new investment management approach under NSW Treasury Corporation (TCorp)
- endorsing the Sustainability Bond Program, with a second sustainability bond issued at the end of 2019. This is a first for any Australian state and remains the largest bond of its type on issue in the Australian market.

Infrastructure transactions

The Infrastructure & Structured Finance Unit (ISFU) designs and oversees procurement of complex infrastructure in collaboration with delivery agencies that can minimise long-term fiscal burden on the State and optimise project delivery and risk transfer.

ISFU's priorities for 2019-20 included:

- completing the build phase of the Clarence Correctional Centre in Grafton
- preparing for upgrades of several schools within the existing Public Private Partnership's (PPP) New Schools 1 and 2
- starting market soundings for the Sydney Metro Western Sydney Airport metro line, which will service the Western Sydney Airport and provide the transport backbone for the development of the Western Parkland City
- augmenting the Sydney Metro Northwest PPP to incorporate the City and Southwest extension
- entering into an agreement with Atlassian to develop its Australian headquarters as part of the NSW Government's TechCentral Precinct
- starting the request for tender process for early and main works for the new Sydney Fish Markets project at Blackwattle Bay
- starting the expression of interest process for the Warringah Freeway Upgrade
- entering the project development phase for the Western Harbour Tunnel.



Commissioning and social impact investment projects

Last financial year we continued to progress priority projects and identify future opportunities. These included:

- mainstreaming the successful Newpin Social Impact Investment
- announcing the Momentum Social Impact Investment to support Aboriginal Economic Development
- Social and Affordable Housing Fund
- skills reform
- implementing the NSW Government's COVID Cleaning Stimulus.

Commercial assets

The NSW Government owns several commercial businesses in energy, water, ports and forestry known as State Owned Corporations (SOCs) as well as other government businesses. Treasury oversees their governance through the Commercial Policy Framework and assesses and monitors their commercial performance. Treasury also has a role in post-transaction management, which requires ongoing oversight by the State following an asset transaction.

In 2019-20, outcomes included:

- working with government businesses to manage the impacts of COVID-19
- approving to progress the Belmont Desalination Project, the Prospect to Macarthur water supply pipeline and the Avon Dam Deepwater project.

Fiscal planning and management

Debt management

In 2019-20, we continued to make reforms in debt management, liquidity and exposure management to create better debt and fiscal headroom.

NSW Treasury Corporation (TCorp) manages debt on behalf of NSW Government clients and the State's balance sheet.

Managing our funds

Treasury continued managing and supporting established funds including:

- NSW Infrastructure Future Fund (NIFF) – investing the net proceeds from the State’s asset recycling program to support the Restart NSW and Rebuilding NSW infrastructure programs
- Social and Affordable Housing Fund (SAHF) – provides funding for social and affordable housing and associated support services. The SAHF programs are expected to deliver over 3,400 social and affordable homes to those in need
- NSW Generations Fund (NGF) – a dual-purpose intergenerational fund that helps future generations by supporting sustainable debt levels through time.

During the first half of the financial year the funds experienced strong returns as financial markets generally were positive. Performance turned during the third quarter due to the onset of COVID-19 and resultant market impacts, before improving again as markets recovered towards the end of 2019-20. The strong focus on risk management and diversification meant the funds performed better than financial market moves otherwise suggested, generating marginal positive returns for the financial year.

Sector support and resource allocation

Monitor sector savings

During 2019-20, Treasury monitored the delivery of expenditure savings across the sector in line with election commitments, 2019-20 Budget decisions and Machinery of Government changes.

Due to the impacts of COVID-19 on the economy and State finances, the Expenditure Review Committee decided in June 2020 to establish a Fiscal Repair Program to review the performance of agencies to ensure government spending is efficient, effective and delivering value-for-money outcomes.

Outcome budgeting

In 2019-20 we continued to implement Outcome Budgeting, a fresh approach to the way we budget to ensure we’re maximising value for citizens and spending their money in the best way possible.

In February 2020, agencies produced the first wave of Outcome and Business Plans to align with government performance and financial expectations of clusters and inform decision making. Treasury continued to support clusters to embed Outcome and Business Planning within their operations as well as through government processes.

Sector procurement services

During 2019-20, we continued to refine our procurement approach to deliver efficient and well-governed process, including identification and delivery of further savings.

Highlights included:

- developing a savings program
- completing a major diagnostic of Transport for NSW, with implementation underway
- reforming health procurement
- introducing the revised NSW Government Procurement Policy Framework
- reviewing the Aboriginal Procurement Policy and Aboriginal Participation in Construction Policy
- ensuring NSW Government’s compliance with procurement obligations of the World Trade Organisation Government Procurement Agreement and eight free trade agreements via legislative amendments and the Enforceable Procurement Provisions Direction
- issuing a new Procurement Board direction to ensure local regional businesses were given first consideration for government-funded remediation works arising from the 2019-20 bushfires and floods.

Evidence informed investment and policy

Treasury’s Centre for Evidence & Evaluation (CEE) continues to lead a whole-of-government effort, in partnership with the Evidence Centres of Excellence in each cluster, to drive up the rate of evidence-informed decision making. During the last financial year, CEE collaborated to develop plans of action with each cluster to build the capability of the sector to develop robust business cases, cost-benefit analyses and evaluations of government initiatives.

Financial reporting and systems management

We delivered the 2018-19 Total State Sector Accounts (TSSA) in October 2019 and received an unmodified audit opinion from the Audit Office of NSW.

In December 2019, we also produced and delivered the 2019-20 Half Year Review Budget update that gives an update on the fiscal and economic position of NSW since the 2019-20 full Budget.

During COVID, we have continued to publish monthly actual financial results broadly in line with pre-COVID timing, with transparency of financial information even more important than ever before.

At the start of March 2020, the process of developing the 2020-21 Budget was well underway. However, due to COVID-19, the Budget was deferred until November 2020.

To ensure adequate funding could be made available to the sector in order to continue to deliver services to the citizens of NSW, Treasury led the submission and approval by Parliament of interim Appropriation legislation.

Outcome 3 Stewardship of the public sector performance and financial management system

Performance and financial systems stewardship

During the financial year we focused on providing effective tools and frameworks (including technology) to support timely and effective decision making for financial and performance reporting. These included:

- helping agencies create and deliver their Business and Outcome Plan by building an outcomes portal and providing training and support
- piloting a Risk Maturity Assessment Tool designed to support the improvement of risk management, culture and capability across the NSW public sector
- creating and leading a sector wide Audit & Risk Chairs Leadership forum to share best practice and discuss common issues and solutions

- Treasury assumed the role as Chair of the Heads of Treasuries Accounting and Reporting Committee for a two-year term continuing to optimise Prime, a government-wide platform to submit budget data, performance monitoring and reporting, to improve core capability and enhance functionality for the sector
- agreeing on a three-year road map for sector-wide finance and performance systems. This includes modernising some components and the user interface in line with Digital NSW design standards. It also incorporates plans to uplift reporting and analytics capabilities and the redesign of some processes
- developing a Supplementary Returns Module to make year-end financial statements submissions simple
- significantly improving the efficiency of Standing Order 52 and Government Information Public Access (GIPA) requests by adopting modern software such as Office 365 Advanced eDiscovery & Relativity.

Feedback from cluster CFOs

We undertook an informal review by interviewing a small sample of cluster Chief Financial Officers. Their feedback about NSW Treasury is that we have “honest, constructive, transparent conversations, there is a spirit of trust, not always agreement, but trust”.

CFO of the Sector

Treasury’s CFO of the Sector initiative – a framework for supporting sector priorities and building for the future of finance – gained good momentum during the 2019-20 financial year. This included working towards closer performance monitoring and cohesion for the finance community across government agencies.

Implementation of new banking arrangements

Treasury continued rolling out implementation of the new banking systems and developed a formal governance model with all three banking providers. These include Westpac Banking Corporation, Australia and New Zealand Banking Group and Citigroup. We also completed the whole-of-state transition of purchasing cards from Westpac to Citibank.



Digitally focused Treasury

In 2019-20 we continued to build an agile, flexible and digitally proficient workforce by implementing fit-for-purpose technology initiatives and training. This became especially pertinent with the onset of COVID-19 and the need to ensure a smooth transition to staff working from home. Priorities included:

- ensuring all staff had current, consistently configured, light-weight laptops and updating our shared desk facilities. This included replacing desk phones with Skype Enterprise Voice and headsets
- supporting the implementation of Microsoft Skype and Teams to enhance flexible working and collaboration
- upgrading remote access VPN software
- improving our cyber incident response capabilities
- deploying refreshed cyber security staff training programs, including quarterly phishing test campaigns, which resulted in halving the staff phishing failure rate
- working on a cyber security uplift strategy in consultation with Cyber Security NSW.

Highly Capable, Collaborative and Diverse Team

OneTreasury culture

When we welcomed new teams and agencies into Treasury following the Machinery of Government, we conducted an organisational culture review to reflect our new structure as OneTreasury.

With staff and leadership input, we finalised and launched our Organisational Culture Plan (OCP), designed to support the delivery of Treasury's Business Plan. The OCP is structured around highly capable, diverse and flexible teams underpinned by a commitment to collaboration, inclusivity and flexibility. Our OneTreasury culture drives Treasury's reputation as a customer-centric and trusted adviser for the quality of its advice, consistency and clarity of message and timeliness of delivery.

Diversity and inclusion

Our Diversity and Inclusion Strategy 2019-2025 sets multiple criteria to achieving greater diversity and inclusion. These include:

- increasing the number of women in senior leadership roles as well as increasing the employment levels of Aboriginal and Torres Strait Islander people and people with a disability
- as of 30 June 2020, our leadership team had an even gender split and we have an ongoing commitment and focus on developing and promoting women into senior executive positions
- reviewing how to maximise recruitment opportunities for senior Aboriginal and Torres Strait Islander people. This resulted in the placement of two executives into Aboriginal outcomes-focused positions
- developing our first Reflect Reconciliation Action Plan and focussing on completing a 2021-2025 Disability Inclusion Action Plan
- transforming our Diversity and Inclusion Network into a structured and empowered staff-led collective that drives diversity agendas across Treasury
- ensuring our Diversity and Inclusion Strategy 2019-2025 and plan incorporates multicultural outcomes in line with the Multicultural NSW Act 2000 and best practice.

Investing in our talent

In the first half of 2019-20, Treasury reviewed its approach to leadership development to establish a new framework. We introduced four targeted programs to lift leadership capability as well as a program to prepare employees for leadership roles. Staff can access development opportunities based on their own needs, including sector-wide leadership programs run by the Leadership Academy.

End-to-end employee experience

In 2019-20, we continued to build on the momentum of enhancing Treasury's end-to-end employee experience by:

- launching our updated OneTreasury recognition program, which we adjusted to support a virtual working environment with a virtual recognition wall
- conducting a full rebuild and refresh of people-related intranet content

- integrating employees to Treasury HR, IT and finance systems, with a transition program underway for Destination NSW
- significantly improving the employee onboarding experience, including pivoting to virtual onboarding
- implementing additional technology VidCruiter to support panel recruitment during COVID-19.

People Matter Employee Survey

In 2019-20, we implemented both organisation-wide and divisional strategies focusing on key engagement drivers from the most recent People Matters Employee Survey results. These included:

- asking each division to identify their top three areas to address
- engaging with Treasury's top 100 senior leaders at quarterly forums
- understanding where we need to improve and where we need to maintain our focus.

Focus for improvement:



Senior managers



People leadership



Action on results

Focus to maintain:



Flexibility



Diversity and inclusion

We also conducted two engagement pulse surveys since staff began working from home due to COVID-19 to check on engagement, wellbeing, collaboration and leadership support. This enabled implementation of the targeted support program, Delivering Outcomes Virtually.

In addition, we conducted a return-to-office survey in May 2020 to understand how staff had transitioned to working virtually and employee wellness plus how they felt about returning to the office once COVID-19 restrictions lifted. The results fed into our COVID-Safe Workplace Plan.

Internal Audit and Risk Management Attestation Statement for the 2019-2020 Financial Year for NSW Treasury

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

Core Requirements

For each requirement,
please specify whether
compliant, non-compliant, or
in transition

Risk Management Framework

- | | | |
|-----|--|------------------|
| 1.1 | The agency head is ultimately responsible and accountable for risk management in the agency | Compliant |
| 1.2 | A risk management framework that is appropriate to the agency has been established and maintained and the framework is consistent with AS/NZS ISO 31000:2018 | Compliant |

Internal Audit Function

- | | | |
|-----|--|------------------|
| 2.1 | An internal audit function has been established and maintained | Compliant |
| 2.2 | The operation of the internal audit function is consistent with the International Standards for the Professional Practice of Internal Auditing | Compliant |
| 2.3 | The agency has an Internal Audit Charter that is consistent with the content of the 'model charter' | Compliant |

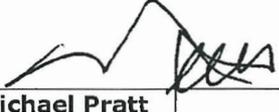
Audit and Risk Committee

- | | | |
|-----|---|------------------|
| 3.1 | An independent Audit and Risk Committee with appropriate expertise has been established | Compliant |
| 3.2 | The Audit and Risk Committee is an advisory committee providing assistance to the agency head on the agency's governance processes, risk management and control frameworks, and its external accountability obligations | Compliant |
| 3.3 | The Audit and Risk Committee has a Charter that is consistent with the content of the 'model charter' | Compliant |

Membership

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

- Independent Chair, Victoria Weekes, appointed April 2017, second term expires April 2022.
- Independent Member, Paul Ruiz, appointed December 2017, first term expires December 2020.
- Independent Member, Deborah O'Toole, appointed December 2017, first term expires December 2020.
- Independent Member, Julie Elliott, appointed September 2019, first term expires September 2022.



Michael Pratt
Secretary
Date: 9/10/20



Su-Lin Macdonald
Director of Internal Audit and Risk
Date: 9/10/2020

NSW Cyber Security Policy Annual Attestation Statement for the 2019 – 2020 Financial Year for NSW Treasury

I, Michael Pratt, am of the opinion that NSW Treasury has managed cyber security risks in a manner consistent with the Mandatory Requirements set out in the NSW Government Cyber Security Policy.

Governance is in place to manage the cyber security maturity and initiatives of NSW Treasury.

Risks to the information and systems of NSW Treasury have been assessed and are managed.

There exists a current cyber incident response plan for NSW Treasury which has been tested during the reporting period.

NSW Treasury has an Information Security Management System (ISMS) or Cyber Security Framework (CSF) in place.

NSW Treasury has a Cyber Uplift Strategy in place to ensure continuous improvement and management of cyber security governance and resilience.

This attestation covers NSW Treasury and the systems managed by the Treasury IT Team.



Michael Pratt
Secretary, NSW Treasury

24.8.20



INDEPENDENT AUDITOR'S REPORT

The Treasury

To Members of the New South Wales Parliament

Opinion

I have audited the accompanying financial statements of The Treasury (Treasury), which comprise the Statement of comprehensive income for the year ended 30 June 2020, the Statement of financial position as at 30 June 2020, the Statement of changes in equity and the Statement of cash flows, for the year then ended, notes comprising a Summary of Significant Accounting Policies and other explanatory information.

In my opinion, the financial statements:

- give a true and fair view of the financial position of Treasury as at 30 June 2020, and of its financial performance and its cash flows for the year then ended in accordance with Australian Accounting Standards
- are in accordance with section 45E of the *Public Finance and Audit Act 1983* (PF&A Act) and the Public Finance and Audit Regulation 2015.

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

Basis for Opinion

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

I am independent of Treasury in accordance with the requirements of the:

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

I have fulfilled my other ethical responsibilities in accordance with APES 110.

Parliament promotes independence by ensuring the Auditor-General and the Audit Office of New South Wales are not compromised in their roles by:

- providing that only Parliament, and not the executive government, can remove an Auditor-General
- mandating the Auditor-General as auditor of public sector agencies
- precluding the Auditor-General from providing non-audit services.

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

Key Audit Matters

Key audit matters are those matters that, in my professional judgement, were of most significance in my audit of the financial statements for the year ended 30 June 2020. These matters were addressed in the context of my audit of the financial statements as a whole, and in forming my opinion thereon, I do not provide a separate opinion on these matters.

Key Audit Matter	How my audit addressed the matter
Implementation of AASB 16 'Leases'	
<p>Treasury adopted new Australian Accounting Standard AASB 16 'Leases' for the first time in 2019–20. Treasury has recognised:</p> <ul style="list-style-type: none">right-of-use assets of \$60 million, lease liabilities of \$109 million, and a finance lease receivable of \$15 million at 30 June 2020an \$11 million impairment loss against its right-of-use assets during 2019–20a \$7 million impairment loss against its finance lease receivable during 2019–20. <p>I considered this to be a key audit matter because:</p> <ul style="list-style-type: none">right-of-use assets and lease liabilities were financially significant to the Statement of financial position of Treasurythe recognition and measurement of leases including lease payments, lease extension options, discount rates, and impairment involved significant management judgements and assumptionsof the extent of leasing information that impacts on the complete and accurate recognition and measurement of leases. <p>Further information on the description of the key assumptions and judgements used is disclosed in Notes 1 and 9 of the financial statements.</p>	<p>Key audit procedures included the following:</p> <ul style="list-style-type: none">evaluating the design and implementation of key controls over leasing processes and systemstesting the completeness, validity and accuracy of lease data in the lease calculationsreviewing the reasonableness of methodologies, management judgements and assumptions in the lease calculations including impairmenttesting the mathematical accuracy of the lease calculations including impairmentassessing the adequacy of the financial statement disclosures against the requirements of applicable Australian Accounting Standards and NSW Treasurer's Directions.

Key Audit Matter	How my audit addressed the matter
Accounting for stimulus packages	
<p>Treasury was responsible for managing the COVID-19 stimulus packages for:</p> <ul style="list-style-type: none"> • small business grants • quarantine of incoming international travellers. <p>Several agencies were engaged by Treasury to administer these packages on its behalf.</p> <p>Treasury has recognised:</p> <ul style="list-style-type: none"> • \$406 million in appropriation revenue, \$113 million in grant revenue, \$554 million in grants expense and \$83 million in accommodation expenses, all primarily relating to these two stimulus packages during 2019–20 • a \$128 million provision for small business grant claims unpaid at 30 June 2020. <p>I consider this to be a key audit matter because:</p> <ul style="list-style-type: none"> • these stimulus packages were financially significant and outside Treasury's normal operations • the accounting for these stimulus packages was complex and required consideration of whether the related transactions and balances should be treated as controlled or administered by Treasury • the measurement of the small business grants provision required the use of management judgements and estimates related to the future payment of claims • the complexity and urgency involved in processing the large volume of transactions in a short period of time. 	<p>Key audit procedures included the following:</p> <ul style="list-style-type: none"> • reviewing management's assessment of the appropriate accounting for these stimulus packages • obtaining an understanding of the processes and key controls Treasury and administering agencies had in place to manage these stimulus packages • testing the information technology general controls in the small business grants rebate system, including performing data analytics over small business grant payments • assessing the accuracy and completeness of source data from key systems • testing payments relating to these stimulus packages, on a sample basis, to ensure they were accurately and completely recorded • assessing the reasonableness of management's judgements and estimates used to determine the provision for small business grants.

Other Information

Treasury's annual report for the year ended 30 June 2020 includes other information in addition to the financial statements and my Independent Auditor's Report thereon. The Secretary of Treasury is responsible for the other information. At the date of this Independent Auditor's Report, the other information I have received comprise the Statement by the Secretary.

My opinion on the financial statements does not cover the other information. Accordingly, I do not express any form of assurance conclusion on the other information.

In connection with my audit of the financial statements, my responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or my knowledge obtained in the audit, or otherwise appears to be materially misstated.

If, based on the work I have performed, I conclude there is a material misstatement of the other information, I must report that fact.

I have nothing to report in this regard.

Secretary's Responsibilities for the Financial Statements

The Secretary is responsible for the preparation and fair presentation of the financial statements 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 and fair presentation of the financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the Secretary is responsible for assessing Treasury's ability to continue as a going concern, disclosing as applicable, matters related to going concern and using the going concern basis of accounting.

Auditor's Responsibilities for the Audit of the Financial Statements

My objectives are to:

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

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

A description of my responsibilities for the audit of the financial statements is located at the Auditing and Assurance Standards Board website at:
https://www.auasb.gov.au/auditors_responsibilities/ar6.pdf. The description forms part of my auditor's report.

The scope of my audit does not include, nor provide assurance:

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



Margaret Crawford
Auditor-General for New South Wales

13 October 2020
SYDNEY



PICTON RAILWAY VIADUCT, PICTON
Destination NSW



Treasury

The Treasury

Financial Report
for the year ended 30 June 2020

Statement by the Secretary

Pursuant to Section 45F(1B) of the *Public Finance and Audit Act 1983*, I state that:

- (a) the accompanying financial statements in respect of the year ended 30 June 2020 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*, 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 2020 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.



Michael Pratt AM
Secretary,

9th October 2020

The Treasury

Statement of comprehensive income for the year ended 30 June 2020

	Notes	Budget 2020 \$'000	Actual 2020 \$'000	Actual 2019 \$'000
Continuing operations				
Expenses excluding losses				
Employee related expenses	2(a)	134,057	134,176	84,682
Operating expenses	2(b)	63,778	145,356	45,816
Depreciation and amortisation	2(c)	16,807	19,440	6,945
Grants and subsidies	2(d)	196,038	754,507	263
Finance costs	2(e)	5,787	2,641	164
Total expenses excluding losses		416,467	1,056,120	137,870
Revenue				
Appropriation	3(a)	368,168	803,101	116,115
Sale of goods and services	3(b)	22,523	34,404	16,243
Grants and contributions	3(c)	1,061	120,823	2,025
Acceptance by the Crown Entity of employee benefits and other liabilities	3(d)	2,726	4,768	3,247
Investment revenue	3(e)	12,797	276	-
Other income	3(f)	-	117	2,034
Total revenue		407,275	963,489	139,664
Operating result		(9,192)	(92,631)	1,794
Gains / (losses)				
Disposal of plant and equipment		-	(1,635)	(1)
Impairment losses on financial assets		-	(7,141)	-
Impairment losses on ROU assets		-	(11,439)	-
Losses arising from subleasing ROU assets		-	(5,027)	-
Foreign exchange		-	14	-
Total gains / (losses)		-	(25,228)	(1)
Net result from continuing operations	19	(9,192)	(117,859)	1,793
TOTAL COMPREHENSIVE INCOME		(9,192)	(117,859)	1,793

The accompanying notes form part of these financial statements.

The Treasury

Statement of financial position as at 30 June 2020

	Notes	Budget 2020 \$'000	Actual 2020 \$'000	Actual 2019 \$'000
ASSETS				
Current assets				
Cash and cash equivalents	5	4,678	239,857	9,689
Receivables	6	6,471	21,788	3,791
Other financial assets	7	-	4,216	-
Other		14	-	-
Total current assets		11,163	265,861	13,480
Non-current assets				
Receivables	6	(35)	124	-
Other financial assets	7	-	10,574	-
Property, Plant and Equipment -				
Plant and equipment	8	11,558	17,481	12,741
Infrastructure systems		(276)	-	-
Right-of-use assets	9	149,527	60,130	-
Intangible assets	10	52,315	48,807	50,747
Total non-current assets		213,089	137,116	63,488
Total assets		224,251	402,977	76,968
LIABILITIES				
Current liabilities				
Payables	11	8,049	56,948	6,559
Borrowings	12	3,507	19,320	-
Provisions	13	10,367	143,659	10,377
Other liabilities	14	11	159,592	1,383
Total current liabilities		21,934	379,519	18,319
Non-current liabilities				
Borrowings	12	152,257	89,453	-
Provisions	13	3,625	7,366	2,993
Other liabilities	14	-	-	11,757
Total non-current liabilities		155,882	96,819	14,750
Total liabilities		177,816	476,338	33,069
Net assets		46,435	(73,361)	43,899
EQUITY				
Accumulated funds		46,435	(73,361)	43,899
Total equity		46,435	(73,361)	43,899

The accompanying notes form part of these financial statements.

The Treasury

Statement of changes in equity for the year ended 30 June 2020

	Notes	Accumulated Funds \$'000
Balance at 1 July 2019		43,899
Net result for the year		(117,859)
Other comprehensive income		-
Total comprehensive income for the year		(117,859)
Transactions with owners in their capacity as owners		
Increase in net assets from equity transfers	15	599
Balance at 30 June 2020		(73,361)
<hr/>		
Balance at 1 July 2018		42,106
Net result for the year		1,793
Other comprehensive income		-
Total comprehensive income for the year		1,793
Balance at 30 June 2019		43,899

The accompanying notes form part of these financial statements.

The Treasury

Statement of cash flows for the year ended 30 June 2020

	Notes	Budget 2020 \$'000	Actual 2020 \$'000	Actual 2019 \$'000
CASH FLOWS FROM OPERATING ACTIVITIES				
Payments				
Employee related		(130,404)	(127,273)	(81,301)
Grants and subsidies		(196,038)	(626,503)	(263)
Finance costs		(5,719)	(2,459)	-
Other payments		(70,641)	(132,194)	(50,645)
Total payments		(402,802)	(888,429)	(132,209)
Receipts				
Appropriation		368,168	961,610	116,115
Sale of goods and services		21,929	26,951	20,989
Interest received		12,797	276	-
Grants and contributions		1,061	121,148	-
Other receipts		4,033	24,164	4,840
Total receipts		407,988	1,134,149	141,944
NET CASH FLOWS FROM OPERATING ACTIVITIES	19	5,186	245,720	9,735
CASH FLOWS FROM INVESTING ACTIVITIES				
Proceeds from finance lease		-	5,837	-
Purchases of plant and equipment		(1,100)	(3,319)	(825)
Purchases of Intangible assets		(6,700)	(1,481)	(12,816)
NET CASH FLOWS FROM INVESTING ACTIVITIES		(7,800)	1,037	(13,641)
CASH FLOWS FROM FINANCING ACTIVITIES				
Repayment of principal portion of lease liabilities		(3,097)	(17,963)	-
NET CASH FLOWS FROM FINANCING ACTIVITIES		(3,097)	(17,963)	-
NET INCREASE / (DECREASE) IN CASH AND CASH EQUIVALENTS		(5,711)	228,794	(3,906)
Opening cash and cash equivalents		10,389	9,689	13,595
Cash transferred in / (out) as a result of administrative restructuring		-	1,374	-
CLOSING CASH AND CASH EQUIVALENTS	5	4,678	239,857	9,689

The accompanying notes form part of these financial statements.

The Treasury

Notes to the Financial Statements 30 June 2020

1. Summary of Significant Accounting Policies

(a) Reporting entity

The Treasury (Treasury) is a NSW government agency controlled by the State of New South Wales, which is the ultimate parent. Treasury is a not-for-profit entity (as profit is not its principal objective) and has no cash generating units.

Treasury serves the Treasurer and the Government by being a principal financial, economic and policy advisor enabling the Government to deliver for the people of NSW. Treasury contributes to delivering a strong economy, quality jobs and security for workers. This includes boosting trade, investment and tourism, developing industry, supporting jobs growth, improving service delivery to the community and increasing living standards, now and into the future.

Treasury is structured to meet the following outcomes:

- A strong, resilient and diverse economy
- A sustainable fiscal environment to enable delivery of outcomes
- Stewardship of performance and financial system to deliver outcomes.

Under the *Administrative Arrangements (Administrative Changes – Public Service Agencies) Order 2019* commencing on 1 July 2019, Treasury was impacted by the following changes:

- Data Analytics Centre (DAC) and NSW Industrial Relations have been transferred to the new Department of Customer Service (DCS) and Department of Premier and Cabinet (DPC), respectively
- NSW Procurement has transferred from the former Department of Finance, Services and Innovation (DFSI)
- Jobs for NSW, Office of Small Business Commissioner and NSW Trade and Investment has transferred in from the former Department of Industry.

Further details on the Treasury administrative restructure are disclosed in Note 15.

These financial statements were authorised for issue by the Secretary on the date the accompanying Statement by the Secretary was signed.

(b) Basis of preparation

The financial statements are general purpose financial statements which have been prepared on an accruals basis and in accordance with the requirements of:

- applicable Australian Accounting Standards (AAS) (including Australian Accounting Interpretations)
- *Public Finance and Audit Act 1983* (the PF&A Act)
- *Public Finance and Audit Regulation 2015*
- Treasurer's Directions issued under the PF&A Act.

Plant and equipment and certain financial assets and liabilities are measured at fair value. Other financial statement items are prepared in accordance with the historical cost convention except where specified otherwise.

The financial statements are presented in Australian dollars and amounts are rounded to the nearest thousand dollars (\$'000).

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

Management has considered the impact of COVID-19 and determined that there is a material impact on Treasury's results but does not adversely affect Treasury's ability to operate as a going concern.

(c) Statement of compliance

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

1. Summary of Significant Accounting Policies (continued)

(d) Changes in accounting policies, including new or revised Australian Accounting Standards (AAS)

(i) Effective for the first time in FY2019-20

Treasury applied AASB 15 *Revenue from Contracts with Customers*, AASB 16 *Leases*, and AASB 1058 *Income of Not-for-Profit Entities* for the first time. The nature and effect of the changes as a result of adoption of these new accounting standards are described below.

Several other amendments and interpretations apply for the first time in FY2019-20, but do not have a material impact on the financial statements of Treasury.

AASB 15 Revenue from Contracts with Customers

AASB 15 supersedes AASB 111 *Construction Contracts*, AASB 118 *Revenue* and related Interpretations and it applies, with limited exceptions, to all revenue arising from contracts with customers. AASB 15 establishes a five-step model to account for revenue arising from contracts with customers and requires that revenue be recognised at an amount that reflects the consideration to which Treasury expects to be entitled in exchange for transferring goods or services to a customer.

AASB 15 requires entities to exercise judgement, taking into consideration all of the relevant facts and circumstances when applying each step of the model to contracts with their customers. The standard also specifies the accounting for the incremental costs of obtaining a contract and the costs directly related to fulfilling a contract. In addition, the standard requires relevant disclosures.

The adoption of AASB 15 did not have an impact on the Statement of Comprehensive Income, Statement of Financial Position or the Statement of Cash Flows for the financial year.

AASB 1058 Income of Not-for-Profit Entities

AASB 1058 replaces most of the existing requirements in AASB 1004 *Contributions*. The scope of AASB 1004 is now limited mainly to contributions by owners (including parliamentary appropriations that satisfy the definition of a contribution by owners), administrative arrangements and liabilities of government departments assumed by other entities.

AASB 1058 applies to income with a donation component, i.e. transactions where the consideration to acquire an asset is significantly less than fair value principally to enable a not-for-profit entity to further its objectives; and volunteer services. AASB 1058 adopts a residual approach, meaning that entities first apply other applicable AAS (e.g. AASB 1004, AASB 15, AASB 16, AASB 9, AASB 137) to a transaction before recognising income.

Not-for-profit entities need to determine whether a transaction is/contains a donation (accounted for under AASB 1058) or a contract with a customer (accounted for under AASB 15).

AASB 1058 requires recognition of receipt of an asset, after the recognition of any related amounts in accordance with other AAS, as income:

- when the obligations under the transfer is satisfied, for transfers to enable an entity to acquire or construct a recognisable non-financial asset that will be controlled by Treasury.
- immediately, for all other income within the scope of AASB 1058.

The adoption of AASB 1058 did not have an impact on the Statement of Comprehensive Income, Statement of Financial Position or the Statement of Cash Flows for the financial year.

AASB 16 Leases

AASB 16 supersedes AASB 117 *Leases*, Interpretation 4 *Determining whether an Arrangement contains a Lease*, Interpretation 115 *Operating Leases – Incentives* and Interpretation 127 *Evaluating the Substance of Transactions Involving the Legal Form of a Lease*. The standard sets out the principles for the recognition, measurement, presentation and disclosure of leases and requires lessees to recognise most leases on the balance sheet.

The Treasury

Notes to the Financial Statements
30 June 2020

1. Summary of Significant Accounting Policies (continued)

Lessor accounting

Lessor accounting under AASB 16 is substantially unchanged from AASB 117. Lessors will continue to classify leases as either operating or finance leases using similar principles as in AASB 117. Treasury has applied AASB 16 to the finance lease of the Innovation Hub, York Street Sydney, where it is the intermediate lessor. The lease was transferred to Treasury following the administrative changes on 1 July 2019.

Lessee accounting

AASB 16 requires Treasury to account for all leases under a single on-balance sheet model similar to the accounting for finance leases under AASB 117. As the lessee, Treasury recognises a lease liability and right-of-use (ROU) asset at the inception of the lease. The lease liability is measured at the present value of the future lease payments, discounted using the interest rate implicit in the lease, or the lessee's incremental borrowing rate if the interest rate implicit in the lease cannot be readily determined. The corresponding ROU asset is measured at the value of the lease liability adjusted for lease payments before inception, lease incentives, initial direct costs and estimates of costs for dismantling and removing the asset or restoring the site on which it is located.

Treasury has adopted the partial retrospective approach, where the cumulative effect of initially applying AASB 16 is recognised on 1 July 2019 and the comparatives for the year ended 30 June 2019 are not restated.

Treasury elected to use the practical expedient to expense lease payments for lease contracts that, at their commencement date, have a lease term of 12 months or less and do not contain a purchase option (short-term leases), and lease contracts for which the underlying asset is valued at \$10,000 or under when new (low-value assets).

In applying AASB 16 for the first time, Treasury has used the following practical expedients permitted by the standard:

- not reassess whether a contract is, or contains a lease at 1 July 2019, for those contracts previously assessed under AASB 117 and Interpretation 4.
- applying a single discount rate to a portfolio of leases with reasonably similar characteristics.
- not recognise a lease liability and ROU asset for short-term leases that end within 12 months of the date of initial application.
- excluding the initial direct costs from the measurement of the ROU asset at the date of initial application.
- using hindsight in determining the lease term where the contract contained options to extend or terminate the lease.

In relation to leases that had previously been classified as 'operating leases' under AASB 117, a lease liability is recognised at 1 July 2019 at the present value of the remaining lease payments, discounted using the lessee's incremental borrowing rate at the date of initial application. The weighted average lessee's incremental borrowing rate applied to the lease liabilities on 1 July 2019 was 2.39 per cent.

The corresponding ROU asset is initially recorded on transition at an amount equal to the lease liability, adjusted by the amount of any prepaid or accrued lease payments relating to that lease recognised in the statement of financial position as at 30 June 2019.

The effect of adoption of AASB 16 as at 1 July 2019 (increase/ (decrease) is, as follows:

	<u>\$'000</u>
Assets	
ROU assets	74,208
Total assets	74,208
Liabilities	
Borrowings	87,348
Other liabilities	(13,140)
Total liabilities	74,208

The Treasury

Notes to the Financial Statements 30 June 2020

1. Summary of Significant Accounting Policies (continued)

The following table reconciles the minimum lease commitments disclosed in Treasury's 30 June 2019 annual financial statements to the amount of lease liabilities recognised on 1 July 2019:

	\$'000
Operating lease commitments as at 30 June 2019 (GST included)	73,439
<i>(Less): GST included in operating lease commitments</i>	<i>(6,676)</i>
Operating lease commitments as at 30 June 2019 (GST excluded)	66,763
Weighted average incremental borrowing rate as at 1 July 2019	2.39%
Discounted operating lease commitments as at 1 July 2019	62,555
<i>Add: Property lease contracts extension option re-assessed</i>	36,105
<i>(Less): commitments relating to other leases payments</i>	<i>(11,312)</i>
Lease liabilities as at 1 July 2019	87,348

(ii) Issued but not yet effective

NSW public sector entities are not permitted to early adopt new AAS, unless Treasury determines otherwise. The following new AAS have not been applied and are not yet effective:

- AASB 1059 *Service Concession Arrangements: Grantors* (operative date 1 July 2020)
- AASB 2018-5 *Amendments to Australian Accounting Standards – Deferral of AASB 1059* (operative date 1 July 2020)
- AASB 2018-7 *Amendments to Australian Accounting Standards – Definition of Material* (operative date 1 July 2020)
- AASB 2019-1 *Amendments to Australian Accounting Standards – References to the Conceptual Framework* (operative date 1 July 2020)
- AASB 2019-2 *Amendments to Australian Accounting Standards – Implementation of AASB 1059* (operative date 1 July 2020)
- AASB 1060 *General Purpose Financial Statements – Simplified Disclosures for For-Profit and Not-for-Profit Tier 2 Entities* (operative date 1 July 2021)
- AASB 2020-1 *Amendments to Australian Accounting Standards – Classifications of Liabilities as Current or Non-Current* (operative date 1 July 2022)

Management have assessed the impact of new accounting standards issued but not yet effective and concluded there is no material impact to Treasury.

The Treasury

Notes to the Financial Statements 30 June 2020

1. Summary of Significant Accounting Policies (continued)

(e) Insurance

Treasury's insurance activities are conducted through a separate agency, 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.

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

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

- amount of GST incurred by Treasury as a purchaser that is not recoverable from the Australian Taxation Office (ATO) 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 ATO are classified as operating cash flows.

(g) Foreign currency translation

Transactions in foreign currencies are recorded using the spot rate at the date the transaction first qualifies for recognition.

Monetary assets and liabilities denominated in foreign currencies are translated at the functional currency spot rates of exchange at the end of the reporting date.

Differences arising on settlement or translation of monetary items are recognised in net result.

Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rates at the dates of the initial transactions. Non-monetary items measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value is determined. The gain or loss arising on translation of non-monetary items measured at fair value is treated in line with the recognition of the gain or loss on the change in fair value of the item (i.e., translation differences on items whose fair value gain or loss is recognised in other comprehensive income or net results are also recognised in other comprehensive income or net results, respectively).

(h) Income recognition and measurement

Until 30 June 2019, income is recognised in accordance with AASB 111 *Construction Contracts*, AASB 118 *Revenue* and AASB 1004 *Contributions*. From 1 July 2019, income is recognised in accordance with the requirements of AASB 15 *Revenue from Contracts with Customers* or AASB 1058 *Income of Not-for-Profit Entities*, dependent on whether there is a contract with a customer defined by AASB 15. The treatment in revenue recognition from adoption of AASB 15 and AASB 1058 remain the same for Treasury. Additional comments regarding the accounting policies for the recognition of income are discussed below.

(i) Parliamentary appropriations

Except as specified below, parliamentary appropriations are recognised as income when Treasury obtains control over the assets comprising the appropriations. Control over appropriations is normally obtained upon the receipt of cash.

Lapsed 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 extinguished next financial year through the next annual Appropriations Act. After AASB 15 and AASB 1058 became effective on 1 July 2019, the treatment of appropriations remains the same, because appropriations do not contain an enforceable sufficiently specific performance obligation as defined by AASB 15.

1. Summary of Significant Accounting Policies (continued)

(ii) Rendering of services

Until 30 June 2019

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

Refer below for the accounting policies from 1 July 2019 relating to the main revenue streams:

From 1 July 2019 - recoupment of costs

Revenue from the recoupment of costs is recognised when Treasury satisfies the performance obligation by transferring the promised services. The nature of the services is mainly comprised of salaries and accommodation costs incurred by Treasury on behalf of the other government entity which are recouped and based on the transaction price detailed in the costing model. Treasury typically satisfies its performance obligation at the point in time, when the costing model and amount to be recouped is approved. The payments are typically due when Treasury invoice the government agency.

The revenue is measured at the transaction price agreed under the contract. No element of financing is deemed present as payments are due when the service is provided.

From 1 July 2019 - visa nomination fee

Revenue from visa nomination fees is recognised when Treasury satisfies the performance obligation by transferring the promised services. The nature of the services is the receiving and processing of visa applications in exchange for a fee. Treasury typically satisfies its performance obligation at the point in time, when the control of the visa application is processed, and the benefit is passed onto the customer. Each visa application represents a service that is distinct. The payments are typically due when the performance obligation is satisfied.

The revenue is measured at the transaction price in the approved price list. No element of financing is deemed present as payments are due when the service is provided.

(iii) Grants and contributions

Until 30 June 2019

Income from grants (other than contribution by owners) is recognised when Treasury obtains control over the contribution. Treasury is deemed to have assumed control when the grant is received or receivable.

Contributions are recognised at their fair value. Contributions of services are recognised when and only when a fair value of those services can be reliably determined, and the services would be purchased if not donated.

From 1 July 2019

Revenue from grants with sufficiently specific performance obligations is recognised when Treasury satisfies the performance obligation by transferring the promised services. The nature of the services is mainly program management, either directly or through a third-party provider. Treasury typically satisfies its performance obligations at the point in time when the performance is approved by the customer, for example level of activity. The payments are typically due when the performance obligation is satisfied.

Revenue from these grants is recognised based on the grant amount specified in the funding agreement/ funding approval, and revenue is only recognised to the extent that it is highly probable that a significant reversal will not occur. No element of financing is deemed present as funding payments are usually received in advance or shortly after the relevant obligation is satisfied.

Income from grants without sufficiently specific performance obligations is recognised when the entity obtains control over the granted assets (e.g. cash).

(iv) Interest income

Interest income is calculated by applying the effective interest rate to the gross carrying amount of a financial asset except for financial assets that subsequently become credit impaired. For financial assets that become credit impaired, the effective interest rate is applied to the amortised cost of the financial asset.

The Treasury

Notes to the Financial Statements 30 June 2020

1. Summary of Significant Accounting Policies (continued)

(i) Plant and equipment

(i) Acquisition of plant and equipment

Plant and equipment are initially measured at cost. 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 15).

(ii) Capitalisation thresholds

Intangibles (software), plant and equipment (excluding leasehold improvements), costing at least \$5,000 individually (limit ignored if a grouped asset) 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.

(iii) Major inspection costs

When a major inspection is performed, its cost is recognised in the carrying amount of the plant and equipment as a replacement if the recognition criteria are satisfied.

(iv) Restoration costs

The present value of the expected cost for the restoration or cost of dismantling of an asset after its use is included in the cost of the respective asset if the recognition criteria for a provision are met.

(v) Maintenance

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

(vi) Depreciation of plant and equipment

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

(vii) Revaluation of plant and equipment

The majority of Treasury's assets are non-specialised with short useful lives, therefore management has assessed that depreciated historical cost is an approximation of fair value at the reporting date.

(viii) 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 plant and equipment is carried at fair value or an amount that approximates fair value, impairment can only arise in 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.

The Treasury

Notes to the Financial Statements 30 June 2020

1. Summary of Significant Accounting Policies (continued)

Treasury assesses, at each reporting date, whether there is an indication that an asset may be impaired. If any indication exists, or when annual impairment testing for an asset is required, Treasury estimates the asset's recoverable amount. When the carrying amount of an asset exceeds its recoverable amount, the asset is considered impaired and is written down to its recoverable amount.

As a not-for-profit entity, an impairment loss is recognised in the net result to the extent the impairment loss exceeds the amount in the revaluation surplus for the class of asset.

After an impairment loss has been recognised, it is reversed only if there has been a change in the assumptions used to determine the asset's recoverable amount. The reversal is limited so that the carrying amount of the asset does not exceed its recoverable amount, nor exceed the carrying amount that would have been determined, net of depreciation, had no impairment loss been recognised for the asset in prior years. Such reversal is recognised in net result and is treated as a revaluation increase. However, to the extent that an impairment loss on the same class of asset was previously recognised in the net result, a reversal of that impairment loss is also recognised in the net result.

(j) Intangible assets

Treasury recognises intangible assets only if it is probable that future economic benefits will flow to 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.

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

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

Treasury's intangible assets are amortised using the straight-line method over a period ranging from 2 to 15 years depending upon the nature of the application.

The amortisation period and the amortisation method for an intangible asset with a finite useful life are reviewed at least at the end of each reporting period.

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 losses.

(k) Financial instruments

A financial instrument is any contract that gives rise to a financial asset of one entity and a financial liability or equity instrument of another entity.

Financial assets and financial liabilities are initially measured at fair value. Transaction costs that are directly attributable to the acquisition or issue of financial assets and financial liabilities (other than financial assets and financial liabilities at fair value through profit or loss) are added to or deducted from the fair value of the financial assets or financial liabilities, as appropriate, on initial recognition. Transaction costs directly attributable to the acquisition of financial assets or financial liabilities at fair value through profit or loss are recognised immediately in the net result. Treasury determines the classification of its financial assets and liabilities after initial recognition and, when allowed and appropriate, re-evaluates this at each financial year end.

(i) Financial Assets – Receivables

Trade receivables are amounts due from customers for goods sold or services performed in the ordinary course of business. Under AASB 9, the classification of financial assets at initial recognition depends on the financial asset's contractual cash flow characteristics and the entity's business model for managing them. The business model for managing financial assets refers to how an entity manages its financial assets in order to generate cash flows. The business model determines whether cash flows will result from collecting contractual cash flows, selling the financial assets, or both.

The Treasury

Notes to the Financial Statements
30 June 2020

1. Summary of Significant Accounting Policies (continued)

Financial assets are measured at amortised cost if both of the following conditions are met:

- the financial asset is held within a business model with the objective to collect contractual cash flows; and
- the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest (SPPI) on the principal amount outstanding.

For the purposes of applying the SPPI test, 'the principal' is described as 'the fair value of the financial asset at initial recognition' and may change over the life of the financial asset, as there are repayments of principal and/or unwinding of any premium or discount on acquisition.

Treasury usually hold receivables with the objective to collect the contractual cash flows and therefore measure them subsequently at amortised cost using the effective interest method. Short-term receivables with no stated interest rate are measured at the original invoice amount where the effect of discounting is immaterial.

(ii) Financial Liabilities - Payables

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

(iii) 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 Treasury transfers the financial assets:

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

Where Treasury has neither transferred nor retained substantially all the risks and rewards or transferred control, the asset is recognised to the extent of Treasury's continuing involvement in the asset. In that case, Treasury also recognises an associated liability. The transferred asset and the associated liability are measured on a basis that reflects the rights and obligations that Treasury has retained.

Continuing involvement that takes the form of a guarantee over the transferred asset is measured at the lower of the original carrying amount of the asset and the maximum amount of consideration that Treasury could be required to repay.

A financial liability is derecognised when the obligation specified in the contract is discharged or cancelled or expires. When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as the derecognition of the original liability and the recognition of a new liability. The difference in the respective carrying amounts is recognised in the net result.

1. Summary of Significant Accounting Policies (continued)

(l) Employee benefits

(ii) Salaries and wages, annual leave and sick leave

Salaries and wages (including non-monetary benefits) and paid sick leave that are expected to be settled wholly within 12 months after the end of the period in which employees render the service are recognised and measured at undiscounted amounts of the benefits. Annual leave is not expected to be settled wholly before twelve months after the end of the annual reporting period in which the employees render the related service. As such, it is required to be measured at present value in accordance with *AASB 119 Employee Benefits* (although short-cut methods are permitted).

Actuarial advice obtained by Treasury has confirmed that using the nominal annual leave balance plus the annual leave entitlements accrued while taking annual leave (calculated using 7.9 per cent of the nominal value of annual leave) can be used to approximate the present value of the annual leave liability. Treasury has assessed the actuarial advice based on Treasury's circumstances and has determined that the effect of discounting is immaterial to annual leave. All annual leave is classified as a current liability even where Treasury does not expect to settle the liability within 12 months as Treasury does not have an unconditional right to defer settlement.

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.

(iii) Long service leave (LSL) and superannuation

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

Long service leave is measured as the present value of expected future payments to be made in respect of services provided up to the reporting date. Consideration is given to certain factors based on actuarial review, including expected future wage and salary levels, experience of employee departures, and periods of service. Expected future payments are discounted using Commonwealth government bond rate at the reporting date.

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.

(iv) 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.

(m) Provisions

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

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

If the effect of the time value of money is material, provisions are discounted at 0.41 per cent (2019: 1.18 per cent), which is a pre-tax rate that reflects the current market assessments of the time value of money. When discounting is used, the increase in the provision due to the passage of time (i.e. unwinding of discount rate) is recognised as a finance cost.

The Treasury

Notes to the Financial Statements 30 June 2020

1. Summary of Significant Accounting Policies (continued)

(n) *Equity and Reserves*

(i) Accumulated Funds

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

(ii) Equity Transfers

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

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

(o) *Trust funds*

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

(p) *Fair value measurement and hierarchy*

A number of Treasury'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, Treasury 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 Treasury 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).

(q) *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.

(r) *Comparative information*

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

The Treasury

Notes to the Financial Statements 30 June 2020

2. Expenses Excluding Losses

	2020 \$'000	2019 \$'000
(a) Employee related expenses		
Salaries and wages (including annual leave)	114,783	72,657
Superannuation		
- defined benefit plans	388	388
- defined contribution plans	7,412	4,176
Long service leave	4,871	3,007
Workers' compensation insurance	214	136
Payroll tax and fringe benefits tax	6,508	4,318
	134,176	84,682

No employee related expenses have been capitalised in Intangibles and therefore excluded from the above (2019: \$Nil).

(b) Operating expenses include the following:

Auditor's remuneration - review of the financial statements	242	75
Lease expense	1,423	8,628
Accommodation - COVID-19 quarantine	82,620	-
Contractors	11,405	13,818
Centralised corporate support charges	10,167	4,008
Consultants	8,065	3,901
Computers maintenance, licenses and information management	8,865	9,418
Small business advising	6,755	-
Fees for services	3,050	-
Staff recruitment	714	570
Training	1,458	2,140
Building management maintenance and utilities	1,253	857
Admin charge - other government agencies	1,604	-
Internal audit fees	322	276
Maintenance ⁽ⁱ⁾	599	145
Printing and advertising	1,133	549
Travel	875	316
Event management	950	290
Minor plant, equipment and stores	732	178
Board administration	633	74
Insurance	62	72
Legal fees	771	4
Other	1,658	497
	145,356	45,816

Reconciliation - Total maintenance expense

(i) Maintenance expense - contracted labour and other (non-employee related),	599	145
Employee related maintenance expenses included in Note 2(a)	-	-
Total maintenance expenses included in Note 2(a) and 2(b)	599	145

The Treasury

Notes to the Financial Statements
30 June 2020

2. Expenses Excluding Losses (continued)

	2020 \$'000	2019 \$'000
(c) Depreciation and amortisation		
Depreciation		
Computer hardware	512	505
Office furniture	41	29
Right of use assets ⁽ⁱ⁾	9,196	-
Leasehold improvements	3,933	1,785
	13,682	2,319
Amortisation of Software intangibles	5,758	4,626
	19,440	6,945
(d) Grants and subsidies		
Grants paid to cluster agencies ⁽ⁱⁱ⁾	141,612	263
Grants paid to Jobs for NSW Fund	55,000	-
Grants relating to COVID-19 ⁽ⁱⁱⁱ⁾	554,279	-
Other	3,616	-
	754,507	263
(e) Finance costs		
Interest expense on leases ^(iv)	2,459	-
Unwinding of discount rate	182	164
	2,641	164

(i) As of 1 July 2019, Treasury has applied AASB 16 *Leases* using the modified retrospective approach. The Comparative information has not been restated and continues to be reported under AASB 117 *Leases*.

(ii) Mainly consists of grants paid to Destination NSW and Western City and Aerotropolis Authority.

(iii) Primarily for grants to assist small business.

(iv) Interest expense on lease liability calculated in accordance with AASB 16.

The Treasury

Notes to the Financial Statements 30 June 2020

3. Revenue

(a) Appropriations and Transfers to the Crown Entity

Summary of Compliance	2020		2019	
	\$'000		\$'000	
	Appropriation	Expenditure	Appropriation	Expenditure
Original Budget per Appropriation Act	368,168	368,168	128,839	116,115
Other Appropriation/Expenditure				
- Section 4.9 <i>GSF Act 2018</i> transfers of functions between entities	28,674	28,674	-	-
- Section 4.13 <i>GSF Act 2018</i> Exigency of Government	751,000	406,259	-	-
- s 27 <i>Appropriation Act 2018</i> transfers from/(to) another entity	-	-	(610)	-
Total Annual Appropriations/Expenditure/ Net Claim on Annual Appropriations (includes transfer payments)	1,147,842	803,101	128,229	116,115
Appropriation drawn down		961,610		116,115
Liability for lapsed appropriations drawn down against Annual Appropriations		158,509		-

The Summary of Compliance is based on the assumption that annual appropriations moneys are spent first (except where otherwise identified or prescribed).

The 'Liability for lapsed appropriations drawn down' represents the difference between the "Amount drawn down against Annual Appropriation" and the 'Total Expenditure/Net Claim on Annual Appropriations'.

Treasury receives its funding under appropriations from the Consolidated Fund. Appropriations for each financial year are set out in the Appropriation Act for that year. Due to COVID-19, the State Budget and related 2020-21 Appropriation Bill has been delayed and is anticipated to be tabled in Parliament in November/December 2020. However, pursuant to section 4.10 of the GSF Act, the Treasurer has authorised Ministers to spend specified amounts from Consolidated Fund. This authorisation is current from 1 July 2020 until the earlier of 31 December 2020 (or another day prescribed by the regulations) or enactment of the 2020-21 annual *Appropriations Act*.

Deemed appropriations

Deemed appropriation money is government money that a GSF agency receives or recovers (including from the Commonwealth or another entity) of a kind prescribed by the regulations that:

- forms part of the Consolidated Fund, and
- is not appropriated under the authority of an Act.

Movement of Section 4.7 GSF Act - deemed appropriations:	2020	2019
	\$'000	\$'000
Opening balance	-	-
Adjustment for Appropriations Deemed on 1 July 2019	9,689	-
Add: additions of deemed appropriations	178,376	29,735
Less: expenditure charged against deemed appropriations	(108,091)	(29,735)
Closing balance	79,974	-

The Treasury

Notes to the Financial Statements 30 June 2020

3. Revenue (continued)

	2020	2019
	\$'000	\$'000
(b) Sale of goods and services from contracts with customers /		
Sale of goods and services		
Rendering of services		
Recoupment of costs		
- Crown Entity and residual entities	19,446	16,226
- Jobs for NSW Fund	6,272	-
- Retail Lease Security Bonds	2,394	-
Visa nomination fee	2,838	-
Rebate ⁽ⁱ⁾	1,622	-
Other	1,832	17
	34,404	16,243
(i) Relating to the use of credit cards services.		
(c) Grants and contributions		
Grants with sufficiently specific performance obligations		
- Grants from Crown Entity	2,281	-
- Grants from other government agency	1,417	-
- Grants from Federal government agencies	760	-
Grants without sufficiently specific performance obligations ⁽ⁱ⁾	116,130	2,025
Sponsorship revenue	235	-
	120,823	2,025
(i) \$113.0 million of the grants without sufficiently specific performance obligations relate to COVID-19 funding for stimulus packages and hotel quarantine costs.		
(d) 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	4,370	2,855
Superannuation - defined benefit	379	372
Payroll tax	19	20
	4,768	3,247
(e) Investment revenue		
Finance income on finance lease receivable	276	-
	276	-
(f) Other income		
Data Analytics Services	-	1,851
Other	117	183
	117	2,034

The Treasury

Notes to the Financial Statements
30 June 2020

4. Outcome Groups of Treasury

Outcome Group	Purpose:
A strong, resilient and diverse economy	At more than half-a-trillion dollars, New South Wales is Australia's largest state economy, accounting for around a third of the nation's economic output and home to nearly a third of Australians. Treasury is the government's chief advisor on productivity and economic development. Policy reform is at the heart of building a strong and productive economy and span productivity led policy reform, federal financial relations policy reform as well as a range of general economic policy reform. Treasury is also responsible for building the global NSW brand, supporting targeted industries such as tourism and advanced manufacturing and providing direct support to business, particularly small business either as established businesses or start-ups. Support for start-ups and small business is in recognition that these are key drivers of employment and economic growth.
A sustainable fiscal environment to enable delivery of outcomes	In its overall fiscal management role for the State, NSW Treasury aims to ensure that the people of NSW have access to services and infrastructure that deliver social and economic benefits, underpinned by a strong and sustainable economic and financial position. Under this objective, NSW Treasury is responsible for managing whole of State financial assets and liability activities as measured by investment and debt performance, working towards the State's objective of fully funding Defined Benefits Superannuation by 2030, providing informed fiscal, evidence based, commercial and financial analysis and advice, maintaining the State's triple-A rating through implementing comprehensive financial management strategies, and meeting revenue and expenditure targets.
Stewardship of Performance and financial system to enable delivery outcomes	NSW Treasury is the performance and financial steward for the NSW Government Sector. The Government Sector Finance Act 2018 has broadened Treasury's traditional role from a purely economic and fiscal management advisor to also driving sector performance. Moving well beyond the traditional financial policy issuance and regulatory function, Treasury seeks to genuinely steward and support Sector performance to deliver outcomes for citizens, ensure transparency and accountability and the effective use of public funds. Under this objective, Treasury aims to build Sector capability and assist agencies to achieve their own performance goals while also meeting all required compliance and reporting obligations. This is enabled by the quality of our people, our engagement and by providing effective tools and technologies appropriate to user needs.

4. Outcome Groups of Treasury (continued)

	A strong, resilient and diverse economy		A sustainable fiscal environment to enable delivery of outcomes		Stewardship of performance and financial system to enable delivery outcomes		Not Attributable		Total	
	2020 \$'000	2019 \$'000	2020 \$'000	2019 \$'000	2020 \$'000	2019 \$'000	2020 \$'000	2019 \$'000	2020 \$'000	2019 \$'000
TREASURY'S EXPENSES & INCOME										
Expenses excluding losses										
Employee related expenses	69,689	43,973	43,568	27,504	20,919	13,205	-	-	134,176	84,682
Operating expenses	75,478	23,789	47,185	14,880	22,694	7,147	-	-	145,356	45,816
Depreciation and amortisation	10,094	3,607	6,314	2,256	3,032	1,082	-	-	19,440	6,945
Grants and subsidies *	318,255	137	199,064	85	95,576	41	141,612	-	754,507	263
Finance costs	1,371	85	858	53	412	26	-	-	2,641	164
Total expenses excluding losses	474,887	71,591	296,989	44,778	142,633	21,501	141,612	-	1,056,120	137,870
Revenue										
Appropriation **	-	-	-	-	-	-	-	-	-	-
Sale of goods and services	27,204	12,823	4,881	2,321	2,319	1,099	803,101	116,115	803,101	116,115
Grants and contributions	95,095	1,598	17,449	289	8,279	138	-	-	34,404	16,243
Acceptance by the Crown Entity of employee benefits and other liabilities	2,497	2,563	1,534	464	737	220	-	-	120,823	2,025
Investment revenue	144	-	88	-	44	-	-	-	4,768	3,247
Other income	93	1,606	16	291	8	137	-	-	276	-
Total revenue	125,032	18,590	23,969	3,365	11,387	1,594	803,101	116,115	963,489	139,664
Gains / (losses)										
Disposal of plant and equipment	(849)	-	(531)	(1)	(255)	-	-	-	(1,635)	(1)
Impairment losses on financial assets	(3,708)	-	(2,319)	-	(1,114)	-	-	-	(7,141)	-
Impairment losses on ROU assets	(5,940)	-	(3,715)	-	(1,784)	-	-	-	(11,439)	-
Losses from subleasing ROU assets	(2,610)	-	(1,633)	-	(784)	-	-	-	(5,027)	-
Foreign exchange	7	-	4	-	3	-	-	-	14	-
Total gains / (losses)	(13,100)	-	(8,194)	(1)	(3,934)	-	-	-	(25,228)	(1)
Net result from continuing operations	(362,954)	(53,001)	(281,214)	(41,414)	(135,180)	(19,907)	661,489	116,115	(117,859)	1,793
TOTAL COMPREHENSIVE INCOME	(362,954)	(53,001)	(281,214)	(41,414)	(135,180)	(19,907)	661,489	116,115	(117,859)	1,793

*Not attributable grants and subsidies relates to Destination NSW and Western City and Aerotropolis Authority.

**Appropriations are made on an entity basis and not to individual outcome groups. Consequently, appropriations must be included in the 'Not Attributable' column.

The Treasury

Notes to the Financial Statements
30 June 2020

4. Outcome Groups of Treasury (continued)

	A strong, resilient and diverse economy		A sustainable fiscal environment to enable delivery of outcomes		Stewardship of performance and financial system to enable delivery		Not Attributable		Total	
	2020 \$'000	2019 \$'000	2020 \$'000	2019 \$'000	2020 \$'000	2019 \$'000	2020 \$'000	2019 \$'000	2020 \$'000	2019 \$'000
TREASURY'S ASSETS & LIABILITIES										
ASSETS										
Current assets										
Cash and cash equivalents	-	-	-	-	-	-	239,857	9,689	239,857	9,689
Receivables	10,144	1,758	7,864	1,373	3,780	660	-	-	21,788	3,791
Other financial assets	1,963	-	1,522	-	731	-	-	-	4,216	-
Total current assets	12,107	1,758	9,386	1,373	4,511	660	239,857	9,689	265,861	13,480
Non-current assets										
Receivables	57	-	45	-	22	-	-	-	124	-
Other financial assets	4,923	-	3,816	-	1,835	-	-	-	10,574	-
Plant and equipment	8,139	5,907	6,309	4,616	3,033	2,218	-	-	17,481	12,741
Right-of-use assets	27,995	-	21,702	-	10,433	-	-	-	60,130	-
Intangible assets	22,724	23,527	17,615	18,383	8,468	8,837	-	-	48,807	50,747
Total non-current assets	63,838	29,434	49,487	22,999	23,791	11,055	-	-	137,116	63,488
Total assets	75,945	31,192	58,873	24,372	28,302	11,715	239,857	9,689	402,977	76,968
LIABILITIES										
Current liabilities										
Payables	26,514	3,041	20,553	2,376	9,881	1,142	-	-	56,948	6,559
Borrowings	8,995	-	6,973	-	3,352	-	-	-	19,320	-
Provisions	66,885	4,811	51,849	3,759	24,925	1,807	-	-	143,659	10,377
Other liabilities	74,303	641	57,599	501	27,690	241	-	-	159,592	1,383
Total current liabilities	176,697	8,493	136,974	6,636	65,848	3,190	-	-	379,519	18,319
Non-current liabilities										
Borrowings	41,648	-	32,285	-	15,520	-	-	-	89,453	-
Provisions	3,430	1,388	2,658	1,084	1,278	521	-	-	7,366	2,993
Other liabilities	-	5,451	-	4,259	-	2,047	-	-	-	11,757
Total non-current liabilities	45,078	6,839	34,943	5,343	16,798	2,568	-	-	96,819	14,750
Total liabilities	221,775	15,332	171,917	11,979	82,646	5,758	-	-	476,338	33,069
Net assets	(145,830)	15,860	(113,044)	12,393	(54,344)	5,957	239,857	9,689	(73,361)	43,899

The Treasury

Notes to the Financial Statements
30 June 2020

4. Outcome Groups of Treasury (continued)

As a consequence of the restructuring of administrative arrangements with effect from 1 July 2019, parts of Treasury's outcome groups were transferred from DCS and Department of Planning, Industry and Environment (DPIE). The following summarises the expenses and income, recognised by Treasury from 1 July 2019 for the entities acquired through administrative restructuring. Comparative information as at 30 June 2019 is impracticable to determine for the financial statements of transferring agencies.

	A strong, resilient and diverse economy	A sustainable fiscal environment to enable delivery of outcomes	Stewardship of Performance and financial system to enable delivery outcomes	Not Attributable	Total
	2020 \$'000	2020 \$'000	2020 \$'000	2020 \$'000	2020 \$'000
TREASURY'S EXPENSES & INCOME					
Expenses excluding losses					
Employee related expenses	26,121	16,339	7,845	-	50,305
Operating expenses	13,062	8,170	3,923	-	25,155
Depreciation and amortisation	3,621	2,265	1,087	-	6,973
Grants and subsidies	300,864	188,185	90,353	-	579,402
Finance costs	356	222	107	-	685
Total expenses excluding losses	344,024	215,181	103,315	-	662,520
Revenue					
Appropriation *	-	-	-	497,500	497,500
Sale of goods and services	9,534	1,726	818	-	12,078
Grants and contributions	1,845	334	158	-	2,337
Other income	1,004	182	86	-	1,272
Total revenue	12,383	2,242	1,062	497,500	513,187
Other Gains / (losses)	(6,972)	(4,361)	(2,094)	-	(13,427)
Net result from continuing operations	(338,613)	(217,300)	(104,347)	497,500	(162,760)
TOTAL COMPREHENSIVE INCOME	(338,613)	(217,300)	(104,347)	497,500	(162,760)

* Appropriations are made on an entity basis and not to individual outcome groups. Consequently, appropriations must be included in the 'Not Attributable' column.

The Treasury

Notes to the Financial Statements 30 June 2020

5. Cash and Cash Equivalents

	2020 \$'000	2019 \$'000
Cash at bank	239,857	9,689
	<u>239,857</u>	<u>9,689</u>

For the purposes of the Statement of Cash Flows, cash and cash equivalents includes cash at bank.

Cash and cash equivalent assets recognised in the Statement of Financial Position are reconciled at the end of the financial year to the Statement of Cash Flows as follows:

Cash and cash equivalents (per Statement of Financial Position)	239,857	9,689
Closing cash and cash equivalents (per Statement of Cash Flows)	<u>239,857</u>	<u>9,689</u>

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

6. Receivables

	2020 \$'000	2019 \$'000
Current		
Trade receivables from contracts with customers ⁽ⁱ⁾	9,872	-
GST	5,571	661
Other receivable	4,161	1,631
	<u>19,604</u>	<u>2,292</u>
Less: Allowance for expected credit losses*		
-Trade receivables from contracts with customers	(61)	-
Total expected credit losses	<u>(61)</u>	<u>-</u>
Prepayments	2,245	1,499
Total current receivables	<u>21,788</u>	<u>3,791</u>
Non-Current		
Other	124	-
Total non-current receivables	<u>124</u>	<u>-</u>

*Movement in the allowance for expected credit losses

Balance at the beginning of the year	-	-
Increase/(decrease) in allowance recognised in net results	61	-
Balance at the end of the year	<u>61</u>	<u>-</u>

(i) Recoupment of costs for services provided mainly to related entities.

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

The Treasury

Notes to the Financial Statements 30 June 2020

7. Other Financial Assets

	2020	2019
	\$'000	\$'000
Current		
Lease receivable ⁽ⁱ⁾	6,624	-
Allowance for expected credit losses*	(2,408)	-
	4,216	-
Non-Current		
Lease receivable ⁽ⁱ⁾	12,290	-
Allowance for expected credit losses*	(1,716)	-
	10,574	-
Total other financial assets	14,790	-
*Movement in the allowance for expected credit losses		
Balance at the beginning of the year	-	-
Increase/(decrease) in allowance recognised in net result	4,124	-
Balance at the end of the year	4,124	-

- (i) Lease receivable for the full term of the sublease from Innovation Hub sub tenants. Treasury have a corresponding ROU asset and lease liability relating to their head lease.

Notes to the Financial Statements
30 June 2020

8. Property, Plant and Equipment

	Plant and Equipment \$'000	Leasehold Improvements \$'000	Total \$'000
At 1 July 2019 - fair value			
Gross carrying amount	5,745	19,668	25,413
Accumulated depreciation and impairment	(4,319)	(8,353)	(12,672)
Net carrying amount	1,426	11,315	12,741
At 30 June 2020 - fair value			
Gross carrying amount	6,859	26,979	33,838
Accumulated depreciation and impairment	(4,240)	(12,117)	(16,357)
Net carrying amount	2,619	14,862	17,481

Reconciliation

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

Year ended 30 June 2020

Net carrying amount at start of year	1,426	11,315	12,741
Additions	1,884	1,435	3,319
Disposals	(646)	(3,418)	(4,064)
Acquisitions through administrative restructures	101	8,374	8,475
Disposals through administrative restructures	(229)	(703)	(932)
Depreciation expense	(553)	(3,933)	(4,486)
Other movements:			
Write back on disposal	636	1,792	2,428
Net carrying amount at end of year	2,619	14,862	17,481

	Plant and Equipment \$'000	Leasehold improvements \$'000	Total \$'000
At 1 July 2018 - fair value			
Gross carrying amount	5,347	19,668	25,015
Accumulated depreciation and impairment	(4,207)	(6,569)	(10,776)
Net carrying amount	1,140	13,099	14,239
At 30 June 2019 - fair value			
Gross carrying amount	5,745	19,668	25,413
Accumulated depreciation and impairment	(4,319)	(8,353)	(12,672)
Net carrying amount	1,426	11,315	12,741

Reconciliation

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

Year ended 30 June 2019

Net carrying amount at start of year	1,140	13,099	14,239
Additions	825	-	825
Disposals	(427)	-	(427)
Depreciation expense	(535)	(1,784)	(2,319)
Other movements:			
Write back on disposal	423	-	423
Net carrying amount at end of year	1,426	11,315	12,741

The Treasury

Notes to the Financial Statements 30 June 2020

9. Leases

a. Treasury as lessee

Treasury leases various properties and motor vehicles. Lease contracts are typically made for fixed periods of 1 to 12 years but may have extension options. Lease terms are negotiated on an individual basis and contain a wide range of different terms and conditions.

Extension and termination options are included in a number of property leases. These terms are used to maximise operational flexibility in terms of managing contracts. The majority of extension and termination options held are exercisable only by Treasury and not by the respective lessor. In determining the lease term, management considers all facts and circumstances that create an economic incentive to exercise an extension option, or not exercise a termination option. Extension options (or periods after termination options) are only included in the lease term if the lease is reasonably certain to be extended (or not terminated). The assessment is reviewed if a significant event or a significant change in circumstances occurs which affects this assessment and that is within the control of the lessee. Potential future cash outflows of \$65.4 million have not been included in the lease liability because it is not reasonably certain that the leases will be extended (or not terminated).

The lease agreements do not impose any covenants, but leased assets may not be used as security for borrowing purposes. The entity does not provide residual value guarantees in relation to leases.

From 1 July 2019, AASB 16 requires a lessee to recognise a ROU asset and a corresponding lease liability for most leases.

Treasury has elected to recognise payments for short-term leases as expenses on a straight-line basis, instead of recognising a ROU asset and lease liability. Short-term leases are leases with a lease term of 12 months or less.

ROU assets under leases

The following table presents ROU assets that do not meet the definition of investment property.

	Land and Buildings \$'000	Plant and Equipment \$'000	Total \$'000
Balance at 1 July 2019	74,208	-	74,208
Acquisitions through administrative restructures	8,662	61	8,723
Transfers through administrative restructures	(3,612)	-	(3,612)
Additions	8,452	12	8,464
Disposals	(7,018)	-	(7,018)
Impairments	(11,439)	-	(11,439)
Depreciation expense	(9,169)	(27)	(9,196)
Balance at 30 June 2020	60,084	46	60,130

Lease liabilities

The following table presents liabilities under leases:

	Lease liabilities \$'000
Balance at 1 July 2019	87,348
Acquisitions through administrative restructures	41,463
Transfers through administrative restructures	(3,612)
Additions	8,464
Disposals	(6,937)
Payments	(20,422)
Interest expense	2,459
Foreign exchange	10
Balance at 30 June 2020	108,773

The Treasury

Notes to the Financial Statements 30 June 2020

9. Leases (continued)

Treasury has sub-leased part of the ROU assets acquired through the administrative restructure, therefore reducing the value of the ROU asset.

The following amounts were recognised in the statement of comprehensive income for the year ending 30 June 2020 in respect of leases where Treasury is the lessee:

	2020
	\$'000
Depreciation expense of ROU assets	9,196
Interest expense on lease liabilities	2,459
Expenses relating to short term leases	1,031
Expenses relating to other payments	473
Impairment losses on ROU assets	11,439
Losses arising from subleasing ROU assets	5,027
Total amount recognised in the statement of comprehensive income	29,625

Treasury had total cash outflows for leases of \$21.9 million in FY2019-20.

Future minimum lease payments under non-cancellable operating leases as at 30 June 2019 are, as follows:

	2019
	\$'000
Within one year	10,588
Later than one year and not later than five years	46,293
Later than five years	16,558
Total (including GST)	73,439
GST included in above:	6,676

Recognition and measurement (under AASB 16 from 1 July 2019)

Treasury assesses at contract inception whether a contract is, or contains, a lease. That is, if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration.

Treasury recognises lease liabilities to make lease payments and ROU assets representing the right to use the underlying assets, except for short-term leases and leases of low-value assets.

(i) ROU assets

Treasury recognises ROU assets at the commencement date of the lease (i.e. the date the underlying asset is available for use). ROU assets are measured at cost, which is made up of the initial measurement of the lease liability (refer (ii) below), adjusted by any lease payments made at or before the commencement date and lease incentives, any initial direct costs incurred, and estimated costs of dismantling and removing the asset or restoring the site.

The ROU assets are subsequently measured at cost. They are depreciated on a straight-line basis over the shorter of the lease term and the estimated useful lives of the assets, as follows:

- Buildings 2 to 12 years
- Motor vehicles 2 to 4 years.

If ownership of the leased asset transfers to the entity at the end of the lease term or the cost reflects the exercise of a purchase option, depreciation is calculated using the estimated useful life of the asset.

The ROU assets are also subject to impairment. Treasury assesses, at each reporting date, whether there is an indication that an asset may be impaired. If any indication exists, or when annual impairment testing for an asset is required, Treasury estimates the asset's recoverable amount. When the carrying amount of an asset exceeds its recoverable amount, the asset is considered impaired and is written down to its recoverable amount. After an impairment loss has been recognised, it is reversed only if there has been a change in the assumptions used to determine the asset's recoverable amount. The reversal is limited so that the carrying amount of the asset does not exceed its recoverable amount, nor exceed the carrying amount that would have been determined, net of depreciation, had no impairment loss been recognised for the asset in prior years. Such reversal is recognised in the net result.

The Treasury

Notes to the Financial Statements 30 June 2020

9. Leases (continued)

COVID-19 pandemic impacted Treasury throughout the 2019-20 financial year. Treasury has therefore undertaken an impairment assessment for the ROU assets, to determine whether the carrying amount exceeded their recoverable amount. Impacted assets were written down to their recoverable amounts by reference to the asset's value in use and an impairment loss is recognised in 'Gains / (losses)' in the Statement of Comprehensive Income.

Treasury recognised impairment losses of \$11.4 million for ROU assets relating to various office leases in the current financial year. The recoverable amounts of the ROU assets for which an impairment loss has been recognised is based on the cumulative net market rent forecast changes, which is published information by Property NSW.

(ii) Lease liabilities

At the commencement date of the lease, Treasury recognises lease liabilities measured at the present value of lease payments to be made over the lease term. Lease payments include:

- fixed payments (including in substance fixed payments) less any lease incentives receivable;
- variable lease payments that depend on an index or a rate;
- amounts expected to be paid under residual value guarantees;
- exercise price of purchase options reasonably certain to be exercised by Treasury; and
- payments of penalties for terminating the lease, if the lease term reflects the entity exercising the option to terminate.

Variable lease payments that do not depend on an index or a rate are recognised as expenses in the period in which the event or condition that triggers the payment occurs.

The lease payments are discounted using the interest rate implicit in the lease. If that rate cannot be readily determined, which is generally the case for Treasury's leases, the lessee's incremental borrowing rate is used, being the rate that Treasury would have to pay to borrow the funds necessary to obtain an asset of similar value to the ROU asset in a similar economic environment with similar terms, security and conditions.

After the commencement date, the amount of lease liabilities is increased to reflect the accretion of interest and reduced for the lease payments made. In addition, the carrying amount of lease liabilities is remeasured if there is a modification, a change in the lease term, a change in the lease payments (e.g. changes to future payments resulting from a change in an index or rate used to determine such lease payments) or a change in the assessment of an option to purchase the underlying asset.

Treasury's lease liabilities are included in borrowings.

(iii) Short-term lease and leases of low-value assets

Treasury applies the short-term lease recognition exemption to its short-term leases of machinery and equipment (i.e. those leases that have a lease term of 12 months or less from the commencement date and do not contain a purchase option). It also applies the lease of low-value assets recognition exemption to leases of office equipment that are considered to be low value. Lease payments on short-term leases and leases of low value assets are recognised as an expense on a straight-line basis over the lease term.

Recognition and measurement (under AASB 117 until 30 June 2019)

The determination of whether an arrangement is (or contains) a lease is based on the substance of the arrangement at the inception of the lease. The arrangement is, or contains, a lease if fulfillment of the arrangement is dependent on the use of a specific asset or assets and the arrangement conveys a right to use the asset (or assets), even if that asset (or those assets) is not explicitly specified in an arrangement.

Until 30 June 2019, Treasury's leases were classified at the inception date as operating leases. Operating lease payments were recognised as an operating expense in the Statement of Comprehensive Income on a straight-line basis over the lease term.

Notes to the Financial Statements
30 June 2020

9. Leases (continued)

b. Treasury as lessor

Treasury's leased properties are sub-leased to tenants under finance leases with rentals payable monthly. Lease payments for some contracts include CPI increases, but there are no other variable lease payments that depend on an index or rate.

Future minimum rentals receivable (undiscounted) under non-cancellable finance leases as at 30 June 2020 are, as follows:

	2020
	\$'000
Within one year	6,857
One to two years	9,817
Two to three years	2,563
Total (excluding GST)	19,237

Reconciliation of net investment in leases

Future undiscounted rentals receivable unguaranteed residual amounts	19,237
Less: Allowance for credit loss	(4,124)
Less: unearned finance income	(323)
Net investment in finance leases	14,790

Treasury has estimated a \$4.1 million allowance for credit loss on the finance lease receivable due to the impact on subtenants from the COVID-19 pandemic.

Treasury did not have sub-lease arrangements for financial year ending 30 June 2019.

Leases that Treasury transfers substantially all the risks and rewards incidental to ownership of an asset, are classified as finance leases. From 1 July 2019, subleases are classified by reference to the ROU asset arising from the head lease, rather than by reference to the underlying asset.

At the lease commencement date, Treasury recognises a receivable for assets held under a finance lease in its statement of financial position at an amount equal to the net investment in the lease. The net investment in leases is classified as financial assets at amortised cost and equals the lease payments receivable by a lessor and the unguaranteed residual value, plus initial direct costs, discounted using the interest rate implicit in the lease.

Finance income arising from finance leases is recognised over the lease term, based on a pattern reflecting a constant periodic rate of return on the lessor's net investment in the lease.

The Treasury

Notes to the Financial Statements 30 June 2020

10. Intangible Assets

	Software \$'000	Capital Works in Progress \$'000	Total \$'000
At 1 July 2019 - fair value			
Gross carrying amount	61,260	-	61,260
Accumulated amortisation and impairment	(10,513)	-	(10,513)
Net carrying amount	50,747	-	50,747
At 30 June 2020 - fair value			
Gross carrying amount	63,091	1,494	64,585
Accumulated amortisation and impairment	(15,778)	-	(15,778)
Net carrying amount	47,313	1,494	48,807

Reconciliation

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

Year ended 30 June 2020

Net carrying amount at start of year	50,747	-	50,747
Additions	522	959	1,481
Disposals	(785)	-	(785)
Acquisitions through administrative restructures	2,957	535	3,492
Disposals through administrative restructures	(1,154)	-	(1,154)
Amortisation	(5,758)	-	(5,758)
Other movements:			
Write back on disposal	784	-	784
Net carrying amount at end of year	47,313	1,494	48,807

	Software \$'000	Capital Works in Progress \$'000	Total \$'000
At 1 July 2018 - fair value			
Gross carrying amount	52,486	2,534	55,020
Accumulated amortisation and impairment	(5,903)	-	(5,903)
Net carrying amount	46,583	2,534	49,117

At 30 June 2019 - fair value

Gross carrying amount	61,260	-	61,260
Accumulated amortisation and impairment	(10,513)	-	(10,513)
Net carrying amount	50,747	-	50,747

Reconciliation

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

Year ended 30 June 2019

Net carrying amount at start of year	46,583	2,534	49,117
Additions	-	6,262	6,262
Disposals	(22)	-	(22)
Transfers	8,796	(8,796)	-
Amortisation	(4,626)	-	(4,626)
Other movements:			
Write back on disposal	16	-	16
Net carrying amount at end of year	50,747	-	50,747

The Treasury

Notes to the Financial Statements 30 June 2020

11. Payables

	2020	2019
	\$'000	\$'000
Current		
Accrued salaries, wages and on-costs	1,839	693
Creditors	55,109	5,866
Total payables	56,948	6,559

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

12. Borrowings

	2020	2019
	\$'000	\$'000
Current borrowings		
Lease liabilities	19,320	-
Non-current borrowings		
Lease liabilities	89,453	-
Total borrowings	108,773	-

Lease liabilities relate to all property and motor vehicle leases except for short-term and low value leases.

The following table shows the changes in liabilities from financing activities:

	Total liabilities from financing activities
30 June 2019	-
Borrowings recognised on adoption of AASB 16	
1 July 2019	87,348
Borrowings obtained through administrative restructures	41,463
Borrowings on new leases	8,464
Borrowings reduction on terminated leases	(10,549)
Repayment of borrowings	(17,963)
Foreign exchange adjustments	10
Net carrying amount at end of year	108,773

The Treasury

Notes to the Financial Statements 30 June 2020

13. Provisions

	2020 \$'000	2019 \$'000
Current		
Employee benefits and related on-costs		
Annual Leave	10,678	6,072
Provision for on-costs on employee benefits	4,073	2,935
Provision for fringe benefits tax	16	5
Provision for termination	399	1,365
	<u>15,166</u>	<u>10,377</u>
Other		
Small business stimulus package	128,004	-
Other	489	-
	<u>128,493</u>	<u>-</u>
Total current provision	<u>143,659</u>	<u>10,377</u>
Non-current		
Employee benefits and related on-costs		
Long service leave not assumed by the Crown	375	-
Provision for payroll tax on long service leave liability	83	66
Provision for on-costs on long service leave liability	151	119
	<u>609</u>	<u>185</u>
Other		
Restoration costs	6,757	2,808
Total non-current provision	<u>7,366</u>	<u>2,993</u>
Aggregate employee benefits and related on-costs		
Provisions-current	15,166	10,377
Provisions-non-current	609	185
Accrued salaries, wages and on-costs (Note 11)	1,839	693
	<u>17,614</u>	<u>11,255</u>

Other provisions include restoration costs expected to be paid at the expiration of the leases on the premises currently occupied by Treasury, an ex-gratia payment expected to be made to a sub-contractor and estimated COVID-19 small business stimulus package.

Movements in provisions (other than employee benefits)

Restoration costs

Carrying amount at the beginning of financial year	2,808	2,644
Unwinding / change in the discount rate	182	164
Additions	394	
Acquired through administrative restructures	3,373	-
Carrying amount at end of financial year	<u>6,757</u>	<u>2,808</u>

Other provision

Carrying amount at the beginning of financial year	-	-
Additions	128,493	-
Carrying amount at end of financial year	<u>128,493</u>	<u>-</u>

The restoration provision relates to the make good obligation for Treasury's leased premises. It is calculated with reference to the current market price and discounted at the rate based on Reserve Bank of Australia Government bond rate. The restoration provision is expected to be utilised at the end of the lease term.

The Treasury

Notes to the Financial Statements
30 June 2020

14. Other Liabilities

	2020 \$'000	2019 \$'000
Current		
Liability for lapsed appropriation drawn down	158,509	-
Liability for government grants	560	-
Unearned revenue	523	-
Lease incentive	-	1,383
	159,592	1,383
Non-current		
Lease incentive	-	7,256
Lease averaging	-	4,501
	-	11,757
Total Other Liabilities	159,592	13,140

Comparative current and non-current liabilities relate to the lease for the premises at 52 Martin Place, Sydney. Under the adoption of AASB16, pre-existing lease incentives are netted off against the ROU asset on 1 July 2019.

15. Equity Transfer

The *Administrative Arrangements (Administrative Changes – Public Service Agencies) Order 2019* which commenced on 1 July 2019 resulted in the following transfers between Treasury and various other government departments:

	DAC to DCS \$'000	NSW Industrial Relations to DPC \$'000	NSW Procurement from DCS \$'000	Jobs for NSW, Office of Small Business Commissioner and NSW Trade and Investment from DPIE \$'000	Total \$'000
Current assets					
Cash	-	-	898	476	1,374
Receivables	(45)	(30)	-	494	419
Total current assets	(45)	(30)	898	970	1,793
Non current assets					
Property, plant and equipment	(216)	(716)	-	8,475	7,543
Intangibles	(476)	(678)	-	3,492	2,338
Total non current assets	(692)	(1,394)	-	11,967	9,881
Total assets	(737)	(1,424)	898	12,937	11,674
Current liabilities					
Creditors	-	-	1,210	1,215	2,425
Provisions	(143)	(1,023)	1,359	4,262	4,455
Deferred income	-	-	378	494	872
Total current liabilities	(143)	(1,023)	2,947	5,971	7,752
Non current liabilities					
Provisions	(1)	(250)	-	3,574	3,323
Total non current liabilities	(1)	(250)	-	3,574	3,323
Total liabilities	(144)	(1,273)	2,947	9,545	11,075
Increase/(decrease) in net assets from equity transfer	(593)	(151)	(2,049)	3,392	599

The Treasury

Notes to the Financial Statements 30 June 2020

16. Commitments

	2020	2019
	\$'000	\$'000
Future non-cancellable operating lease rentals not provided for:		
Not later than one year	572	10,588
Later than one year and not later than five years	2,142	46,293
Later than five years	254	16,558
Total (including GST)	2,968	73,439

The commitments relate to the leases exempted under AASB16.

17. Contingent Liabilities and Contingent Assets

There are no contingent assets or liabilities as at the reporting date (2019: Nil).

18. Budget Review

The Treasury's actual position at the reporting date varied significantly to budget mainly due to its involvement in the State's response to COVID-19 stimulus activities. Other factors affecting the result was the application of the new lease Accounting Standard and adjustments to funding in relation to Machinery of Government changes.

Net result

The actual net result was a loss of \$117.9 million compared to a budgeted loss of \$9.2 million. Key factors that contributed to the higher loss include:

- higher appropriation of \$434.9 million and grant revenue of \$119.8 million primarily from the State Contingency fund, for payment of multiple stimulus packages in response to COVID-19
- additional grants paid of \$558.5 million primarily relating to COVID-19 stimulus packages
- higher operating expenses of \$81.6 million primarily relating to the quarantining of passengers arriving in NSW during the COVID-19 pandemic
- other losses of \$25.2 million mainly due to the impairment of leases for the impact of COVID-19 on the future value of leases of \$18.6 million, and losses arising from subleasing ROU assets of \$5.0 million.

Assets and liabilities

The net assets position was lower than budget by \$119.8 million and resulted from the following movements in assets and liabilities.

Current assets were over budget by \$254.7 million primarily as a result of additional cash reserves of \$235.2 million held for COVID-19 stimulus grants and costs and higher current receivables of \$15.3 million relating primarily to the Innovation Hub cost recoup from the Jobs for NSW Fund.

Non-current assets were below budget by \$76.0 million primarily due to lower long-term lease obligations of \$89.4 million. This was partly offset by recognising finance lease assets for the Innovation Hub and additional equipment purchases throughout the year.

Current liabilities were higher than budget by \$357.6 million. The main contributing items were:

- unpaid costs related to the quarantining of passengers of \$38.9 million
- provision for small business stimulus grants of \$128.0 million
- monies to be returned to the Crown of \$159.1 million
- a current lease liability originally budgeted as non-current of \$15.8 million.

Non-current liabilities decreased by \$59.1 million due to a revised lease liability using a different assumption for the useful life of the lease and an updated discount rate.

Cash Flows

The net cash flow from operating activities was higher than budget by \$240.5 million, primarily due to additional funds received and associated grants made to support the COVID-19 stimulus packages.

The Treasury

Notes to the Financial Statements 30 June 2020

18. Budget Review (continued)

The net cash flows from investing activities was higher than budget by \$8.8 million mainly due to proceeds from finance leases and the accelerated purchase of plant and equipment, offset by the delay of Treasury expenditure on intangibles.

The budget net cash flows from financing activities was lower by \$14.9 million due to the repayment of lease liabilities that was originally included in the operating cashflow.

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

	Notes	2020 \$'000	2019 \$'000
Net cash used on operating activities		245,720	9,735
Depreciation and amortisation expense	2(c)	(19,440)	(6,945)
Net gain / (loss) on sale of plant and equipment		(1,635)	(1)
Foreign exchange gain / (loss)		14	-
Losses arising from subleasing ROU assets		(5,027)	-
Impairment losses on ROU assets		(11,439)	-
Increase / (decrease) in receivables		7,113	(5,543)
Decrease / (increase) in provisions		(129,893)	(171)
Decrease / (increase) in payables and other liabilities		(203,272)	4,718
Net result		(117,859)	1,793

20. Trust Funds

Retail Lease Security Bonds are lodged in accordance with Section 16C of the *Retail Leases Act 1994*. These monies are excluded from the financial statements of Treasury as the Treasury cannot use them for the achievement of its objectives other than the recovery of expenses relating to administration of the *Retail Leases Act 1994*.

The balance of the Retail Tenancy Trust funds are held with Westpac Banking Corporation and NSW Treasury Corporation (TCorp).

	Clearing Account \$'000	Interest Account \$'000	Trust Account \$'000	Term Deposits \$'000	Total \$'000
Balance at 30 June 2019	-	-	-	-	-
Acquisitions through administrative restructures	2,176	1,978	74,654	123,880	202,688
Add:					
Bonds Lodgements	38,897	-	-	-	38,897
Transfers between Accounts	-	-	-	-	-
Interest Revenue	-	22	839	442	1,303
Less:					
Bonds Released	(31,873)	-	-	-	(31,873)
Transfers between Accounts	-	-	-	-	-
Transfer to Treasury	-	-	-	-	-
Balance at 30 June 2020	9,200	2,000	75,493	124,322	211,015

Retail Lease Security bonds were held in trust by DPIE for the financial year ended 30 June 2019.

The Treasury

Notes to the Financial Statements 30 June 2020

21. Financial instruments

Treasury's principal financial instruments are cash deposits held within the NSW Treasury Banking System (TBS), short term receivables and payables and other financial assets. These instruments expose Treasury primarily to interest rate risk on cash balances held within the NSW TBS and credit risk on short term receivables or other financial assets. 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

	Note	Category	Carrying Amount 2020 \$'000	Carrying Amount 2019 \$'000
Financial assets				
Cash and cash equivalents	5	N/A	239,857	9,689
Receivables ⁽ⁱ⁾	6	Amortised cost	14,096	1,631
Other financial assets	7	Amortised cost	14,790	-
Financial liabilities				
Payables ⁽ⁱⁱ⁾	11	Financial liabilities measured at amortised cost	56,358	6,241
Borrowings	12	Financial liabilities measured at amortised cost	108,773	-

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

(ii) Excludes statutory payables and unearned revenue as these are not within the scope of AASB 7.

(b) Credit risk

Credit risk arises when there is the possibility of Treasury's debtors defaulting on their contractual obligations, resulting in a financial loss to 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 Treasury, including cash, receivables and other financial assets. No collateral is held by Treasury and it has not granted any financial guarantees.

Cash and cash equivalents

Cash and cash equivalents are comprised of bank balances within the NSW TBS.

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.

Treasury applies the AASB 9 simplified approach to measuring expected credit losses which uses a lifetime expected loss allowance for all trade debtors. To measure the expected credit losses, trade receivables have been grouped based on shared credit risk characteristics and the days past due. The expected loss rates are based on historical observed loss rates and forward-looking information.

Trade debtors are written off when there is no reasonable expectation of recovery. Indicators that there is no reasonable expectation of recovery include, amongst others a failure to make payments for a period of greater than 90 days past due.

The loss allowance for debtors as at 30 June 2020 and 1 July 2019 was determined using a combination of factors including history of payments, receivables written off and debtor management. The review excluded statutory receivables and prepayments, as these are not within the scope of AASB 7.

The Treasury

Notes to the Financial Statements 30 June 2020

21. Financial instruments (continued)

The Treasury is not materially exposed to concentrations of credit risk to a single trade debtor or group of debtors as at 30 June 2020.

The loss allowance for trade debtors as at the reporting date was determined as follows:

	Current	< 30 days	30 - 60 days	61 - 90 days	>91 days	Total
30 June 2020 (\$'000)						
Expected credit loss rate	n/a	0%	0%	0%	8%	2%
Total gross carrying amount	1,088	1,059	101	132	737	3,117
Expected credit loss	-	-	-	-	(61)	(61)
30 June 2019 (\$'000)						
Expected credit loss rate	n/a	0%	0%	0%	0%	0%
Total gross carrying amount	842	91	117	-	94	1,144
Expected credit loss	-	-	-	-	-	-

Other financial assets

Other financial assets are classified and subsequently measured at amortised cost as they are held for collection of contractual cash flows representing payments of principal and interest. Treasury has lease receivables from the subtenants of the Innovation Hub which is categorised as other financial assets.

Treasury recognises an allowance for expected credit losses (ECLs) for all debt financial assets not held at fair value through profit or loss. ECLs are based on the difference between the contractual cash flows and the cash flows that Treasury expects to receive, discounted at the original effective interest rate. Refer to note 7 for further details on the ECLs of other financial assets.

(c) Liquidity risk

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

During the current and prior year, there were no defaults of loans payable. No assets have been pledged as collateral. 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. Interest is awarded for late payment. No interest for late payment was made during the year (2019: \$Nil).

The Treasury

Notes to the Financial Statements 30 June 2020

21. Financial instruments (continued)

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

Maturity Analysis	\$'000		Maturity Dates		
	Interest Rate Exposure		<1 yr	1 - 5 yrs	>5 yrs
	Weighted Average Effective Int. Rate	Nominal Amount			
2020					
Financial liabilities					
Payables	-	56,358	56,358	-	-
Borrowings					
Lease Liabilities	2.39%	108,773	19,320	47,366	42,087
2019					
Financial liabilities					
Payables	-	6,241	6,241	-	-

(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. Treasury's exposure to market risk is through:

- Interest rate risk on cash and cash equivalents
- Foreign currency risk through lease liability recognised in offshore offices.

The effect on profit and equity due to a reasonably possible change in risk variable is outlined below for interest rate risk and foreign currency risk. A reasonably possible change in risk variable has been determined after taking into account the economic environment in which Treasury operates and the time frame for the assessment (i.e. until the end of the next annual reporting period). The sensitivity analysis is based on risk exposures in existence at the Statement of Financial Position reporting date. The analysis is performed on the same basis as for 2019. The analysis assumes that all other variables remain constant.

Interest rate risk

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. 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 following table demonstrates the sensitivity to a reasonably possible change in interest rates.

The Treasury

Notes to the Financial Statements
30 June 2020

21. Financial instruments (continued)

Interest rate risk					
	Carrying amount \$'000	-1% Net Result \$'000	Equity \$'000	+1% Net Result \$'000	Equity \$'000
2020					
Financial assets					
Cash and cash equivalents	239,857	(2,399)	(2,399)	2,399	2,399
Total Increase / (decrease)		(2,399)	(2,399)	2,399	2,399
2019					
Financial assets					
Cash and cash equivalents	9,689	(97)	(97)	97	97
Total Increase / (decrease)		(97)	(97)	97	97

Foreign currency risk

Foreign exchange risk is the risk that Treasury's financial performance or position will be affected by fluctuations in the exchange rates between currencies.

(e) Fair value

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

22. Compensation of Key Management Personnel

	2020 \$'000	2019 \$'000
Short-term employee benefits:		
Salaries	10,518	10,227
Other monetary allowances	-	14
Termination benefits	-	980
Non-monetary benefits	7	5
Total remuneration	10,525	11,226

During the year, Treasury did not enter into any transactions with key management personnel, their close family members and controlled or jointly controlled entities thereof.

The Treasury

Notes to the Financial Statements 30 June 2020

23. Related Party Disclosures

(a) Ultimate parent

The NSW Government is the ultimate parent of Treasury.

(b) Key management personnel remuneration

Key management personnel (KMP) are those considered to have the authority and responsibility for planning, directing and controlling of the Treasury's activities. KMP of Treasury includes the Treasurer (paid by the Legislature), the NSW Treasury Secretary, and certain NSW Treasury Deputy Secretaries, Executive Directors and Directors.

(c) Transactions with related parties

Terms and conditions with related parties

All transactions with related parties are conducted in the normal course of business and on normal commercial terms and conditions. As the Crown Entity and several related entities have no employees, the work for these entities is performed by Treasury staff. Treasury recoups these costs (including a share of overheads) associated with performing these activities. These recoupments are disclosed in the notes to the financial statements.

(i) Transactions with KMP

Treasury has developed a framework that supports the identification, recording and authorisation of the related party transactions. All identified KMP are required to complete annual declarations in relation to the related party transactions. During the year, no KMP has declared that he/she and their close family members have made any transactions with Treasury.

(ii) Transactions with other related entities

Treasury interacts with other government agencies in delivering services to the general public. Services provided by other government agencies are provided to Treasury in the same commercial terms as the general public.

During the year, Treasury entered into the following individually significant transactions with other entities consolidated as part of the NSW Total State Sector within the normal course of business:

- Grants paid to Western City and Aerotropolis Authority of \$20.0 million
- Grants paid to Destination NSW of \$121.6 million
- Grants paid to Jobs for NSW Fund of \$55.0 million to support their ongoing obligation to create jobs in NSW
- Cost recoupment of \$19.4 million from the Crown Entity and residual entities
- Cost recoupment of \$6.3 million from Jobs for NSW Fund
- COVID-19 cash stimulus for small business grant administered by Service NSW of \$520.0 million
- COVID-19 cash stimulus of \$29.9 million administered by DPIE for the quarantine of incoming travellers
- COVID-19 cash stimulus of \$20.0 million paid to Ministry of Health for the quarantine of overseas incoming travellers.

24. Events after the Reporting Period

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

End of audited Financial Statements



SHEEP MUSTERING, OUTBACK NSW

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Outcome and performance measurement

With the implementation of Outcome and Performance Budgeting, Treasury, as with other clusters, is managing and measuring its allocation of expenditure and resources in line with the Outcomes it is seeking to achieve.

The three Outcomes, nine indicators and 12 programs that the cluster is responsible for are listed on page 18 of this Annual Report.

Details of the revenue and expenditure for the year for Treasury and the Crown Entity can be found in Note 4 of the respective financial statements.

Details of the performance for 2019-20 against the nine indicators above can be found in Section 9 of Budget Paper 2 published on 17 November 2020 (specifically pages 9-5 to 9-9).

SENIOR EXECUTIVE GRADES AND REMUNERATION

Senior Executives	2017-18		2018-19		2019-20	
	Female	Male	Female	Male	Female	Male
Executive Band 4	-	1	-	1	-	1
Executive Band 3	1	3	3	3	2	3
Executive Band 2	9	14	11	10	15	11
Executive Band 1	31	39	36	41	34	57
Other	-	-	-	-	-	1
Total	41	57	50	55	51	73
Combined Total	98		105		124	

*includes Temporary Assignments

*excludes Secondments Out (No Pay)

Executive - Average Remuneration	2017-18	2018-19	2019-20
Band 4	\$577,850	\$592,300	\$599,000
Band 3	\$420,743	\$432,184	\$445,275
Band 2	\$294,333	\$312,477	\$314,230
Band 1	\$224,097	\$227,875	\$234,661

Note: there was one performance-related payment made in 2018-2019 for \$52,006, please note this is separate and is not included in the average remuneration calculated above.

For the reporting period 2018-2019 senior executives' monetary remuneration and the value of employment benefits paid represented 32.92 percent of the NSW Treasury's salaries-related expenses. In the previous 2017-18 year this figure was 34.90 per cent.

Human Resources statistics

On 25 June 2020, Treasury had 783.89 full-time equivalent (FTE) staff. This equates to a headcount of 815 staff.

NSW Treasury invites employees to provide Equal Employment Opportunity (EEO) demographic information to enable progress towards diversity targets. The following table shows the number of staff who responded to the request by each EEO group. 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 / respondents	2017-18	2018-19	2019-20
Full-time equivalent (FTE)	517.55	530.44	783.89
Responses to question on Ethnicity	335	313	594
Responses to question on Language	297	275	572
Responses to question on Disability	323	306	610
Responses to question on identifying as Aboriginal or Torres Strait Islander	346	312	595

Full-time equivalent staff by Group	2017-18	2018-19	2019-20
Full-time equivalent (FTE)	517.95	530.44	783.89
Economic Strategy & Productivity	(blank)	(blank)	132.5
Policy & Budget	(blank)	(blank)	158.26
Commercial, Commissioning & Procurement	(blank)	(blank)	170.71
Financial & Operations		93.48	83.96
Industrial Relations			Left Treasury through Machinery of Government
Human Resources	29.20	22.8	14.4
People Strategy	(blank)	51.69	(blank)
Corporate	70.01	(blank)	(blank)
Information Technology	(blank)	11	21.8
General Counsel	(blank)	5	9
Office of the Secretary	3	33.4	39.5
Trade, Tourism, Investment & Precincts (JIT/Trade?)	(blank)	3	153.76

Staff age	2018-19	2019-20
Age range		
20-24	20	23
25-29	91	129
30-34	109	152
35-39	86	148
40-44	65	119
45-49	65	90
50-54	49	67
55-59	39	56
60+	37	31

Non-executive full-time and part-time staff by classification and grade	Actual staff numbers	Full-time equivalent
Grade		
Clerk grade 1-2	-	-
Clerk grade 3-4	55	53.07
Clerk grade 5-6	94	90.1
Clerk grade 7-8	123	119.3
Clerk grade 9-10	209	200.5
Clerk grade 11-12	216	205.71

Trends in the workforce diversity groups

In the following tables, the EEO group statistics are based on staff numbers as at census date.

Table A				
EEO Group	Benchmark/target	2018	2019	2020
Women	50%	N/A	54.40%	56.80%
Aboriginal and/or Torres Strait Islander People	3.30%	N/A	0.80%	0.70%
People whose First Language Spoken as a Child was not English	23.20%	N/A	15.30%	22.30%
People with Disability	5.60%	N/A	1.50%	2.50%
People with Disability Requiring Work-Related Adjustment	N/A	N/A	0.60%	1.10%

Note 1: The benchmark of 50% for representation of women across the sector is intended to reflect the gender composition of the NSW community.

Note 2: The NSW Public Sector Aboriginal Employment Strategy 2014 – 17 introduced an aspirational target of 1.8% by 2021 for each of the sector's salary bands. If the aspirational target of 1.8% is achieved in salary bands not currently at or above 1.8%, the cumulative representation of Aboriginal employees in the sector is expected to reach 3.3%.

Note 3: A benchmark from the Australian Bureau of Statistics (ABS) Census of Population and Housing has been included for People whose First Language Spoken as a Child was not English. The ABS Census does not provide information about first language but does provide information about country of birth. The benchmark of 23.2% is the percentage of the NSW general population born in a country where English is not the predominant language.

Note 4: In December 2017 the NSW Government announced the target of doubling the representation of people with disability in the NSW public sector from an estimated 2.7% to 5.6% by 2027. More information can be found at: Jobs for People with Disability: A plan for the NSW public sector. The benchmark for 'People with Disability Requiring Work-Related Adjustment' was not updated.

Trends in the Distribution Index for Workforce Diversity Groups				
EEO Group	Benchmark/target	2018	2019	2020
Women	100	N/A	95	95
Aboriginal and/or Torres Strait Islander People	100	N/A	N/A	N/A
People whose First Language Spoken as a Child was not English	100	N/A	96	94
People with Disability	100	N/A	N/A	101
People with Disability Requiring Work-Related Adjustment	100	N/A	N/A	N/A

Note 1: A Distribution Index score of 100 indicates that the distribution of members of the Workforce Diversity group across salary bands is equivalent to that of the rest of the workforce. A score less than 100 means that members of the Workforce Diversity group tend to be more concentrated at lower salary bands than is the case for other staff. The more pronounced this tendency is, the lower the score will be. In some cases, the index may be more than 100, indicating that members of the Workforce Diversity group tend to be more concentrated at higher salary bands than is the case for other staff.

Note 2: The Distribution Index is not calculated when the number of employees in the Workforce Diversity group is less than 20 or when the number of other employees is less than 20.

Proactive work health and safety risk management

NSW Treasury's commitment to work health and safety in 2019-20 included continued participation in the NSW Government Work Health and Safety (WHS) Sector Plan implementation. Treasury also actively participated in the WHS Practitioners Group meetings, a community of practice for NSW Public Service WHS practitioners.

In 2019-20, Treasury continued the implementation of actions from the self-assessment conducted as part of the WHS Sector Plan. We reviewed and updated the Treasury WHS Management System and prepared for elections of the WHS Committee, ensuring participation and representation from the new groups to Treasury as a result of the Machinery of Government. Treasury is in the process of electing a new WHS Committee and will continue to implement actions from WHS Sector Plan.

Workplace health and safety incidents and assessments

A total of 17 work health and safety incidents and risks were reported in 2019-20:

- five (5) were caused by slip/trip/fall (at work)
- one (1) was caused by slip/trip/fall (journey/recess during work hours)
- one (1) was ergonomic
- two (2) were caused by falling objects
- two (2) were psychological
- five (5) were other
- one (1) was a hazard

There were three (3) workers' compensation claims made in 2019-20 due to slip/trip/falls.

NSW Procurement Board 2019-20 Annual Report

Legislation

The Public Works and Procurement Act 1912 (the Act) sets out the NSW Government's procurement laws and establishes the NSW Procurement Board (the Board).

The procurement laws and government procurement policies allow agencies to manage and be responsible for their own procurement activities. This devolution of responsibility is managed through the Accreditation Program for Goods and Services Procurement, the Agency Accreditation Scheme for Procurement and the Agency Accreditation Scheme for Construction. Accreditation is granted and managed by the Board.

The Act places responsibilities on agencies in relation to their procurement activities, including:

- exercising procurement functions in accordance with the Board's policies and directions
- adhering to the principles of probity and fairness
- ensuring value for money is achieved in procurement
- providing information to the Board on procurement activities.

The Public Works and Procurement Amendment (Enforcement) Act was assented to on 22 November 2018. It provides for the enforcement of NSW Procurement Board directions and policies relating to international procurement agreements.

The NSW Procurement Board's objectives and functions

The Act defines the objectives and functions of the Board to oversee procurement by NSW Government agencies, excluding State Owned Corporations, local councils and the Parliament of NSW.

The objectives of the Board, as specified in the Act, are to:

- develop and implement a Government-wide strategic approach to procurement
- ensure best value for money in the procurement of goods and services by and for Government agencies
- improve competition and facilitate access to Government procurement business by the private sector, especially by small and medium enterprises (SMEs), and regional enterprises
- reduce administrative costs for Government agencies
- simplify procurement processes while ensuring probity and fairness.

The Act states specific functions for the Board, including oversight of procurement of goods and services by and for Government agencies, and developing procurement policies.

While the Board can issue directions to agencies about the conduct of procurements or authorise them to carry out certain procurements, it cannot enter into contracts.

The Board is subject to the direction and control of the Minister for Finance and Small Business.

The Board's major achievements in 2019-20 include:

- updating the Procurement Policy Framework, the overarching governance and policy document for NSW government agencies

- finalising the updated Aboriginal Procurement Policy, which combines the previous Aboriginal Procurement Policy with the Aboriginal Participation in Construction Policy
- developing targets for procurement spend with Aboriginal-owned businesses
- developing a supplier code of conduct, which sets out a minimum set of expectations and behaviours for doing business with NSW Government
- amending the Government Human Services Agreement
- facilitating agency responses to bushfire, flood and COVID emergencies through issuance of key directions and guidance.

Procurement Policy Framework

The Procurement Policy Framework 2019 came into effect on 1 July 2019. The revised framework provides a consolidated view of government procurement objectives and the Board's requirements as they apply to each step of the procurement process.

The framework is updated each quarter to ensure new and amended requirements are incorporated.

Aboriginal Procurement Policy and Aboriginal Participation in Construction Policy

On 1 July 2018, the NSW Procurement Board released the Aboriginal Procurement Policy (APP) and the revised Aboriginal Participation in Construction (APIC) Policy. The policies aim to support an estimated 3,000 full time equivalent employment opportunities for Aboriginal people by end of 2021.

The APP aims for Aboriginal businesses to be awarded at least three per cent of the total number of domestic contracts for goods and services by 2021. The APIC policy requires 1.5 per cent of relevant construction project spend to be directed to Aboriginal participation.

NSW Procurement, on behalf of the Board, reviewed the APP and APIC policy in 2019. The 2019 APP and APIC Policy Review Report was approved by the NSW Procurement Board in November 2019 and the Report was published in December 2019.

The report made 38 recommendations for change including:

- merging the APP and APIC policy into one document
- aligning requirements and permissions
- setting new targets to increase spend with Aboriginal businesses

- providing more guidance and support for buyers and suppliers to assist implementing the policy.

A refreshed APP will come into effect from 1 January 2021.

Members and deputies

The following NSW Government officers were members of the Board in 2019-20:

- Secretary, The Treasury (Chair)
- Secretary, Department of Customer Service
- Secretary, Department of Premier and Cabinet
- Secretary, Department of Communities and Justice
- Secretary, Department of Education
- Secretary, NSW Health
- Secretary, Department of Planning, Industry and Environment
- Secretary, Transport for NSW

Meetings

The Board held four scheduled meetings in 2019-20:

- 11 September 2019
- 20 November 2019
- 18 March 2020
- 27 May 2020

There were also three out-of-session meetings in 2019-20:

- 15 August 2019 – discuss new procurement requirements under International Procurement Agreements
- 23 January 2020 – discuss Bushfire Recovery support and related Board Directions
- 15 April 2020 – discuss the COVID-19 pandemic.

In addition, in 2019-20 seven matters were considered out-of-session by email.

The Board met for two strategic planning sessions:

- 17 October 2019 – a half day interim strategic planning session
- 25 February 2020 – full day strategic planning.

Agency Accreditation Program status

A) Goods and Services Procurement

The Agency Accreditation Program for Goods and Services Procurement sets minimum standards for agency procurement to improve outcomes delivered across NSW Government.

The program aims to assure agency capability and capacity to deliver value for money, efficiency and effectiveness through government goods and services procurement.

There were 20 accredited entities (clusters and agencies) in July 2019 and 17 in June 2020, with some consolidation of accreditations.

All accredited clusters and agencies undertook the annual self-reporting required under the program in 2019. Infrastructure NSW (INSW) partially submitted their 2019 annual self-reporting, and NSW Procurement has been working with INSW to complete their reporting.

In May 2020 the Procurement Board approved reduced annual self-reporting requirements for 2020 due to the COVID-19 pandemic. The minimum requirement for 2020 is only submitting the Self-Assessment Attestation.

B) Construction Procurement

There are currently two accreditation schemes for construction procurement including:

- the Agency Accreditation Scheme for Construction (pre-2015)
- the Agency Accreditation Scheme for Procurement (post-2015).

In June 2020:

- five entities (clusters and agencies) held full accreditation under the Agency Accreditation Scheme for Procurement
- six entities held full accreditation under the Agency Accreditation Scheme for Construction
- three entities held partial (planning only) accreditation under the Agency Accreditation Scheme for Construction
- one entity held interim accreditation under the Agency Accreditation Scheme for Construction.

Public Works Advisory is developing a new Agency Accreditation Program for Construction Procurement, which sets minimum standards for agency construction procurement activities to improve outcomes delivered across NSW Government. The program aims to assure agency capability and capacity to deliver value for money, efficiency and effectiveness through government construction procurement.

Subject to Procurement Board approval it is expected this new program will replace the Agency Accreditation Scheme for Construction (pre-2015) and the Agency Accreditation Scheme for Procurement (post-2015).

Administration

The Board's administrative support and its costs for 2019-20 were met by NSW Treasury and the clusters represented on the Board.

Procurement Board Direction 2020-01

The Minister for Finance and Small Business asked the NSW Procurement Board to consider procurement measures to support local businesses in bushfire-affected communities.

The Procurement Board approved Procurement Board Direction 2020-01. This direction requires that NSW Government agencies give first preference to an appropriate local business when engaging suppliers to conduct bushfire clean-up, repairs, rebuilding or remediation works, or associated goods or services.

In January 2020, Minister Tudehope wrote to his Ministerial colleagues seeking their support for the Procurement Board Direction 2020-01 (see letter on page 88-89).

The Minister for Finance and Small Business then directed the NSW Procurement Board to extend the Bushfire Support Procurement Board Direction 2020-01 to cover procurements required to implement or facilitate clean-up, repairs, rebuilding, remediation and enhancement works, or to supply associated goods or services arising out of, in relation to or following the floods occurring in NSW from January 2020 to March 2020 (see direction on page 91).

Statutory reporting requirements

The Board has a statutory requirement to report details of any direction given to it by the Minister for Finance and Small Business. The Minister gave the Board the following direction on 28 April 2020:

The NSW Procurement Board to extend Procurement Board Direction 2020-01 support for bushfire-affected communities to cover procurements required to implement or facilitate clean-up, repairs, rebuilding, remediation and enhancement works, or to supply associated goods or services, arising out of, in relation to or following the floods occurring in NSW from January 2020 to March 2020.

Board subcommittees and advisory groups

The Act allows the Board to establish subcommittees and advisory groups to assist its work. The Board is supported by the Procurement Leadership Group (PLG), the Construction Leadership Group (CLG), and the International Procurement Agreements Steering Committee (IPASC). Whole-of-government Category Management Working Groups have been established under the PLG.

Procurement Leadership Group

The Procurement Leadership Group (PLG) is the primary advisory group of the NSW Procurement

Board, under s.168 of the Public Works and Procurement Act 1912. The PLG assists the NSW Procurement Board to achieve its statutory objectives and support its statutory functions.

As at 30 June 2020, the PLG's members included the Chief Procurement Officers or equivalents from each NSW Government cluster, except for Regional NSW that subsequently joined. There are also members from Infrastructure NSW, Public Works Advisory, and ICT/Digital Sourcing at the Department of Customer Service.

The PLG met 10 times between 1 July 2019 and 30 June 2020. In March 2020, the Crisis Procurement Sub Committee of the PLG met to discuss the central coordination for NSW Government procurement during the COVID-19 pandemic emergency. This included sourcing essential items and managing shortages. Management of the NSW Government's procurement response under the pandemic was then handed over to the State Emergency Operations Centre (SEOCN) and the Key Category Product Leads Groups established under it.

In 2019-20, the PLG was advised by several agencies of 'trigger events' that could impact their ability to meet the requirements of the Agency Accreditation Program for goods and services procurement. These agencies, including the Department of Communities and Justice, the Department of Planning, Industry and Environment, and NSW Procurement, had to submit Trigger Event Action Plans, which the PLG approved.

Construction Leadership Group

The NSW Government Construction Leadership Group (CLG) is collaborating across government to deliver the NSW Government Action Plan: A 10 Point Commitment to the construction sector. CLG members include key NSW Government agencies engaged in the delivery of the large long-term pipeline of infrastructure investment for NSW.

Since publishing the 10 Point Commitment in 2018, the CLG has implemented initiatives across State infrastructure projects to support the long-term sustainability of the sector.

Initiatives include:

- publication of an interactive whole-of-government NSW Major Project Pipeline
- implementation of the NSW Government Bid Costs Policy
- development of Practice Notes to guide NSW Government and industry
- publication of Interactive Tendering Guidelines
- development of an industry website that includes case studies demonstrating best practice implementation of the 10 Point Commitments.

In June 2020, Infrastructure NSW (INSW) published the first progress report against the 10 Point Commitment. This report draws data from 35 projects collected in Implementation Statements, which agencies now prepare at key milestones on projects with a capital value greater than \$50 million. The full report is available on INSW's website (www.infrastructure.nsw.gov.au).

In light of COVID-19, the CLG is also focusing on ongoing engagement with the construction industry in relation to the 10 Point Commitment and impacts from COVID-19.

International Procurement Agreements Steering Committee

The International Procurement Agreements Steering Committee (IPASC) is the primary advisor to the Board on procurement requirements relevant to international procurement agreements. Members include representatives from Department of Education, Transport for NSW, Department of Communities and Justice, Ministry of Health, NSW Treasury and the Department of Planning, Industry and Environment. The IPASC met nine times in 2019-20.

Procurement Board Directions

The Act gives the Board the authority to issue directions to agencies. During 2019-20 the Board issued five directions covering:

- approved procurement arrangements for government agencies
- requirements relating to international procurement agreements
- support for bushfire and flood affected communities
- contracts for ICT goods and services
- skills, training and diversity in construction.

Procurement Board directions, including withdrawn directions, are available on www.buy.nsw.gov.au

Procurement complaints

Under the Act the Board considers complaints it receives directly about government procurements in NSW, including tendering and contracts. Agencies have a responsibility to resolve complaints concerning their procurement actions. Complaints unresolved at the end of this process can be referred to the Procurement Board.

The role of the Procurement Board in the complaints management process is to ensure that agencies appropriately review and respond to complaints, and that procedural fairness is observed.

The Board received five complaints during 2019-20. Four have been resolved at an agency level with one still being investigated.



The Hon Damien Tudehope MLC
Minister for Finance and Small Business

Dear ,

Supporting our regional communities affected by bushfire and drought through NSW Government Procurement

As you know, NSW has seen unprecedented bushfire and drought conditions, impacting on our regional communities like never before.

The NSW Government has responded to these challenges and is supporting our communities face these challenges.

In particular, local economies and local businesses are suffering from a decline in visitors, patronage and ultimately dollars being spent in local communities.

I am seeking your support to ensure that we as a Government leverage our buying power to ensure local businesses and local economies benefit from NSW Government procurement opportunities.

Below I outline these opportunities that your agencies may utilise to ensure local businesses and local tradies can access government work.

NSW Government Small and Medium Enterprise (SME) and Regional Procurement Policy (Policy)

This policy is designed to increase participation of SMEs and regional businesses in government procurement of goods and services, excluding construction procurement, through a range of initiatives, including:

- The small business exemption allows agencies to purchase **goods or services valued up to \$50,000 directly from a small business**, even where those goods or services are available on a whole-of-government arrangement.
- A **general procurement exemption** allows agencies to purchase up to a maximum of **\$10,000 from any supplier**, including where there is a whole-of-government arrangement in place.
- **'SME First'** requirement means agencies must give first consideration to purchasing from a small to medium supplier where they are permitted to directly engage a supplier up to \$250,000.

GPO Box 5341 Sydney NSW 2001
Phone: (61 2) 8574 6450 www.nsw.gov.au/ministertudehope



The Hon Damien Tudehope MLC
Minister for Finance and Small Business

Expansion of 'SME First' requirement to include Regional businesses

To better support regional businesses affected by bushfires and drought, from 1 January 2020, the "SME First" requirement under the Policy has been expanded to now require agencies to first consider purchasing from **regional businesses** for procurements up to \$250,000 in regional areas.

If the procurement is not in a regional area, then the agency must first consider purchasing from an SME. This requirement applies to goods and services procurement excluding construction.

Support for bushfire affected communities

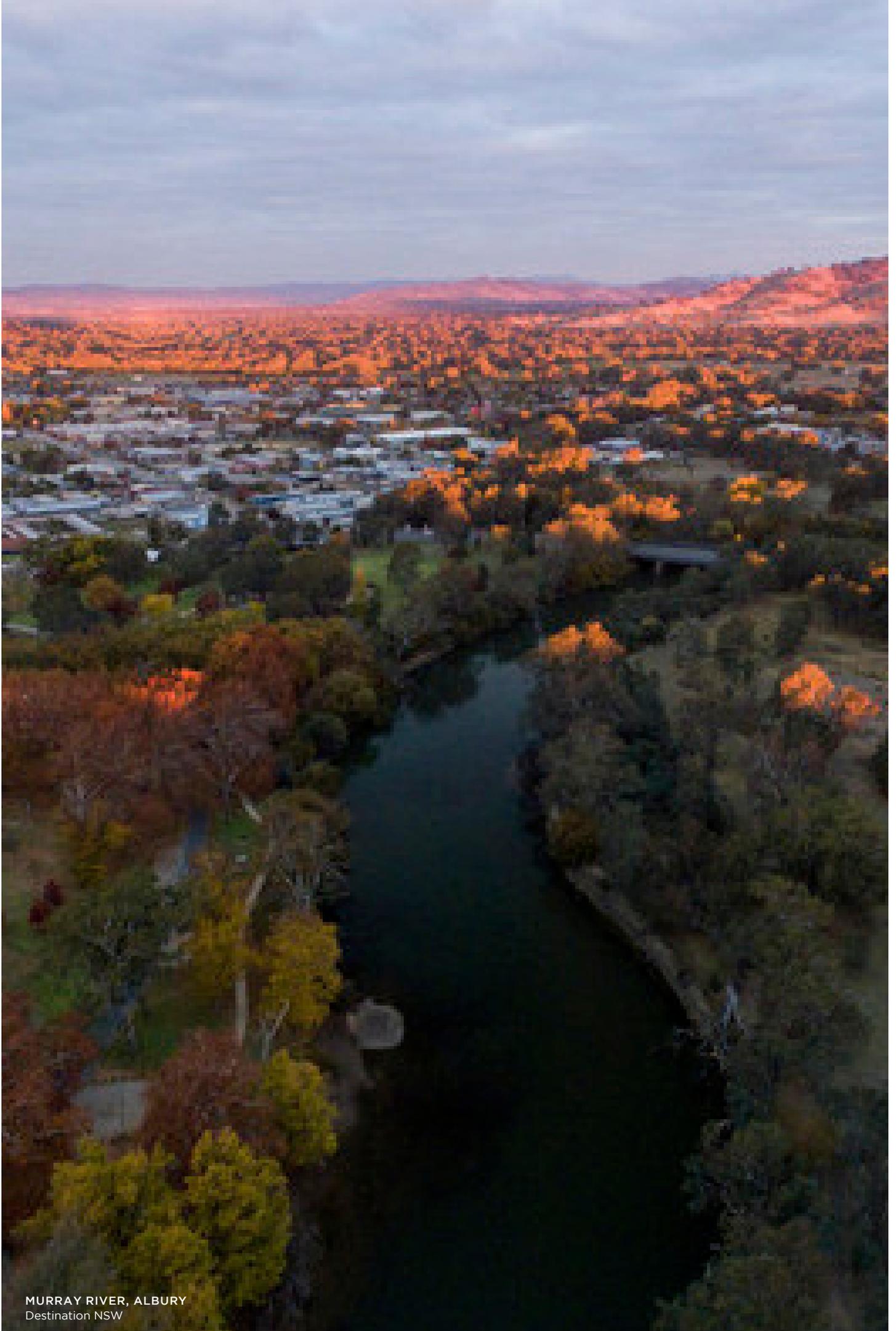
In circumstances where NSW Government agencies are conducting clean-up, repair, rebuilding, remediation and enhancement works arising out of, in relation to or following the bushfires in calendar years 2019 and 2020, I have directed the NSW Procurement Board to ensure that agencies use local businesses wherever possible (PBD 2020-01).

This direction is effective from 28 January 2020 and applies to goods and services procurement including construction.

Please contact ... if you have any queries about these important initiatives.

Yours sincerely,

Damien Tudehope MLC
Minister for Finance and Small Business



MURRAY RIVER, ALBURY
Destination NSW

PUBLIC WORKS AND PROCUREMENT ACT 1912

TO: NSW PROCUREMENT BOARD

I, Damien Francis Tudehope, Minister for Finance and Small Business for New South Wales make the following direction to the NSW Procurement Board, pursuant to section 166(1) of the *Public Works and Procurement Act 1912 (the Act)*.

The NSW Procurement Board to extend *Procurement Board Direction 2020-01 Support for bushfire affected communities* to cover procurements required to implement or facilitate clean-up, repairs, rebuilding, remediation and enhancement works, or to supply associated goods or services, arising out of, in relation to or following the floods occurring in NSW from January 2020 to March 2020.

Date at Sydney this 28th day of April 2020



Damien Francis Tudehope
Minister for Finance and Small Business, New South Wales

Risk management and related activities

Fraud and corruption prevention and risk management

The NSW Treasury Fraud and Corruption policy, along with the Risk Management Framework and Risk Management policy, were reviewed and refreshed in the past financial year.

The Audit and Risk Committee met quarterly to review and discuss risk updates from management including any fraud and corruption matters. During the reporting year, risk and control workshops continued to be conducted with the leadership team and operational and project risk owners across Treasury. This resulted in a substantially refreshed risk register in the current year to better reflect the risks of the agency. In addition, a risk dashboard was created for the leadership team to more easily identify, assess and monitor their material risks.

The Risk Appetite Statement (RAS) and its associated risk tolerances were reviewed and continue to form an essential component of the Treasury Risk Management Framework.

Compliance

All staff, including new starters, undertook e-learning training that provided information on various corporate policies including cyber security and procurement practices. This training assists staff to understand their responsibilities in association with key corporate and NSW Government policy and legislative requirements.

Other compliance activities included collation of SES private interest declarations and SES attestations they have complied with key requirements. Gifts and benefit registers were continually reviewed throughout the year, along with conflict of interest registers, which is also reported to the Audit and Risk Committee annually.

Business Continuity Planning

NSW Treasury's Business Continuity Plan (BCP) framework and accompanying documentation is in place to ensure our readiness in the event of a disruptive incident.

The pandemic plan and other BCP-related policies and documentation, including the divisional BCPs, were reviewed and refreshed during the year. There was discussion and consideration by management regarding business continuity in the event our BCP would need to be invoked due to COVID-19 (this was not required due to staff safely working remotely).

Government Information (Public Access)

Review of proactive release program

The Government Information (Public Access) Act 2009 (GIPA Act) provides members of the public with the right to access Government information. Treasury is committed to ensuring the public's right to information meets the requirements of the GIPA Act, and that responses to requests for information are handled effectively. Treasury reviews its program to ensure the information, which is in the public's interest and assists people with access to services, is made publicly available via Treasury websites.

In the 2019-20 reporting period, Treasury proactively released information and tools including:

- 2021 Intergenerational Report
- Four Pillars - Outcome Budgeting launch
- COVID-19 Related Accounting Guidance
- Federation of the Future
- Capital Planning Submissions
- COVID-19 Taskforce
- Annual Report
- Treasury Risk Maturity Assessment Tool
- Global NSW (a new website built in December 2019)
- Tech Central
- Export Assistance Grant
- Productivity Commission Green paper
- Business NSW
- Business Connect
- Visa and migration nomination
- Orbital Space industry program
- Newsagents Assistance Fund
- Western Sydney food and beverage products
- Invest NSW Regional investment attraction package
- Small Business Month
- Budget website
- 2019-20 Open Data
- Half Year Review
- Sydney Startup Hub
- Updates to residents
- Brain Power series

Number of access applications received

During the reporting period, Treasury received 47 formal access applications under the GIPA Act, including withdrawn applications.

Statistical information about access applications

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

	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	4	0	0	4	1	0	0	1
Members of Parliament	5	5	2	3	2	0	0	1
Private Sector Business	3	4	1	0	1	0	0	0
Not-for-profit organisations or community groups	0	2	0	0	0	0	0	0
Members of the public (application by legal representative)	1	1	0	0	0	0	0	0
Members of the public (other)	1	1	0	1	0	0	0	2

	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)	14	13	3	8	4	0	0	4
Applications that are partly personal information applications and partly other	0	0	0	0	0	0	0	0

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

Table C: Invalid applications

Reason for invalidity	Number of applications
Application does not comply with formal requirements (Section 41 of the Act)	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	0

Table D: Conclusive presumption of overriding public interest against disclosure: Matters listed in Schedule 1 of the Act

	Number of times consideration used*
Overriding secrecy laws	0
Cabinet information	7
Executive Council information	0
Contempt	1
Legal professional privilege	0
Excluded information	1
Documents affecting law enforcement and public safety	1
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	8
Law enforcement and security	0
Individual rights, judicial processes and natural justice	5
Business interests of agencies and other persons	6
Environment, culture, economy and general matters	0
Secrecy provisions	1
Exempt documents under interstate Freedom of Information legislation	0

Table F: Timelines	
Matters listed in table to Section 14 of the Act	Number of applications
Decided within the statutory timeframe (20 days plus any extensions)	44
Decided after 35 days (by agreement with applicant)	2
Not decided within time (deemed refusal)	0
Total	46

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	2	1	3
Review by Information Commissioner	0	1	1
Internal review following recommendation under Section 93 of the Act	0	0	0
Review by NCAT (formerly ADT)	0	1	1
Total	2	3	5

Table H: Applications for review under Part 5 of the Act (by type of applicant)	
	Number of applications for review
Applications by access applicants	2
Applications by persons to whom information the subject of access application relates (see Section 54 of the Act)	3

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-initiation transfers	5
Applicant-initiated transfers	1

Public interest disclosures

All Treasury staff have a responsibility to report suspected wrongdoing including:

- corruption
- maladministration
- serious and substantial waste of public money
- breaches of the Government Information (Public Access) Act 2009 (GIPA Act).

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

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

- publishing and endorsing Treasury's internal reporting policy and commitment to the objectives of the PID Act
- maintaining a Public Interest Disclosures portal on Treasury's intranet, providing staff with guidance material and links to additional external and internal PID resources
- providing staff access to training presented by the NSW Ombudsman's Office
- providing training for new staff as part of Treasury's new starter induction program
- providing online training courses to staff
- displaying promotional posters to increase awareness outlining 'How to report wrongdoing in Treasury'.

The PID Act Section 31 requires each public authority to prepare an annual report on its obligations under the Act. 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 2019 to 30 June 2020:

Section 4 of the Public Interest Disclosures Regulation 2011	2019-20
Number of public officials who made public interest disclosures to NSW Treasury	0
Number of public interest disclosures received by NSW Treasury	0
Of public interest disclosures received, how many were primarily about:	
Corrupt conduct	0
Maladministration	0
Serious and substantial waste	0
Government information contravention	0
Local government pecuniary interest contravention	0
Number of public interest disclosures (received since 1 Jan 2012) that have been finalised in this reporting period	0

Protecting privacy and personal information

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

Clause 6 of the Annual Reports (Departments) Regulation 2010 requires a statement of the action taken by Treasury in complying with the PPIP Act, and statistical details of any review conducted by or on behalf of Treasury under Part 5 of that Act.

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

NSW Treasury employees are informed and educated about the privacy legislation and its requirements through online privacy training modules, guidance material on Treasury's intranet and advice provided through the Information Access and Governance Unit.

Additional information about how Treasury manages its obligations under the PPIP Act is available at www.treasury.nsw.gov.au/privacy

Internal reviews

Two internal reviews were conducted by Treasury under the PPIP Act or the HRIP Act during 2019-20FY. One matter found no breach occurred, while the other found breaches under both IPP 10 and IPP 11.

Government resources efficiency policy (GREP)

NSW Treasury supports the GREP through our Facilities Management team, with a focus on broader environmental improvements and initiatives throughout the Treasury offices.

Changes to the 52 Martin Place environment included further power saving by adding sensors in meeting rooms that turn off lighting after 10 minutes if no movement is detected. In addition, sensors activate the air conditioning in meeting rooms to run for a maximum of two hours before turning off if no movement is detected.

Battery recycling tubes have been introduced in the main Martin Place foyer and will roll out to other areas.

Simple savings have been made by reviewing newspaper subscriptions and, where possible, these have been changed to digital only.

Funds granted to non-government community organisations

During the 2019-20 financial year, NSW Treasury administered grants to the following:

Grant program / recipient	Amount \$'000
<p>The Australian Accounting Standards Board (AASB)</p> <p>The Heads of Treasuries Accounting and Reporting Advisory Committee has committed \$500,000 per annum from combined States and Territory Treasuries for the period covering 1 July 2019 to 30 June 2022. NSW's portion of this commitment is \$169,100 per annum. The funding was provided on the condition the AASB continues to include acceptable coverage of public sector accounting issues in its work program and that all other States and Territories support the allocation.</p>	\$169,100
<p>NSW Space business to attend the Colorado Space Symposium</p> <p>NSW Treasury provided grants to NSW space start-ups and SMEs to subsidise the cost of attending the Colorado Space Symposium in the USA. Grants were offered to NSW businesses that were selected to be part of the Australian Space Agency and Austrade's Australian Delegation to the event. With more NSW start-ups and SMEs being selected to join the delegation than from any other state, financial support enabled these businesses to attend the Symposium, broaden their networks, and increased their opportunities and profile with international stakeholders and supply chains. Supporting a delegation of NSW space businesses also demonstrated the NSW Government's commitment to growing the industry, and closely aligns with the aims of the NSW Space Industry Development Strategy.</p>	\$17,500
<p>NSW International Student Legal Service</p> <p>Since October 2015, NSW Treasury has partnered with Redfern Legal Centre to deliver the International Student Legal Service helping thousands of international students in NSW with free legal advice and advocacy. The service helps protect vulnerable students with tenancy, employment, education provider dispute and immigration issues, etc. Over the 2019/20 financial year, we have committed nearly \$300,000 to continue funding the International Student Legal Service, demonstrating the NSW Government's commitment to supporting international students' safety and wellbeing and the broader international education sector in NSW.</p>	\$168,000
<p>NSW-Israel Research and Development and Technological Innovation Program</p> <p>The NSW-Israel Research and Development (R&D) and Technological Innovation Program provides one-off matched financial grants of up to \$250,000 to assist NSW and Israeli entities cooperate on joint R&D projects. The collaborative projects should advance market-driven, new and innovative products for the global market, while also having the potential to contribute to economic growth, skills development and job creation.</p>	\$234,000
<p>Newsagents Assistance Fund</p> <p>The Newsagents Assistance Fund grants assists eligible agents up to \$10,000 to update their NSW Lotteries retail image and fit-out to align with the standards required by NSW Lotteries.</p>	\$1,560,000
<p>Small Business Grant</p> <p>Temporary grants program to support small businesses and not for profit organisations affected by COVID-19. Support grants of up to \$10,000 were made available to eligible NSW small business owners with the intended outcome to support them to finance urgent business outgoings during the COVID-19 pandemic.</p>	\$533,279,039
<p>International Student Awards</p> <p>The NSW International Student Award grants recognise the outstanding contributions international students make to communities in NSW and celebrate excellence in international student community engagement.</p> <p>Many international students become great ambassadors for NSW as future leaders and advocates for trade, diplomacy and research links. The NSW Government acknowledges their valuable contribution to the State by committing to making their study experience in NSW the best it can be.</p>	\$7,600

Grant program / recipient	Amount \$'000
<p>Delivery of Innovation District Challenges</p> <p>The Innovation Districts Challenges (IDC) is a \$3 million investment by the NSW Government in the state's innovation ecosystem. This program is led by NSW Treasury with the aim of accelerating the commercialisation of research products or services that address the many disruptions caused by the COVID-19 pandemic.</p>	\$1,000,000
<p>Partner Projects</p> <p>Every year NSW Government co-funds various projects that are delivered in partnership with industry. The Partner Projects initiative was established in 2014 to support international students and grow the state's international education sector by fostering collaboration and innovation. The nearly \$300,000 in NSW Government funding for the 2019/20 financial year was matched by over \$500,000 in cash and in-kind contributions by sector partners across eight projects.</p>	\$241,281
<p>NSW Defence Innovation Network (DIN)</p> <p>DIN is a university led initiative of the NSW Government and the Defence Science and Technology Group to enhance NSW Defence industry capability through collaboration with government and academic research institutions. Treasury's contribution will provide collaborative business opportunities, increase NSW defence science investment through research and development programs.</p>	\$200,000
<p>AustCyber Security Growth Network Limited</p> <p>Contribution to AustCyber, an independent, not for profit organisation established to boost innovation and science in Australia. They are a key enabler for cyber security research and development, as well as innovation with the view to support growth across the whole economy.</p>	\$75,211
<p>CDS Cross Border Transition assistance</p> <p>The Independent Pricing and Regulatory Tribunal (IPART) found that the Container Deposit Scheme (CDS) adversely impacted independent retailers located near the Victorian border. The NSW Government initially provided a 12 month assistance package in 2018 for small to medium sized retail businesses in the NSW-Victoria border region. The Government further announced in November 2018 that it would extend financial assistance to impacted eligible independent NSW retailers until December 2020.</p>	\$525,354
<p>University of NSW</p> <p>Treasury is committed to supporting the Research Council Centre of Excellence in Population Ageing Research (CEPAR) which was established under the University of NSW. The research work done by this body is relevant to Treasury to promote better resource management and advise government on economic, infrastructure and financial matters.</p>	\$50,000

Accounts Payable Performance Data for 2019-20 Annual Report

Accounts Payable performance 2019-20

NSW Treasury outsources various services including financial services. During 2019-20, InfoSys (GovConnectNSW) provided services including the payment processing of tax invoices after they had been certified and approved for payment by delegated Treasury officers.

During 2019-20 there were no instances where penalty interest was paid for the late payment of invoices to small business owners (as per Clause 13 of the Public Finance and Audit Regulation 2015).

Factors affecting the timing of payments include general errors in tax invoice information, tax invoices incorrectly redirected and part delivery of goods/services where it is necessary to wait for full delivery of procurement before payment can be made.

AGED ANALYSIS AT THE END OF EACH QUARTER

Quarter	Current (within due date) \$'000	Less than 30 days overdue \$'000	Between 30 and 60 days overdue \$'000	Between 61 and 90 days overdue \$'000	More than 90 days overdue \$'000
All suppliers					
September 2019	1,317	10	-	1	10
December 2019	1,417	218	35	-	10
March 2020	3,493	67	12	1	97
June 2020	11	-	101	153	24
Small business suppliers					
September 2019	10	-	-	-	-
December 2019	644	-	-	-	-
March 2020	41	20	-	-	-
June 2020	-	-	-	-	-

ACCOUNTS DUE OR PAID WITHIN EACH QUARTER

Measure	Sep-19	Dec-19	Mar-20	June -20
All suppliers				
Number of accounts due for payment	1,285	1,705	1,416	2,035
Number of accounts paid on time	1,082	1,415	1,048	1,556
Actual percentage of accounts paid on time (based on number of accounts)	84%	83%	74%	76%
Dollar amount of accounts due for payment	58,697,297	76,544,699	85,254,625	679,452,127
Dollar amount of accounts paid on time	56,096,379	71,904,612	78,172,036	664,905,321
Actual percentage of accounts paid on time (based on \$)	96%	94%	92%	98%
Number of payments for interest on overdue accounts	-	-	-	-
Interest paid on overdue accounts	-	-	-	-
Small business suppliers				
Number of accounts due for payment	50	61	81	96
Number of accounts paid on time	26	42	19	36
Actual percentage of accounts paid on time (based on number of accounts)	52%	69%	23%	38%
Dollar amount of accounts due for payment	573,562	617,813	1,768,114	846,435
Dollar amount of accounts paid on time	428,497	261,664	95,026	303,010
Actual percentage of accounts paid on time (based on \$)	75%	42%	5%	36%
Number of payments for interest on overdue accounts	-	-	-	-
Interest paid on overdue accounts	-	-	-	-

Notes:

- The above analysis has been based on payment terms consistent with the Faster Payments policy. Prior to the March 2020 quarter, small business terms were 20 days and thereafter were reduced to 5 days. Machinery of Government accounting system migration occurred in the 3rd quarter temporarily also reducing payment performance.
- The above performance data does not capture immediate payments made by purchase cards.

EXPENDITURE ON CONSULTANTS

Consultants	Project Description	Amount (excl GST) \$
Consultants costing \$50k or more		
Finance and Accounting/Tax		
ENERGETICS PTY LTD	Strategic advisory services provided on whole of Government waste management project	404,785
TRINITY QUALITY INTERIORS PTY LTD	Advisory services provided on fitout for Office of Small Business Commission	318,689
KPMG AUSTRALIA PTY LTD	Accounting advice provided for the implementation of new accounting standards and complex transactions	296,786
SIVESENSES EXPERENTIAL PTY LIMITED	Advisory services provided on new accounting standards and complex transactions	218,667
KPMG AUSTRALIA PTY LTD	Professional support on governance, risk and assurance	127,643
ERNST & YOUNG	Advisory services provided on new accounting standards and complex transactions	121,096
VICTORIA UNIVERSITY	Guidance and modelling services on state tax mix changes and project funding	80,500
Economic Services		
THE BOSTON CONSULTING GROUP PTY LTD	Advice on options to grow investment in the Western Sydney Aerotropolis	863,334
KPMG AUSTRALIA PTY LTD	Advisory services provided to the COVID-19 taskforce	811,620
GEOFF ROBERTS PTY LTD	Advisory services provided to accelerate the delivery of investment attraction with the private sector	194,270
SCHUR, MICHAEL	Review of the State Owned Corporations	154,102
MICROMEX RESEARCH	Research and analysis in regards to COVID-19	128,508
PRICEWATERHOUSECOOPERS CONSULTING (AUSRALIA) PTY LIMITED	Services provided for the Pyrmont Peninsula Economic Development Strategy	112,500
DELOITTE ACCESS ECONOMICS PTY LTD	Services provided on the cost benefit analysis for the Global NSW Strategy	110,805
DEUTSCHE BANK	Advice on options to grow investment in the Western Sydney Aerotropolis	100,000
THE RED AGENCY PTY LTD	Development of the 24 Hour Economy strategy for Sydney	90,650
APPLIED ECONOMICS PTY LTD	Advisory services on the review of Western Sydney Metro	89,073
THE STRATEGY GROUP PTY LTD	Research and analysis to provide structured insights into customer experience	71,600
STRATEGIC PROJECT PARTNERS	Development of a framework for outcomes budgeting policy to access cluster capability for the whole of Government	60,000
CHELAN HOLDINGS PTY. LTD.	Strategic advice on the Tech Central precinct	57,000

Information Technology		
MAV3RIK PTY LTD	Advisory services provided for the build and implementation of a non financial performance data tool in Salesforce	378,793
OBJECTIVE CORPORATION LIMITED	Advisory services provided for the upgrade of the Objective platform to accommodate record data migration as a result of Machinery of Government changes	232,315
FLOWBUILDERS PTY LIMITED	Advisory services provided to migrate Salesforce instance from various agencies to the Treasury platform as a result of Machinery of Government changes	204,000
DELOITTE CONSULTING PTY LIMITED	Advisory services provided on the development of Prime	169,920
JAMES & MONROE	Hyperion advice and development services for Prime	139,925
EXPERTEQ IT SERVICES PTY LTD	Scoping and managing technical components of onboarding Department of Industry staff and systems due to Machinery of Government changes	101,600
DEPARTMENT OF CUSTOMER SERVICE	Advisory services provided to upgrade to the latest software version of Objective	86,891
Organisational Review		
PORTLAND GROUP P/L	Strategy and market engagement support for the Whole of Government Waste project	627,509
HOGGAN , ANDREW CAMPBELL	Advisory services provided for change and culture engagement due to Machinery of Government changes	97,600
PIPELINE TALENT PTY LTD	Executive recruitment advisory services	70,456
HUMAN CENTRED DESIGN PTY LTD	Advisory services on workplace occupancy	61,300
Governance and Policy		
DELOITTE TOUCHE TOHMATSU	Advisory services provided on tax policy	220,000
JPH SERVICES TRUST	Specialist advice and advocacy pertaining to the defence industry	201,744
NOTHLING CONSULTING PTY LTD	Secretariat, commercial, governance and administration services provided to the Road Retained Interest Pty Ltd Board	97,901
STEVENS , NEVILLE ROBERT	Review of the Innovation and Productivity Council (IPC), appointment of new IPC Members and development of IPC reports for approval and release by IPC Members	69,559
Legal		
MINTER ELLISON	Review of the state government businesses in the financial sector	75,000
Consultants costing less than \$50k		
Economic Services	30 Projects	604,759
Information Technology	25 Projects	336,860
Organisational Review	26 Projects	300,436
Governance and Policy	8 Projects	144,137
Finance and Accounting/Tax	10 Projects	122,836
Total Expenditure on Consultants		8,755,178

Promoting NSW

Increasing jobs in NSW through trade and investment

NSW Treasury, through its Trade and Investment team, including its international network of 20 staff in 10 international offices, is supporting the recovery and growth of the NSW economy and increasing jobs.

One in five jobs across Australia are supported by international trade and foreign investment, and trade assists our businesses to become more productive, innovative, competitive and pay higher wages.

In 2019-20, the international network of trade and investment offices promoted NSW products and investment opportunities to more than 4,000 international business and government contacts. This is critical while international business travel is restricted.

Driving NSW trade outcomes

NSW Treasury, through its NSW-based export team and international network, directly supported 78 NSW businesses to connect with new international customers and achieve over \$73 million in new and projected export sales in priority markets.

In 2019-20, the continuing partnership with Austrade's TradeStart network helped NSW's export advisors deliver tailored export services to 815 NSW businesses. The bushfire crisis and global COVID-19 pandemic saw the provision of key export services to NSW businesses move to digital delivery. 151 Export Capability Building events, including many online events, were attended by over 5,000 participants across the State.

NSW Treasury also delivered the final business mission of the two-year \$1.58 million Access India program to assist NSW technology companies enter the India market. This was just one of the 44 inbound and outbound trade missions delivered to 636 NSW business participants in 2019-20.

Supporting international education – NSW's largest services export

Study NSW helped to cement NSW as Australia's leading international study destination through its programs to promote the State and provide support for international students. In 2019-20, the number of international students in NSW grew by nine per cent to 287,362, representing 38 per cent of all international student enrolments in Australia. These international students generated a record \$14.6 billion in international education export revenue for NSW.

In 2020, however, COVID-related border closures and economic impacts significantly impacted the State's international education sector. Study NSW's efforts have pivoted to the delivery of a \$20 million welfare support package for international students, many of whom have lost part-time employment and are stranded in Australia without access to Commonwealth income-support measures. The package of assistance has included temporary accommodation, free legal and referral services, and food hampers.

Promoting NSW through missions and business events

International ministerial visits are important to maintain market visibility and engage with foreign businesses, governments and stakeholders to advance NSW's long-term economic growth. NSW Treasury supported four ministerial missions and one Vice Regal mission to key trade and investment markets in 2019-2020.

These included:

- the NSW Premier and Minister for Jobs, Investment, Tourism and Western Sydney's Mission to the UK and Germany to attract investment into the Western City Parklands and Aerotropolis (August 2019)
- Vice Regal mission of the Governor of NSW to Guangzhou, to mark the 40th anniversary of the Sister-State relationship between NSW and Guangdong Province, reinforcing the important relationship between China and NSW (August 2019)
- the Deputy Premier and Minister for Regional NSW, Industry and Trade's mission to the United States, focusing on promoting NSW's agritech, defence and aerospace, and technology industries (August 2019)

- the Deputy Premier and Minister for Regional NSW, Industry and Trade's mission to China and Vietnam to support more than 80 NSW exporters exhibiting at the China International Import Expo in Shanghai and at VietWater Expo in Ho Chi Minh City (November 2019)
- the Minister for Jobs, Investment, Tourism and Western Sydney's mission to India to progress trade, tourism and investment objectives in an increasingly important consumer market for NSW businesses (February 2020).

Before borders closed in March 2020, NSW Treasury also organised and hosted many senior strategic international events in NSW to forge partnerships between local and international businesses and position NSW as an attractive investment destination and trading partner.

The 27th NSW-Guangdong Joint Economic Meeting (JEM), the most significant of these international trade and investment events, was held in Sydney in October 2019. This biennial event was led by the NSW Premier and Guangdong Governor, and facilitated 292 delegates from the economic powerhouses of Guangdong and NSW to explore new business in:

- financial services and technology
- health, medical and life sciences technology
- innovation in agriculture
- smart cities.

Six new commercial agreements have already resulted from the JEM with more being concluded. The team also hosted several large senior trade delegations, including over 70 senior executives from leading Japanese corporations from the Japan Chamber of Commerce and Industry. The Japanese delegation, welcomed by the Premier, was the largest and most senior group visit to Australia this year. It reflected Japan's growing interest in investing in NSW's infrastructure pipeline, and projects in technology, clean energy and healthcare across the State's lighthouse precincts.

Investment attraction

The NSW Treasury attracted 35 significant investment outcomes for the State in 2019-20, generating \$1.61 billion in new capital investment and creating or retaining 3,600 jobs in NSW. The international network contributed to over 85 per cent of these investment wins, valued at over \$1.3 billion, and qualified over 160 new investment leads to help generate future success for the State.

Overseas visits

17-24 August 2019

Karla Lampe, Director Global Markets, travelled with the NSW Governor to Guangzhou and Shanghai in China to mark the 40th anniversary of the NSW-Guangdong Sister-State relationship. They also showed support for the 2019 Joint Economic Meeting scheduled for Sydney in November 2019 and reinforced the important relationship between China and NSW.

14-29 September 2019

Matthew Jessop, Associate Director ASEAN and India, Global Markets led a business delegation of seven NSW cyber security companies to India and Singapore with the Optus-Macquarie Cyber Security Hub. Business outcomes from the trip included securing ongoing relationships and tech integration for two delegates and one business opening an office in India.

2-9 November 2019

Kylie Bell, Executive Director Trade and Investment, accompanied the Hon John Barilaro, Deputy Premier and Minister for Regional NSW, Industry and Trade, to Beijing, Shanghai and Ho Chi Minh City to promote trade and investment opportunities between NSW and China, and NSW and Vietnam. The trip strengthened government-to-government relationships with China and Vietnam.

The Deputy Premier signed the renewed NSW-Beijing Sister-State MoU and Cooperative Agreement and reinforced the NSW Government's commitment to delivering initiatives within the framework of the NSW Government-Ho Chi Minh City People's Committee MoU on the Establishment of Cooperation and a Sister-State Relationship. Throughout the visit several new commercial deals for NSW businesses were signed and more than 80 NSW exporters were assisted at the world's largest trade show in Shanghai and the Vietwater in Ho Chi Minh City.

22-28 February 2020

Peter Mackey, Director Trade and International Education, travelled with the Minister for Jobs, Investment, Tourism and Western Sydney, the Hon Stuart Ayres MP (representing the Deputy Premier) to New Delhi, India, for a program delivered by NSW's Trade and Investment Commissioner to India, Rohit Manchanda. Peter Mackey also represented NSW on the education stream of Austrade's Australia India Business Exchange program to support NSW university delegates, promote and profile NSW as an education destination and highlight the NSW Government's support for international students through Study NSW.

In 2019-20 there were two outbound TradeStart Advisor trips:

12-20 October 2019

Gabrielle Oriol travelled to the United States to support NSW exhibitors on the Team Defence Australia tradeshow stand at the Association of the United States Army. The trip also provided an opportunity to promote NSW export capabilities and undertake market research on defence and food and beverage exports to USA.

3-9 November 2019

Wayne Murphy travelled to China and Vietnam to support NSW exporters exhibiting at the China International Import Expo (CIIE) in Shanghai, China and VietWater in Ho Chi Minh City, Vietnam.

TREASURY CIRCULARS 2019-20

Title	Circular Number	Date
TC20-04 Accounting Policy - Accounting for Public Sector Operators in a Service Concession Arrangements - 27 July 2020	TC20-04	28/04/2020
TC20-03 Accounting Policy - Transition Requirements for AASB 1059 Service Concession Arrangements Grantor	TC20-03	27/04/2020
TC20-02 AASB 16 Leases -subsequent measurement of ROUA	TC20-02	2/04/2020
TC20-01 Mandates of options and major policy decisions under Australian Accounting Standards	TC20-01	19/02/2020
TC19-10 Statutory Act of Grace Payments	TC19-10	16/12/2019

TREASURER'S DIRECTIONS 2019-20

Title	Circular Number	Date
TD19-01 Financial Services	TD19-01	16/12/2019
TD19-02 Mandatory Early Close as at 31 March each year	TD19-02	13/12/2019
TD20-01 Gifts of government property	TD20-01	17/02/2020

Treasurer's legislation - list of legislation

Acts administered by Treasury on behalf of the Treasurer; Minister for Finance and Small Business; Minister for Jobs, Investment, Tourism and Western Sydney; and the Deputy Premier, Minister for Regional NSW, Industry and Trade are set out in the Allocation of the Administration of Acts.

Treasurer's legislation - changes during 2019-20

New changes

State Revenue and Other Legislation Amendment Act 2019

This Act supports the repeal and amendment of: (a) Duties Act 1997; (b) Land Tax Act 1956; (c) Land Tax Management Act 1956; and (d) Payroll Tax Act 2007. Provisions of aforementioned legislations will be replaced by relevant provisions set out in this Act. Additional provisions will also be inserted. Assented on 1 July 2019.

Racing Legislation Amendment Act 2019

This Act supports the repeal and amendment of: (a) Totalizator Act 1997; and (b) Totalizator Regulation 2012. Provisions of aforementioned legislations will be replaced by relevant provisions set out in this Act. Additional provisions will also be inserted. Assented on 21 October 2019.

Statute Law (Miscellaneous Provisions) Act (No 2) 2019

This Act supports the repeal and amendment of: (a) Totalizator Act 1997; (b) Workers Compensation Act 1987; (c) Worker's Compensation (Dust Diseases) Act 1942; and (d) Workers Compensation Regulation 2016. Provisions of aforementioned legislations will be replaced by relevant provisions set out in this Act. Additional provisions will also be inserted. Assented on 21 November 2019.

Fines Amendment Act 2019

This Act supports the repeal and amendment of: (a) Fines Act 1996; and (b) Fines Regulation 2015. Provisions of aforementioned legislations will be replaced by relevant provisions set out in this Act. Additional provisions will also be inserted. Assented on 21 November 2019.

Statute Law (Miscellaneous Provisions) Act (No 2) 2019

This Act supports the repeal and amendment of: (a) Totalizator Act 1997; (b) Workers Compensation Act 1987; (c) Worker's Compensation (Dust Diseases) Act 1942; and (d) Workers Compensation Regulation 2016. Provisions of aforementioned legislations will be replaced by relevant provisions set out in this Act. Additional provisions will also be inserted. Assented on 21 November 2019.

Fines Amendment Act 2019

This Act supports the repeal and amendment of: (a) Fines Act 1996; and (b) Fines Regulation 2015. Provisions of aforementioned legislations will be replaced by relevant provisions set out in this Act. Additional provisions will also be inserted. Assented on 21 November 2019.

Gambling Legislation Amendment (Online and Other Betting) Act 2019

This Act supports the repeal and amendment of the Totalizator Act 1997. Provisions of aforementioned legislations will be replaced by relevant provisions set out in this Act. Additional provisions will also be inserted. Assented on 26 November 2019.

COVID-19 Legislation Amendment (Emergency Measures) Act 2020

This Act supports the repeal and amendment of the Workers Compensation Act 1987. Provisions of aforementioned legislation will be replaced by relevant provisions set out in this Act. Assented on 25 March 2020.

Treasury Legislation Amendment (COVID-19) Act 2020

This Act supports the repeal and amendment of the Payroll Tax Act 2007. Provisions of aforementioned legislations will be replaced by relevant provisions set out in this Act. Additional provisions will also be inserted. Assented on 25 March 2020.

COVID-19 Legislation Amendment (Emergency Measures—Miscellaneous) Act 2020

This Act supports the amendment of the Workers Compensation Act 1987. Additional provisions will be inserted into the aforementioned legislation. Assented on 14 May 2020.

COVID-19 Legislation Amendment (Emergency Measures—Treasurer) Act 2020

This Act supports the repeal and amendment of: (a) Government Sector Finance Act 2018; (b) Government Sector Finance Regulation 2018; (c) Payroll Tax Act 2007; (d) Public Finance and Audit Act 1983; and (e) Public Finance Audit Regulation 2015. Provisions of aforementioned legislations will be replaced by relevant provisions set out in this Act. Additional provisions will also be inserted. Assented on 14 May 2020.

State Revenue Legislation Further Amendment Act 2020

This Act supports the repeal and amendment of: (a) Government Sector Finance Act 2018; (b) Duties Act 1997; (c) Land Tax Act 1956; and (d) Land Tax Management Act 1956. Provisions of aforementioned legislations will be replaced by relevant provisions set out in this Act. Additional provisions will also be inserted. Assented on 24 June 2020.

Financial and annual reporting legislation

Exemptions and variations from reporting requirements under acts and regulations

Agency	Applicable Financial Year(s)	Exemption/variation	Reason(s) for request
Financial reporting			
NSWALC Housing Ltd (a NSW Aboriginal Land Council subsidiary)	2019-20	Extended the first financial year of the company to cover the period from its incorporation on 23 January 2019 through to 30 June 2020.	The company did not trade between its incorporation on 23 January 2019 and 30 June 2019.
NSWALC Employee and Training Ltd (a NSW Aboriginal Land Council subsidiary)	2019-20	Extended the first financial year of the company to cover the period from its incorporation on 28 June 2019 through to 30 June 2020.	The company did not trade between its incorporation on 28 June 2019 and 30 June 2019.
Roads and Maritime Services (RMS)	2019-20	Extended the deadline for RMS to submit its final financial statements	Additional time required to revalue RMS assets prior to amalgamation with the Department of Transport.
Penao Pty Limited (a University of NSW subsidiary)	2019-20	Extended the first financial year of the company to cover the period from its incorporation on 24 June 2019 through to 30 June 2020.	The company did not trade between its incorporation on 24 June 2019 and 30 June 2019.
Cytermix Pty Ltd Limited (a University of NSW subsidiary)	2019-20	Extended the company's final financial year to cover the period from 1 January 2019 until its dissolution in February 2020.	The company has no assets or liabilities and did not trade between November 2019 and its deregistration.

Agency	Applicable Financial Year(s)	Exemption/variation	Reason(s) for request
Financial reporting			
APAF Pty Ltd and CMBF Pty Ltd (Macquarie University subsidiaries)	2019	Directed that neither company was not required to prepare a final financial report.	Both of these dormant companies were wound up in November 2019.
Pivot Pty Ltd (a University of Technology Sydney subsidiary)	2019	Directed that the company was not required to prepare a final financial report.	This company was wound up in January 2019
The Warren Centre for Advanced Engineering Limited	2020	Extended the Centre's final financial year to cover the period 1 January 2019 until its deregistration in early 2020.	The Centre made no transactions after 31 December 2019.
Technical Education Trust Funds	2020-21	Extended the Funds' current reporting year to cover an 18 month period from 1 January 2020 to 30 June 2021.	To align with the financial year end of the Technical and Further Education Commission.
Regional Growth Centres Corporation	2020	Extend the Corporation's first financial year to cover an extended period from 28 June 2019 to 30 June 2020.	The Corporation made no transactions between its establishment on 28 June 2019 and 30 June 2019.
Annual reporting			
None in 2019-20			

Abbreviations and acronyms

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

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