



Treasury

ANNUAL REPORT

2017-18

NSW Treasury

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LETTER OF SUBMISSION TO THE NSW TREASURER



Treasury

The Hon. Dominic Perrottet MP
Treasurer
Minister for Industrial Relations
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 2018, for presentation to the NSW Parliament in accordance with the *Annual Reports (Departments) Act 1985*.

This volume reports on the operations and performance of the NSW Treasury, together with the consolidated financial statements for the period 1 July 2017 to 30 June 2018.

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".

Michael Pratt AM
Secretary

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This has been my first full year as Secretary of NSW Treasury, and it has been a year of significant outcomes and steps forward on our journey towards becoming a world class Treasury by December 2020.

Looking back over our achievements during 2017-18, I can't help but focus on how we delivered a 'gold standard' 2018-19 NSW Budget, underpinned by strong financial management and fiscal responsibility.

Our Budget result was predicated by continued efforts to promote balance sheet resilience and enhance the State's management of financial risk. This included the completion of the Snowy Hydro transaction and progress made towards the sale of the WestConnex stake, a new whole-of-government Foreign Exchange Risk Policy and ongoing cash management reforms.

Our innovative thinking was demonstrated in the creation of the NSW Generations Fund, where the Treasury cluster successfully brought together a virtual team to develop a world-first sovereign wealth fund, made possible by the State's strong fiscal position. This fund joins other successful funds such as the NSW Infrastructure Fund, and the Social and Affordable Housing Fund in building a strong foundation for sustainable growth.

In addition, this year we made significant steps forward on an approach to Outcome Budgeting; Budget Paper 3 reflected this new way of managing resources for the NSW public sector, establishing a direct relationship between funding decisions, performance and the delivery of outcomes for the people of NSW. The Budget website was redesigned to include interactive maps enabling citizens to see the spend and performance against each State Outcome for their area.

NSW Treasury has undertaken the largest financial reform in 30 years. Through the development of the Government Sector Finance (GSF) Bill 2018, we also took a critical step forward on this financial reform, with the Bill being approved by Government. We have also made significant progress in leading an intensive review of our banking and transaction requirements, with the project to be finalised and a new contract issued in December 2018.

Our sector leadership has been strongly evident in the development of our productivity agenda including the cross-sector success of the Commissioning and Contestability Unit, the launch of the State's first Productivity Commission and the new Chief Economist appointment.

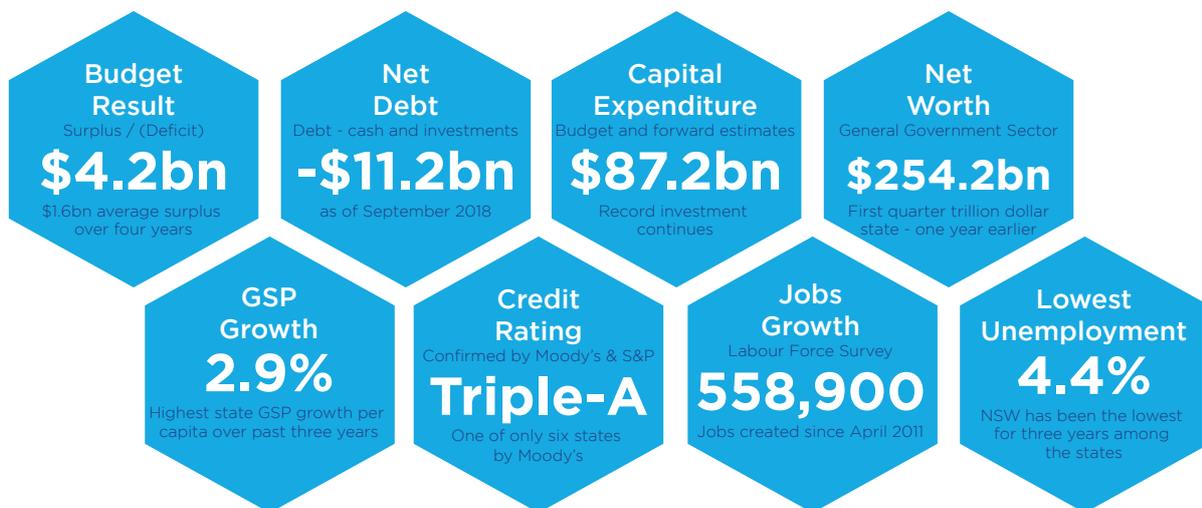
Membership of our Assets and Liabilities Committee was refreshed to better draw on insight and experience from across the sector, and the Committee has recommended policy actions and frameworks to help better manage the State's financial risks and opportunities.



MICHAEL PRATT AM
NSW TREASURY SECRETARY

YEAR IN REVIEW

Treasury's Customer Relationship Model (CRM) has achieved several milestones as we seek to be recognised as a trusted advisor to our sector customers. To gain a better understanding of our customers we issued a feedback survey to key stakeholders in early 2018. We have taken steps in response to the survey insights, and will seek feedback from participants on a regular basis. To underpin our CRM we rolled out OneView, a customer management technology solution, where all customer records and interactions are centrally stored. In addition, with the endorsement of cluster Secretaries, we established a formal program of managed cross-cluster secondments and facilitation of co-location between agencies. This program aligns with our focus on delivering a world class customer experience and provides opportunities to develop skills and capabilities, gain new perspectives and build relationships.



At the heart of all our achievements, and central to building a world class Treasury by December 2020, is a team of high-performing, highly-engaged people with a strong customer focus. We have implemented many customer focused initiatives, including a program of customer service culture and capability development alongside supporting technology solutions such as OneView.

Core to our People Strategy is the extensive work being undertaken on our whole of organisation culture review; the review reflects our commitment to modernising Treasury's ways of working and supporting it to become an agile and digitally-capable organisation. We've focused on embedding workplace flexibility and have driven a collaborative, transparent approach to leadership and staff communications.

This has been a great year for Treasury and I am proud to lead our organisation. I commend this Annual Report to you to read more about some of our achievements.

Michael Pratt AM
Secretary



Key achievements

- Extended our Customer Relationship Model through the implementation of OneView and in early 2018 sent the first NPS survey to our cluster and SOC customers.
- Implementation of Prime completed in November 2017 and successfully delivered the 2018-19 Budget using Prime for the first time.
- Completed the sale of the Snowy Hydro to the Commonwealth Government in March 2018 for \$4.154 billion.
- Established the first NSW Productivity Commission.

ABOUT NSW TREASURY

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

Treasury's aim is to ensure 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.

We manage the State's finances and assets, monitor the performance of its commercial agencies and develop its financial and industrial relations policies. We are known for the provision of quality advice and influence, excellence in delivery, and strong and transparent risk management.

OUR VISION

To be recognised as world class among Treasuries globally

OUR PURPOSE

Ensuring 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

OUR GOALS

GOAL ONE

A team of highly capable and engaged people, sought after for the quality of their advice

GOAL TWO

Excellence in the way we manage the State's finances and balance sheet

GOAL THREE

Innovative and strategic policy, reform and delivery based on rigorous analytics

Our core responsibilities

Management of NSW finances

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

Analysis, advice and delivery

- informed fiscal, economic, commercial and social policy advice
- innovative reforms to deliver better social outcomes and support a strong and competitive economy
- providing fair and productive industrial relations and public sector wages policies
- robust data analytics, risk management and governance frameworks.

Management of NSW assets

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

As a department in the NSW Public Sector, Treasury has administrative responsibility for the following entities up until 30 June 2018:

- Alpha Distribution Ministerial Holding Corporation
- Electricity Assets Ministerial Holding Corporation
- Electricity Transmission Ministerial Holding Corporation
- Epsilon Distribution Ministerial Holding Corporation
- Liability Management Ministerial Corporation
- Ministerial Holding Corporation
- Ports Assets Ministerial Holding Corporation
- State Rail Authority Residual Holding Corporation.

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

The following entities fall within the Treasury cluster:

- Treasury Corporation (TCorp)
- SAS Trustee Corporation
- icare (Insurance and Care NSW)
- Electricity Retained Interest Corporation - Ausgrid
- Electricity Retained Interest Corporation - Endeavour Energy
- Port of Newcastle, Port Botany and Port Kembla Lessor Companies (Pty Ltd)
- Cobbora Holding Company Pty Ltd (deregistered 27 June 2018).

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

TREASURY LEADERSHIP TEAM



Michael Pratt AM
NSW Treasury
Secretary



Caralee McLiesh
Fiscal and Economic Group
BEd (Hons) PhD (Finance)
Deputy Secretary



San Midha
Agency Budget and Policy Group
BBus, MBA
Deputy Secretary



Vicki Telfer
People Strategy Group
BSc, DipEd, MPA, MALP, GAICD
Deputy Secretary



Philip Gardner
Commercial Group
BEcon, LLB
Deputy Secretary



Sonia Kammel
Corporate Services Group
BBus, FCPA, GAICD
Deputy Secretary



Kenna Ackley
Office of the Secretary
BA, MPP
Chief of Staff

TREASURY'S STRUCTURE AND RESPONSIBILITIES

The Treasury Leadership Team is the strategic decision-making body for Treasury. The team has a clear focus and accountability for strategic leadership, high-order resource allocation and risk management across the organisation.

The Treasury Leadership Team comprises the Secretary, five Deputy Secretaries and the Chief of Staff.

This 2017-18 Annual Report presents our organisation structure going forward aligning with our refreshed strategy, our three goals and our 2020 world class Treasury vision.

Treasury's structure consists of five groups that, along with the Office of the Secretary, are responsible for delivering Treasury's strategy and goals:

- Fiscal and Economic Group
- Agency Budget and Policy Group
- Commercial Group
- Corporate Services Group
- People Strategy Group
- Office of the Secretary.

Fiscal and Economic Group

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

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

Core responsibilities also include advising on:

- economic conditions, forecasting, modelling, and microeconomic reform
- fiscal policy, and revenue and expenditure strategy
- Treasury management
- intergovernmental financial relations
- public sector financial framework reforms, and accounting policy and capability
- financial risk management and transformation supporting the sustainability of NSW by providing the financial platforms to ensure we deliver the best outcomes for the people of NSW, in the most effective and efficient way.

TREASURY'S STRUCTURE AND RESPONSIBILITIES

Agency Budget and Policy Group

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

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

They also play a key part in preparing the State Budget and monitoring agency financial and policy performance.

Core responsibilities:

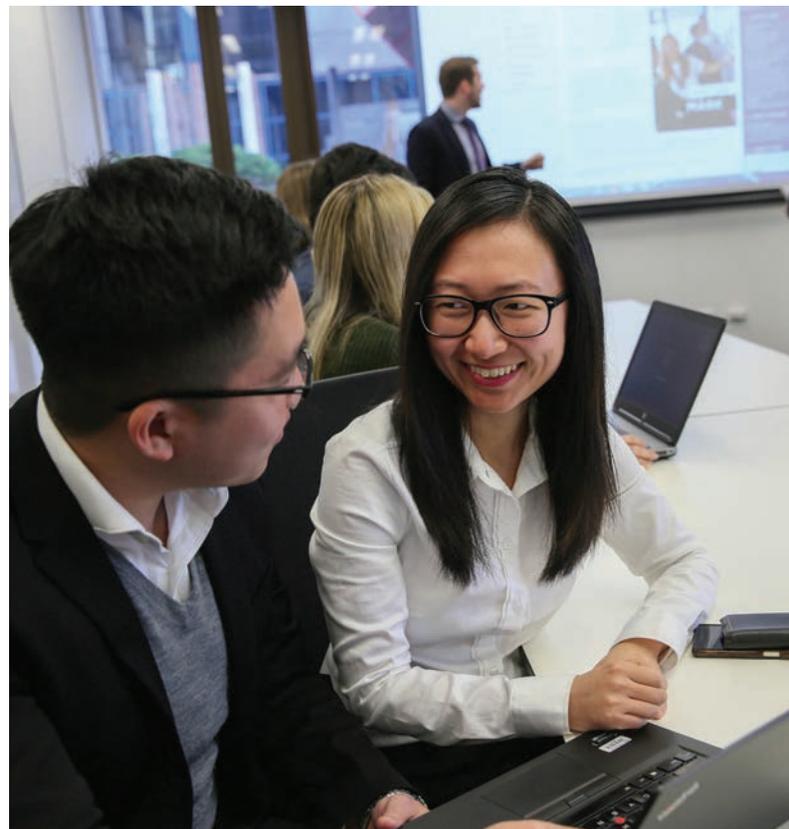
- coordination of agency content for core Treasury publications, including Budget Papers, Total State Sector Accounts and Half-Yearly Review
- providing economic and financial advice on resource allocation, service delivery, policy and funding reforms
- undertaking robust financial monitoring through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

Commercial Group

The Commercial Group has responsibility leading major asset transactions, overseeing significant government businesses, providing advice on delivery of services and major capital projects, and the management and analysis of data to support policy development.

Core responsibilities:

- providing specialist commercial and financial advice to government, to facilitate private sector involvement in major capital projects and related services
- actively implementing management of the government's shareholding in State Owned Corporations (SOCs) which includes assessing and monitoring their commercial strategies
- partnering with NSW government agencies to improve the outcomes delivered by government services
- managing major asset transactions
- building a world class data analytics platform and capability to support evidence-based policy development.



Corporate Services Group

The Corporate Services Group leads Treasury's in-house functions, ensuring the provision of critical support and expert advisory services; coordinates engagement and support for the Treasurer's Office; and is focused on strengthening the monitoring and reporting of business performance to ensure the organisation's continuous improvement - providing proactive advice on all aspects of the business. They also work with the broader government sector across its functions, providing central agency leadership and engagement.

Core responsibilities:

- developing and managing Treasury communications
- leading Treasury's Parliamentary, Cabinet and Governance functions and providing support for the Office of the Secretary
- finance and business performance management
- facilities management
- information management systems
- procurement
- project management
- Office of General Counsel.

People Strategy Group

The People Strategy Group brings together the aspects of our organisation that provide Industrial Relations support for the government sector and the construction, entertainment, retail and taxi industries; and Human Resources support for our employees in Treasury.

Core Industrial Relations responsibilities include:

- providing strategic public and private sector policy advice to the NSW Government
- providing specialist support to public sector agencies regarding the application of the Government's Wages Policy and implementation of government reforms
- participating as a partner in the Commonwealth's National Workplace Relations Framework
- monitoring and enforcing compliance for the construction, entertainment, retail and taxi industries.

The priority of the Human Resources team is to develop the skills and innovation of our people to create a high-performing, results-driven workforce, as well as developing strategies and initiatives to make Treasury a rewarding place to work.

Core Human Resources responsibilities include:

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

Office of the Secretary

The Office of the Secretary coordinates direct support services to the Secretary of Treasury, and is the primary provider managing the flow of information to the Secretary and to the Office of the Treasurer.

ORGANISATIONAL CHANGE

Treasury began the 2017-18 reporting period with an organisation chart displaying seven groups. Over the year, we refreshed our world class Treasury strategy and reviewed initial inputs from the Treasury culture review, implementing changes in ownership of key projects and streamlining our organisational structure to five groups. We also made structural and people changes to streamline functions, enhance efficiency and effectiveness, and ensure we are focused on the right areas to deliver on our world class Treasury vision.

In October 2017, the new position of Deputy Secretary Financial Management Transformation (FMT) was introduced to facilitate delivery on this large and important program. Reporting directly to the Secretary of Treasury, this new role became part of the Treasury Leadership Team. As the year progressed, and Treasury's FMT project became business as usual, its associated group, as a standalone function was disbanded in May 2018 with critical ongoing roles integrated into the organisation.

In December 2017, as a result of machinery of government changes, the NSW Data Analytics Centre (DAC) moved to Treasury from the NSW Department of Finance, Services and Innovation. The DAC is positioned within the Commercial Group and provides services to our customers across the sector. In addition, effective 1 January 2018, the Long Service Corporation, previously in Treasury's Industrial Relations Group, was successfully transitioned from Treasury to the Finance, Services and Innovation cluster.

In May 2018, our structure was streamlined to five groups with two new Deputy Secretary roles created - Deputy Secretary, People Strategy; and Deputy Secretary, Corporate Services. These new roles join the Leadership Team and recognise the important role both play in the management of Treasury and the broader public service. The Treasury legal team headed by the General Counsel was moved under the Deputy Secretary, Corporate Services consolidating all internal functions within this group.

The new People Strategy Group brings together all aspects of our organisation that provides support for our employees in Treasury and across the sector, and includes our Industrial Relations and Human Resources teams. Within the People Strategy Group, the Human Resources team delivers on our key people priorities - including culture, flexibility and customer focus while the Industrial Relations team maintains a continued focus on policy, regulatory compliance and sector workforce issues.

In February 2018, the Treasurer announced the establishment of the NSW Productivity Commission, with Peter Achterstraat AM appointed as Commissioner in June 2018. Establishing the new Productivity Commission resulted in the creation of the new role of Executive Director of Productivity within Treasury's FEG team, reporting to the new Productivity Commissioner. This role heads up the Office of the Commissioner and works with the Productivity Commissioner, as well the Deputy Secretary Fiscal and Economic and cross-Treasury teams, to drive the productivity reform agenda for NSW.

Also, the appointment of Stephen Walters as the state's first Chief Economist was announced and sits within Treasury. The Chief Economist will work with the Productivity Commissioner, government agencies, public and private policy leaders, academics and the business community to support the Treasurer and government on priority economic analysis, with a focus on external engagement and communications.

The changes announced over the reporting period were finalised by 30 June, allowing us to begin the new financial year with a settled Leadership Team and the right structure in place going forward. We are confident that these changes will build a strong foundation of world class leadership within Treasury aligning with our refreshed strategy, our three goals and our vision for 2020.



NSW'S ECONOMIC AND FISCAL ENVIRONMENT

Economic factors

The 2018–19 Budget is based on a foundation of fiscal discipline, reform and economic strength, allowing the government to invest the State's economic and financial success in the people, family and communities of NSW, making our state a better place to live.

The Budget delivers strong surpluses, with forecast average annual surpluses of \$1.6 billion over the four years to 2021–22. This robust budget position means the government can continue to drive its record infrastructure program, with \$87.2 billion to be invested in infrastructure projects across the state over the next four years. This includes the continuation of major projects like WestConnex and Sydney Metro, and record new investments in local infrastructure such as new and upgraded schools, hospitals, roads, and cultural facilities for communities across the state.

For the third consecutive year, general government net debt is negative at 30 June, although as the government progresses its infrastructure program, it will increase to 4.0 per cent of Gross State Product (GSP) by June 2022.

As a result of financial management reforms, active financial liability management and record levels of infrastructure investment, NSW is the first state to have a net worth of more than one quarter of a trillion dollars, and this is forecast to rise to \$305.9 billion by June 2022.

Both major international credit ratings agencies, Moody's and Standard and Poor's, currently rate NSW as triple-A, which is the highest possible credit rating.

Strong progress has been made on reforms to improve the quality, transparency and efficiency of the budget process. The 2018–19 Budget is the first to present financial and performance information for each cluster, structured around State Outcomes, and is also the first to report on the State's contingent assets and liabilities.

Alongside the Budget papers, the Budget website has been made more user friendly via a suite of interactive dashboards, including an interactive map that illustrates to citizens how capital spending impacts them and their local community.

Fiscal influences

The NSW economy performed strongly in 2017–18, posting State Final Demand (SFD) growth of 3.3 per cent, slightly below Budget expectations. GSP is expected to grow at an above trend pace of 3 per cent in 2017–18.

Since 2014–15, the NSW economy has shown exceptional strength, with per capita GSP growth averaging 1.7 per cent per year – the strongest performance among the states. This strength has been underpinned by households – through dwelling investment and household consumption – supported by strong gains in dwelling prices, above-trend population growth and low interest rates. Public investment has also made an impressive contribution, reflecting the government's asset recycling strategy, with positive impacts for business investment and employment. Service exports are another highlight, with relatively broad-based growth across tourism, education and professional and technical business services.

Employment growth has rebounded to an above long run average rate of 3.1 per cent in 2017–18, led by full-time jobs, which accounted for more than 60 per cent of additional employment over the past year. Demand for labour has been supported by strong economic activity and modest wages growth.

Strong demand has encouraged people into the labour force, through inward migration and higher workforce participation. This has kept the trend unemployment rate stable at around 5 per cent, the lowest of any state. The NSW participation rate is near a record high, driven by a high and rising female participation rate.

Forward indicators of labour demand, such as job advertisements and hiring intentions, suggest employment momentum will be maintained in the near term. Over the next two years, employment growth is expected to decline from the current highs to be more consistent with growth in economic activity. Employment is forecast to expand by an above-trend rate of 1.75 per cent in 2018–19 and 1.5 per cent in 2019–20.

NSW population growth has been strong, recording 1.6 per cent over 2017, well above the 1.1 per cent average since the early 1970s. Population growth is forecast to remain around half a percentage point above the long-term average over the next two years, mainly driven by historically high levels of net overseas migration.

With elevated population growth and workforce participation, the unemployment rate is expected to ease slightly and remain anchored at around 4.75 per cent over the forward estimates. This is consistent with estimates of full employment for NSW.

The outlook for economic activity remains favourable despite some emerging headwinds from a softening housing market. External demand conditions are likely to improve as the national and global economies strengthen. Growing Asian demand for commodities and services, low interest rates, a lower Australian dollar, above-trend population growth, and a historically large infrastructure and residential construction pipeline, continue to provide support.

Consequently, the economy is forecast to maintain above-trend growth for the next two years. The pace is expected to ease and the composition of growth to shift towards exports and business investment, and away from household consumption and dwelling investment.

The public sector is expected to remain a key source of strength, underpinned by the State's record \$87.2 billion four-year capital spending program and the expansion of services such as the National Disability Insurance Scheme (NDIS).

Business investment is forecast to grow faster over the three forecast years than at any time since 2008-09, buoyed by public infrastructure investment and broadening demand for exports. The solid outlook is supported by positive business survey outcomes and the high value of non-residential building approvals.

Following a period of strong growth, the dwelling construction cycle appears to have peaked. The large pipeline of residential construction projects is however, expected to support elevated levels of activity and employment for some time yet.

Household consumption growth has been resilient over the past year, but is forecast to slow to below its long-run average over the next two years as declining house prices, high household debt, modest wages growth and tightening credit conditions – an issue potentially heightened by the Royal Commission into Misconduct in the Banking, Superannuation and Financial Services Industry – see households curb discretionary spending.

Inflation has remained subdued over the past year and could soften in the near-term due to changes in some administered prices. Looking further ahead, inflation is expected to rise in line with stronger wages growth and import prices, lifted by higher global inflation and a lower Australian dollar.

The near-term global growth outlook remains positive, posing some upside risk to exports. The medium-term outlook is more uncertain, with risks weighted to the downside. Global growth could face disruption as monetary conditions are gradually tightened, global trade tensions continue to escalate and the effects of fiscal stimulus in the United States eventually fade. China is another potential source of disruption as the risks around debt levels, shadow (unregulated) banking and the housing market continue to play out. These risks are amplified when considering around the world, there is now much less scope for monetary and fiscal policy to respond to potential economic shocks, such as possible global financial system dislocation.

NSW TREASURY'S STRATEGY ON A PAGE

OUR VISION

To be recognised as world class among Treasuries globally

OUR PURPOSE

Ensuring 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

OUR GOALS



OUR CUSTOMERS

Executive Government
NSW Government agencies and businesses
NSW Workplace

OUR MEASURES

Employee Engagement
Fiscal Responsibility Act
Customer Satisfaction

OUR VALUES

Excellence in service
Accountability
Integrity
Trust

OUR BEHAVIOURS

Customer focused
Innovative
Collaborative
Bold
Flexible

Key elements of the strategy

Our customers

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

Our partners

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

We have introduced new language around the concept of working with partners cooperatively and collaboratively to deliver on our vision and have made a series of commitments to our partners to work with them more efficiently and effectively.

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

Following the development of Treasury's clear and compelling strategy and overarching goals, in 2017-18 we have focused on driving clear outcomes and making further significant steps towards our 2020 world class Treasury vision.

The following chapters provide a summary of our 2017-18 achievements against our three corporate goals.

GOAL ONE

A team of highly capable and engaged people, sought after for the quality of their advice

Since the initial development of Treasury Goal One, we have introduced a new approach to customer relationship management that, in addition to a focus on flexible work practice and people development, has resulted in a strong upswing in employee engagement.

Developing customer relationships

Throughout 2017-18, we focused further on enhancing the skills and capability of our leaders and our people, as well as responding to our customers. In early 2018, we sought to learn more about our key stakeholders by surveying both our external customers and our employees. The results of the external Net Promoter Score (NPS), the internal Leadership Circle Cultural Assessment and the People Matter Employee Survey (PMES) revealed remarkably similar themes.

Results revealed Treasury employees were praised for their expertise, knowledge, responsiveness and dedication, but as an organisation, we need to be more consistent in our advice and guidance to agencies through a 'one Treasury voice', and improve understanding of our customers' business.

Acting on this feedback, we successfully implemented Treasury's Customer Relationship Model (CRM). The Treasury CRM is a clear set of practices, strategies and technologies used to manage our customer engagement. This includes a standardised and improved framework; launching a program of customer service culture and capability development, rolling out OneView - a Treasury-wide technology solution using the Salesforce platform - and providing face-to-face training to over 400 employees. Our aim was to embed customer service principles in our internal working processes.

Going forward, the Treasury's NPS survey will be run periodically to assess progress against our objective of world class customer service.

Prime improvements

In November 2017, Prime was implemented to the Treasury business and consequently, the 2018-19 Budget was fully and successfully delivered using this system only for the first time.

In April 2018, Treasury successfully deployed 15 targeted optimisations to the Prime system, resulting in modest but meaningful improvements to user experience, without compromising Prime's stability over the 2018-19 Budget period. Treasury is continuing to review the budget processes, and organisational arrangements to identify further opportunities for improvement to ensure we deliver a high quality, fit-for-purpose system.

Enhancing customer engagement

During 2017-18, we provided greater clarity on our role, and best practice engagement approaches, for dealing with internal and external customers, and further defining the 'customer' and the standards and experiences we seek to achieve. This has been fed into the culture and capability stream of our CRM work program, and continues to inform capability interventions and learning pathways.

OUR PERFORMANCE

Supporting agencies with new accounting standards

In 2017, Treasury established a cross-cluster implementation working group for the new accounting standards that will be effective in the 2019-20 financial year. These new standards are AASB 15 Revenue / AASB 1058 Income of Not-for-Profit entities, AASB 16 Leases and AASB 1059 Service Concession Arrangements: Grantor. The suite of new standards is considered the biggest change to accounting standards in Australia since the introduction of IFRS accounting in 2005.

The working group provides insight and feedback regarding the guidance Treasury publishes and general implementation of these standards. During the year, we have worked with agencies to support the transition to these standards, and will continue to do so in the upcoming year.

Investing in our talent

Organisation Culture Review

In late 2017, all Treasury employees contributed to our Culture Review project, to help us understand our existing culture and to identify the actions we might need to take to achieve our vision of a world class customer experience, operating with one Treasury voice and identity.

Given the diverse nature of Treasury work, it was highlighted that identity is critical, and requires refinement of cultural standards and behaviours. To build on this strong foundation, throughout 2017-18 we focused on developing a greater sense of belonging and a one-Treasury identity.

People Matter Employee Survey

Responding to the results of the 2017 People Matter Employee Survey (PMES), a range of workshops and discussion groups were held with employees at all levels of the organisation. The PMES results, and our subsequent employee consultation, identified two areas of focus to turn the dial on employee engagement – ‘Leading Change’ and ‘Managing Talent’. Over the year, Treasury has sought to drive an uplift in engagement by focusing on these two areas.

The preliminary results from our employees in the 2018 PMES showed the Treasury score for engagement increased from 66 to 69 per cent; and our overall participation was 94 per cent.

Key talent investment, development and retention

To ensure our leaders actively participate in the change agenda, Treasury has created a program of work, ‘Leading Change’. It is designed to drive the change required to achieve the 2020 world class Treasury vision. A range of initiatives have been incorporated including implementing the CRM and OneView, launching a new wellbeing program – with a strong focus on flexible working arrangements, as well as introducing a ‘Leaders Guide’ with change management training delivered to our leaders.

In 2017-18, Treasury continued to implement several internal leadership programs, including ‘Lead the Way’ and ‘Take the Lead’ – as well as launching a new ‘Women Leading at Treasury’ program. These programs aim to improve the leadership capability of employees, particularly those new to leadership roles, and are key to ensuring leadership consistency and capability across Treasury and the broader sector. Over 130 employees have participated in the programs during the financial year, which has deepened leadership capability across the organisation. This has assisted with our succession planning for all key roles. Our focus now is on female leaders; since June 2017, we have filled over 80 roles with an even gender split with females representing 60 per cent of the Treasury Leadership Team.

Secondment and co-location programs

Progressing our Managing Talent agenda included expanding training and development programs for our people; engaging employees in our ‘Mentoring @Treasury’ program, mobilising employees through internal promotions and external secondment to other agencies.

In May 2018, the cluster Secretaries endorsed two Treasury proposals to build stronger relationships between clusters and Treasury. They were to establish a formal program of managed secondments between clusters and Treasury involving quality roles and high-performing staff. Treasury is working with clusters and the Public Service Commission (PSC) to develop the final design of the program and begin implementation; and promote and facilitate regular co-location of Treasury and Cluster teams, on an informal basis.

Better ways of working

To ensure delivery of Treasury's strategy, significant work has been undertaken on our core infrastructure including Treasury's technology platform, financial management, legal and audit processes, and governance framework.

Technology

In a continued effort to drive staff engagement using world class digital practices, over the past year Treasury has upgraded to Microsoft Office 365, shifted to cloud-based solutions and introduced OneView and Yammer – an internal social networking platform, to improve transparency and communications across Treasury. This technology is enabling us to easily, but securely, access and share information from anywhere, at any time, and collaborate with colleagues remotely – supporting Treasury's strategy to nurture an agile, flexible and digitally proficient workforce. Following consultation with the sector, Treasury also delivered a series of customer-centric enhancements to the Prime system, on time and within budget.

Risk management

The audits outlined in our 2017-18 strategic internal audit plan were delivered as scheduled, and an audit of Treasury's own risk management highlighted the growing maturity of our approach and identified no areas of concern. As part of Treasury's Quality Assurance and Improvement Program (Standard 1300), an annual self-assessment of Treasury's compliance with the Standards was undertaken with no significant gaps identified.

Legal

In line with our vision for 2020, Treasury is implementing its strategy to create a world class legal culture, comprising the following pillars:

- improving core internal legal capability and management of external legal advisors, including the creation of a Deputy General Counsel position
- creating effective legal systems, processes and precedents, including developing new precedent agreements and an execution manual
- creating a Treasury culture of seeking legal advice and building general legal awareness. To facilitate this, a series of Legal on a Page cheat sheets are planned on topics, e.g. Confidentiality Deeds and Legal Professional Privilege, to be followed by information sessions for Treasury employees.

OUR PERFORMANCE

Communication underpins our strategy

To support our strategy over 2017–18, and maintaining the momentum through to 2018–19, Treasury implemented a comprehensive communications plan focusing on driving engagement and customer focus across our internal and external audiences. During 2017–18, two key audiences of focus were developing the leadership culture of our Extended Leadership Team (ELT) and building our relationship with cluster Secretaries.

Building a collaborative leadership culture within the ELT involved expanding membership to Directors (SES Band 1 and Band 2). To help build relationships and a shared understanding of Treasury goals and priorities, we facilitated a series of offsite events. In addition, a speaker series and an online Leadership Hub were launched to build leadership knowledge and engagement, and a broader understanding of best practice leadership. In hand with this, a 'communications cascade' was launched to drive transparency and enable managers to discuss Treasury's weekly priorities with their teams.

Our second focus was building long-term trusting and customer-focused relationships with cluster Secretaries. This has involved refreshing the approach to pre-Budget cluster meetings, where Secretaries present their strategic plans for their clusters with this process involving the Secretary of the Department of Premier and Cabinet (DPC). Treasury also introduced a monthly Budget update presented to the Secretaries Board as well as regular Treasury presentations on key cross-sector programs and reforms. Treasury has also taken an open and transparent approach to sharing customer feedback and how we are acting on it.

Providing quality advice to the sector

Throughout 2017–18, Treasury provided quality advice and assistance across the sector. A key part of this was during the 2018–19 Budget process and the 2017–18 Half-Yearly Review. Treasury worked with agencies across government to ensure strong management of the State's fiscal position and optimal resource allocation.

Advice to support value for money investment and service provision was provided to government on a wide range of reforms, strategies and policies being delivered by agencies throughout the State Government. Key areas included the Western Sydney City Deal; substantial investments in new and improved health and education facilities; the NSW contribution to the Commonwealth Redress Scheme for survivors of child sexual abuse; and the establishment of the NSW Generations Fund.

Treasury also provided quality advice in the commercial sphere. Our Infrastructure and Structured Finance Unit, working alongside teams across Treasury, provided expert support to ensure the effective delivery of the State's record infrastructure investment program. Treasury also provided advice and guidance in support of the effective performance and delivery of the State's government businesses.

Industrial relations advice is also a key part of Treasury work, supporting workplaces across the state. Treasury's industrial relations input, knowledge and expertise is critical to the development of strategies for successful government transactions; it also supports NSW public sector agencies on a wide range of industrial relations matters.

Building financial capability

Treasury has taken a proactive and collaborative approach to supporting financial capability, and contributing to building sustainable and strategic public sector finance professionals. Over 2017–18, Treasury began work to address the changing business needs, and technological disruption, driving a fundamental shift in the way finance professionals will deliver services in the future. Strategies and initiatives are being developed to deploy professionals into business partnering and strategic advisory roles.

Frontline service delivery and community engagement

Over the reporting period, Treasury's NSW Industrial Relations (NSW IR) team continued providing comprehensive advice, information and assistance to employers and workers throughout NSW; and as a regulator, performed important compliance and enforcement functions. Additionally, Treasury's NSW IR Aboriginal and Community Engagement advisors delivered workshops in both metropolitan and regional locations throughout NSW.

Boxing Day Education and Compliance Campaign

Following the passage of amendments to the Retail Trading Act in September 2017, Treasury's NSW Industrial Relations Compliance team delivered a state-wide education and compliance campaign, to ensure retail industry employers and workers understood their obligations and rights for trading on Boxing Day 2017. The campaign included visiting individual businesses and retail trading precincts across NSW; delivering face-to-face information sessions across Sydney and key regional locations; and presenting live and interactive webinars. The campaign was developed with the cooperation of peak industry stakeholders, and the results have provided invaluable insight to inform future education campaigns and the development of new information resources.

Collaboration with the Commonwealth

As an active partner in the national Fair Work system, Treasury's NSW IR Policy team continues to collaborate with the federal Department of Jobs and Small Business, and other jurisdictions, to explore emerging policy issues, such as trade union governance, protections for owner drivers and other operational issues. Their role includes providing feedback on legislative proposals, participation in formal briefing sessions and attendance at regular governance meetings. The Treasury Secretary also represented the Industrial Relations Minister at a recent meeting of State and Commonwealth Portfolio Ministers.

Dispute Negotiation

Earlier this year, the NSW Industrial Relations – Public Sector Industrial Relations team facilitated a successful wages outcome by managing negotiations between the government and Rail Unions, and successfully averted the threat of a disruptive rail strike. New Enterprise Agreements were approved on 27 April 2018 offering Sydney Trains and NSW Trains employees a 3 per cent per annum increase to salary and salary-related allowances. The agreements commenced from 1 May 2018 and are operative for a three year period. Importantly, the agreements comply with the NSW Wages Policy and the employee-related cost savings realised offset the overall package offered.

OUR PERFORMANCE

Commercial policies

Treasury acts as representatives for the shareholding Ministers to ensure the State's commercial government businesses are operating effectively and efficiently, to get the best outcomes for the state. It also assesses and monitors commercial strategies, and manages Board appointments. During 2017-18 a total of 43 Board appointments were made, with 32 being male and 11 female. Treasury is also responsible for the development of the NSW Government's Commercial Policy Framework. In 2017-18 Treasury implemented changes to the Commercial Policy Framework including:

- updating governance principles to align government businesses with ASX-listed companies
- introducing best-practice guidance for CEO appointments
- updating reporting requirements to support transparency and accountability
- strengthening assurance processes for capital projects.

Updating the Treasury Commercial Policy Framework included revising the Capital Structure Policy for government businesses, and the updated Financial Distribution Policy for government businesses. The changes require many price-regulated SOCs to align more closely with the regulatory levels of gearing as determined by the Independent Pricing and Regulatory Tribunal (IPART). For the non-regulated SOCs, it moves the businesses to gearing levels that are comparable to public and private sector businesses. It also frees up capital for the State to reinvest for the benefit of the people of NSW.

In moving to more efficient capital, SOCs have committed to increase their returns to the State, resulting in the return of more than \$3.5 billion across the Budget and forward estimates. The Government ensures dividend payments and capital returns do not impact consumer prices, capital investment or service delivery. The broader Commercial Policy Framework encourages more efficient government businesses, putting downward pressure on consumer prices.

Commercial assets

In 2017-18 Treasury provided advice and assistance for the WestConnex transaction by establishing Roads Retained Interest Pty Ltd to manage the State's 49 per cent retained interest in the WestConnex project. This included appointing two independent Directors to the Board. In addition, the current Chair and the non-executive Director of Sydney Motorway Corporation, will both join the Board after the transaction completes in late September 2018.

This financial year, the Commercial Assets team assisted the Cobbora Holding Company Board, and management, in the process of divesting its land and water assets, as well as winding up the company. As a result, the company returned approximately \$90 million to the Restart NSW fund, which will be invested in infrastructure to support the people of NSW.

Treasury's Commercial Assets team assisted the Port Authority of NSW in preparing the Strategic Business Case for new cruise infrastructure in Sydney. The business case investigated the feasibility, risks, costs and benefits associated with building a new cruise terminal at two sites in Botany Bay.

Transactions

During 2017-18, Treasury's new post-transaction team worked with businesses in the electricity industry to help them prepare for, and manage the consequences of, changes occurring in that sector, including increasing contestability in metering and customer connections, decommissioning, demolishing and rehabilitating old power station sites at Wallerawang and Munmorah, and investigating repurposing opportunities. We established processes with private sector businesses Transgrid, Ausgrid and Endeavour Energy in respect to the State's ongoing role as owner and lessor of their transmission and distribution networks. We also worked closely with the NSW Environmental Protection Authority (EPA) on the emerging issue of PFAS (a chemical found in firefighting foams) and assisted with their investigations at various industrial sites. We worked with the Port of Newcastle and Hunter Development Corporation (HDC) on remediation of former BHP steelworks sites at Mayfield and Kooragang Island. The completion of works at the Intermodal site at Mayfield was a significant achievement during the year.

Public private partnerships and infrastructure transactions

NSW Treasury's Infrastructure and Structured Finance Unit (ISFU) continues to be the State's and agencies' trusted advisor for Public Private Partnerships (PPPs) and complex infrastructure transactions. Between July 2017 and June 2018, Treasury's ISFU played a key role in the procurement of major projects and other complex transactions, including:

- advising RMS on the procurement of Stage 3 of WestConnex (WCX) – the M4-M5 Link and Rozelle Interchange
- co-leading the negotiation and execution of the highly complex refinancing and recapitalisation of Reliance Rail, resulting in the continued stable operation of Reliance Rail as a standalone entity with a significantly improved capital position, with the State no longer required to provide future financial support
- advising Transport for NSW (TfNSW) on commercial and financial elements of procurement, interfaces and structuring across the multiple packages which make up the Sydney Metro City and Southwest project. In September 2017, ISFU supported a major contract award (Sydenham Station and Junction Works) to a John Holland and Laing O'Rourke Joint Venture.

In addition, ISFU is working collaboratively with TfNSW on the structuring, risk allocation, procurement and tender evaluation for Regional Rail and Parramatta Light Rail, with contracts on-track for award in 2018-19. Treasury is also represented on the Construction Leadership Group (CLG), working to deliver infrastructure reform to ensure NSW projects continue to deliver value for money.

The NSW Government expanded ISFU's team and mandate to cover a greater number of high profile, high-risk projects, regardless of procurement method. The unit will also continue to play a leading role in bringing greater consistency to major project procurement processes state wide, share knowledge, interface with industry and make recommendations on new approaches to enable successful delivery of the unprecedented infrastructure pipeline, committed to by the NSW Government.

OUR PERFORMANCE

Applying advanced technology

Since its inception in 2015, the NSW Data Analytics Centre (DAC) has worked with State Government agencies and other partners to generate data insights into some of the more complex policy and regulatory issues impacting the people of NSW. This work has continued in 2017-18 with a range of projects DAC has applied advanced technology and processes to, such as, Artificial Intelligence and machine learning, to develop data insights and proof of concept technical solutions using agile methodologies.

Some examples of recent projects using these techniques include identifying builders at risk of insolvency, identifying Vocational Education and Training (VET) courses which are funded and subsidised by the NSW Government and their applicability to the current and future jobs market, and piloting an automated and robust spend categorisation tool to match spend categories of an invoice against agency, supplier and a particular kind of spend.

The DAC has assisted with the provision of efficient and connected services and information to citizens, businesses and governments, including but not limited to:

- helping to identify the buildings in NSW that may have combustible aluminium cladding for the Aluminium Cladding Taskforce
- helping to innovate and transform compliance monitoring of insurers and ongoing reform to the Compulsory Third Party (CTP) process
- improving ways citizens, NSW Government agencies, research analysts and commercial entities interact with, and gain insights from the NSW Treasury's annual State Budgeting, by creating a visual and interactive NSW Budget platform, generating nine times more traffic and page views compared to last year.

Finally, DAC entered into a non-binding agreement with Microsoft to work together and explore opportunities to harness the DAC's broad expertise in data science, and optimise its ability to offer products both inside and outside of government.

Risk capability and culture in the NSW Public Sector

Treasury has continued to support risk management capability and culture in the sector, through guiding the implementation of its existing policies, as well as the launch of new policies. These include:

- Internal Audit and Risk Management Policy for the NSW Public Sector (TPP15-03)
- Guidance on Shared Arrangements and Subcommittees for Audit and Risk Committees (TPP16-02)
- Risk Management – Executive Guide (TPP12-03A)
- Risk Management Toolkit Vol 1 Agency Guide (TPP12-03B)
- Risk Management Toolkit Vol 2 Templates (TPP12-03C)
- NSW Fraud and Corruption Control Policy (TC18-02).

Treasury has also taken the lead to further strengthen risk culture and capability across the sector. Key initiatives include:

- partnering with icare and supporting the co-design and launch of a new education platform – Risk Education eXpress (REX), which includes webinars, workshops, communities of practice and online resources for the sector
- partnering with the Independent Commission Against Corruption (ICAC) on delivering information sessions to the sector on Emerging Risks and Fraud and Corruption case studies in the public sector
- taking an active role to support the Enterprise Risk Management Community of Practice.

Treasury will continue to support the sector with ongoing initiatives in the 2018-19 financial year including reviewing its policies for risk culture and capability, clear communication on Treasury's risk management structure, and other initiatives to support agencies with risk management capability.

GOAL TWO

Excellence in the way we manage the State's finances and balance sheet

Goal Two leverages the twin platforms of financial management transformation and enhancement of Public Sector financial risk management. This allowed Treasury to maintain a strong fiscal position, meeting the needs of the people of NSW and ensuring the NSW economy is positioned to deal with future challenges.

Building a strong fiscal foundation for sustainable growth

Triple-A credit rating

NSW's Triple-A credit rating was reaffirmed in September and October 2017 by Standard and Poor's and Moody's rating agencies, making NSW one of only two Australian states rated as Triple-A by both credit rating agencies.

Treasury's team developed a strong 2018-19 NSW Budget delivering a surplus of \$3.9 billion, and average surpluses of \$1.6 billion across the four years to 2021-22. The NSW net debt is estimated to fall to a record low level of negative \$9.8 billion at June 2018, driven by a strong operating result, and proceeds from the Snowy Hydro sale. Together with expense growth projections and a Triple-A rating, Treasury has ensured compliance with all requirements of the Fiscal Responsibility Act 2012. In addition, the State's superannuation ability is on track to be fully funded by 2030 based on the funding program at the last triennial review (December 2015).

Government sector financial management reform

In 2017-18, Treasury developed the Government Sector Finance Bill 2018 to provide legislative support to underpin Outcome Budgeting policy and related reporting. The Bill represents the third pillar of the NSW Government's financial management transformation program, the largest financial reform undertaken in NSW in 30 years. Following extensive consultation across the sector, the Bill was approved by government in May 2018 and is currently before Parliament.

On 5 June 2018, the Treasurer introduced into Parliament two major government sector financial management reform Bills, the Government Sector Finance Bill 2018 (the GSF Bill) and the Government Sector Finance Legislation (Repeal and Amendment) Bill 2018 (the Cognate Bill). The GSF Bill consolidates and modernises financial management provisions in four Acts dating from the 1980s - the *Public Finance and Audit Act 1983* (PFA Act); the *Public Authorities (Financial Arrangements) Act 1987* (PAFA Act); the *Annual Reports (Departments) Act 1985* and *Annual Reports (Statutory Bodies) Act 1984*.

The Bills were developed by NSW Treasury in consultation with sector partners including senior representatives from each cluster. Treasury developed an implementation plan to assist agencies to transition to the new financial management framework, subject to the passage of both Bills through Parliament and their assent. The GSF Bill is proposed to commence in two stages, from 1 December 2018 and 1 July 2019, subject to passage and assent.

The GSF Bill is the substantive financial management reform Bill that will strengthen performance, accountability and transparency in the government sector, and maximise the State's ability to realise balance sheet potential. The associated, revised legislative and underlying financial management framework is a key part of the Government's Financial Management Transformation Program - whose vision is to create a world class financial management framework for NSW that will support high quality resource management and performance now, and in the future. The GSF Bill passed both houses of Parliament without amendment in 7 June 2018 and is currently awaiting assent.

OUR PERFORMANCE

The Cognate Bill will amend and rename the PFA Act which is proposed to be called the Government Sector Audit Act 1983 (the GSA Act). The GSA Act will be a separate Act that contains the Auditor-General, Audit Office and Public Accounts Committee provisions. The Cognate Bill will also repeal the two annual reporting Acts, the PAFA Act and the regulations under each of those Acts. The Cognate Bill will also make other amendments to legislation that are consequential on the enactment of the proposed GSF Bill and the renamed PFA Act. The Cognate Bill was passed by the Legislative Assembly without amendment on 5 June 2018 and passed the Legislative Council on 7 June 2018 with amendment and was referred to the Legislative Assembly. The Legislative Assembly is scheduled to consider the amendments in the 2018 Spring Session of Parliament.

The government sector financial management reform project works towards delivering alignment between processes, policies, legislation and system to create a world class financial management framework for NSW.

Prime optimised and fully implemented

The logo for 'Prime' features the word 'Prime' in a bold, blue, sans-serif font. The letter 'i' is stylized with a blue circle above it, resembling a dot or a small ring.

November 2017 marked a major milestone with the completed implementation of Prime. In April 2018, in consultation with the sector, Treasury successfully delivered 15 targeted, customer-centric optimisations to the Prime system. These optimisations resulted in meaningful improvements to user experience, without compromising Prime's stability over the 2018-19 Budget period.

The 2018-19 Budget was also delivered through the sole use of Prime. The workflow and associated reporting and database integrity provided a more secure, reliable platform than the combination of manual and system elements that were used in prior years.

Treasury continues to identify opportunities for tactical optimisation of Prime to ensure a high quality, fit for purpose system. Focused work has also started to identify strategic optimisation requirements to support delivery of the next stage of Outcome Budgeting, through Treasury's Budget Process Reform and Outcome Budgeting project.

The Total State Sector Accounts were delivered on time with the unqualified Auditor-General report.

Asset and Liability Committee

The Asset and Liability Committee (ALCO) provides best-practice advice to Treasury on managing the State's balance sheet. The ALCO uses a whole-of-government view to form its advice, with the goals of maintaining the NSW Triple-A credit rating, monitoring the State's significant financial risks, and ensuring the integrity of the State's reputation.

In late 2017, ALCO membership was refreshed to better draw on insight and experience from across the NSW public sector. Membership now includes senior executives from NSW Treasury, NSW Treasury Corporation (TCorp), Insurance and Care NSW (icare) and the Department of Finance, Services and Innovation (DFSI). The ALCO charter reflects the new membership, and its focused agenda enables it to monitor the State's balance sheet, consider and endorse enhancement and risk management strategies, and deliver on its core mandate.

Treasury continues to work with the ALCO and other agencies to identify and develop further opportunities to improve debt headroom, including conducting 'deep dives' into the portfolio, e.g. property and infrastructure exposure and utilisation.

Balance Sheet Optimisation

Treasury continues to implement its balance sheet reform agenda to enhance the State's management of financial risk. In optimising the State's cash and liquidity position, Treasury has centralised \$3 billion cash to date and will internalise up to an additional \$2 billion in cash balances over the four years to 2021-22.

During 2017-18, Treasury implemented the \$5.6 billion of fiscal headroom measures as part of the 2017-18 Budget. This included improved cash management, reduced TCorp liquidity and capital repatriation from SOCs. New measures were developed through the year, and in April 2018 Government approved \$6.3 billion in fiscal headroom measures which will be implemented in 2018-19.

Asset Optimisation

In March 2018, NSW Treasury successfully completed the sale of 58 per cent of Snowy Hydro scheme to the Commonwealth Government. In this transaction, Treasury achieved a sale price of \$4.154 billion and a clean exit from the company. Treasury also secured a commitment from the Commonwealth where employees will be retained, head office will remain in Cooma and the Snowy Hydro will continue to be publicly owned. The Victorian Government also agreed to transfer its 29 per cent shareholding to the Commonwealth, taking the Commonwealth's shareholding from 13 per cent to 100 per cent; this helps the Commonwealth Government facilitate the delivery of the Snowy 2.0 project. The transaction is a continuation of the NSW Government's asset recycling strategy, and its exit from the electricity generation sector.

In 2017-18, Treasury and Transport for NSW progressed the WestConnex sale process and maintained a competitive field of bidders while responding to numerous challenges and risks. For example the Federal Treasury review of stapled structures. The sale will form part of the Government's core strategy to build budget strength while delivering a once-in-a-generation infrastructure creating jobs and driving economic growth.

OUR PERFORMANCE

Maintaining the integrity of the NSW Wages Policy

During 2017-18, Treasury's Industrial Relations team monitored cluster agency compliance with the NSW Wages Policy of 2.5 per cent which is broadly in line with the prevailing Wage Price Index.

The continued application of the Government's Wages Policy is estimated to have avoided additional net costs in the order of \$1.5 billion in 2017-18.

Improving service delivery and delivering public value for the people of NSW

Treasury's Industrial Relations team have continued providing strategic industrial relations advice and input into various government transactions projects.

The Treasury's Industrial Relations Transformation team played an instrumental role in successfully managing the staged transfer of approximately 10,000 trained staff from the NSW public sector to the non-government sector, while enabling continuity of care for the State's National Disability Insurance Scheme (NDIS) clients.

Other reforms supported within service delivery agencies include the State Transit Authority Region 6 Bus Franchise in Sydney's Inner West; and the Social Housing Management Transfers to community housing providers - helping delivery on the Future Directions for Social Housing in NSW reform program aimed at improving social housing tenant outcomes.

Our Funds

Treasury's innovative thinking was demonstrated by successfully bringing together a virtual team with expertise from within the Treasury Cluster agencies to develop a world-first sovereign wealth fund, the NSW Generations Fund, made possible by the State's strong fiscal position. This fund joins other successful funds - the NSW Infrastructure Fund and the Social and Affordable Housing Fund - in building a strong foundation for sustainable growth.

NSW Generations Fund

The NSW Generations Fund (NGF) was a centrepiece of the 2018-19 Budget and combines the dual-purpose of debt retirement with citizen-led community investment.

In 2017-18, Treasury led the establishment of the NGF - a long-term fund that will grow to support debt retirement and provide capacity to fund community-focused initiatives. The NGF's assets are dedicated to offsetting the State's debt in line with the principles of the *Fiscal Responsibility Act 2012*, and supporting the Triple-A credit rating. As the NGF grows, up to 50 per cent of the investment returns will enable investment in local communities through My Community Dividend, a new initiative that will fund local projects nominated, and voted for, by NSW residents, to enhance their communities. The NSW Generations Fund Bill was prepared cognate with the 2018-19 Budget Appropriation Bills, and received assent on 27 June 2018.

By implementing a two-fold structure, the NGF is intended to benefit both present and future generations by keeping debt at sustainable levels over the longer term, while investing in community wellbeing today. The NGF will be managed by TCorp, the State's financial markets partner and part of the Treasury cluster. An Advisory Board will provide advice to the NSW Treasurer on the NGF, including investment strategy allocations and funding for community projects, programs or initiatives. The Advisory Board represents a diverse mix of government and industry expertise, with the leadership of Chair, Glenn Stevens, former Governor of the Reserve Bank of Australia, and two independent members.

Social and Affordable Housing Fund

The Social and Affordable Housing Fund (SAHF) was established in August 2017 to provide funding for social and affordable housing.

NSW Infrastructure Future Fund

Treasury is actively working with TCorp in managing the State’s financial assets through the NSW Infrastructure Future Fund (NIFF) and the SAHF.

The NIFF was established in December 2016 as a fund for investing the net proceeds from the State’s asset recycling program. Treasury’s work with TCorp, to lengthen the State’s average debt maturity profile, will allow for improvements in the matching of liabilities with funded infrastructure assets – and thereby reduce liquidity and refinancing risks. NSW’s Triple-A credit rating can also be leveraged to secure relatively low-cost debt in the current low-interest rate environment.

Reflecting the success of the asset recycling program, \$18.3 billion was invested into the NIFF, with returns on investment of 6.5 per cent per annum since inception. Fund total is at \$19.5 billion as at 30 June 2018. To date this investment approach has created an additional \$1.2 billion of capital for future spending on infrastructure programs.

Outcome Budgeting

Budget Process review

Over the period November 2017 to March 2018, Treasury initiated an independent review of the budget process. The review identified recommendations deployed for the 2018–19 Budget and ten main recommendations for a future budget process.

The 2018–19 Budget incorporated the recommendations made for the short-term including developing two Outcomes Dashboards – one for budget preparation and one for ongoing monitoring; and framing cluster budget submissions to ERC around State Outcomes incorporating outcome indicators and performance ratings.



In addition, the Budget website was redesigned to include an interactive map enabling citizens to see the spend and performance, against each state outcome for their local community.

In 2018, Treasury established a cross-Treasury team to undertake the Budget Process Reform and Outcome Budgeting project, to consider and progress the review’s recommendations for the future budget process, including conducting zero-base reviews for state outcomes. The project is governed by a Project Management Board and Steering Committee. The project is currently in detailed scoping phase.

The project brings together Treasury’s objectives to embed Outcome Budgeting; improve the efficiency and effectiveness of the budget process; and optimise the Prime system in support of these goals.

OUR PERFORMANCE

Risk management framework

Foreign Exchange Risk Policy

In October 2017, Treasury developed the first in a series of updates to Treasury's risk management framework, releasing a new whole-of-government Foreign Exchange Risk Policy. The Policy will improve management of currency exposure when government agencies and businesses buy or sell goods and services to/from overseas.

Treasury is also lengthening the State's debt maturity profile allowing us to lock in low interest rates for an extended period, minimise refinancing risk and minimise liquidity requirements over the long term. Through this approach, Treasury has completed the early repayment of private sector debt, with TCorp debt, for the Public Private Partnership related to Sydney International Convention Exhibition and Entertainment Precinct. This saved NSW \$13 million and serves as a blueprint for future initiatives.

Digital by design

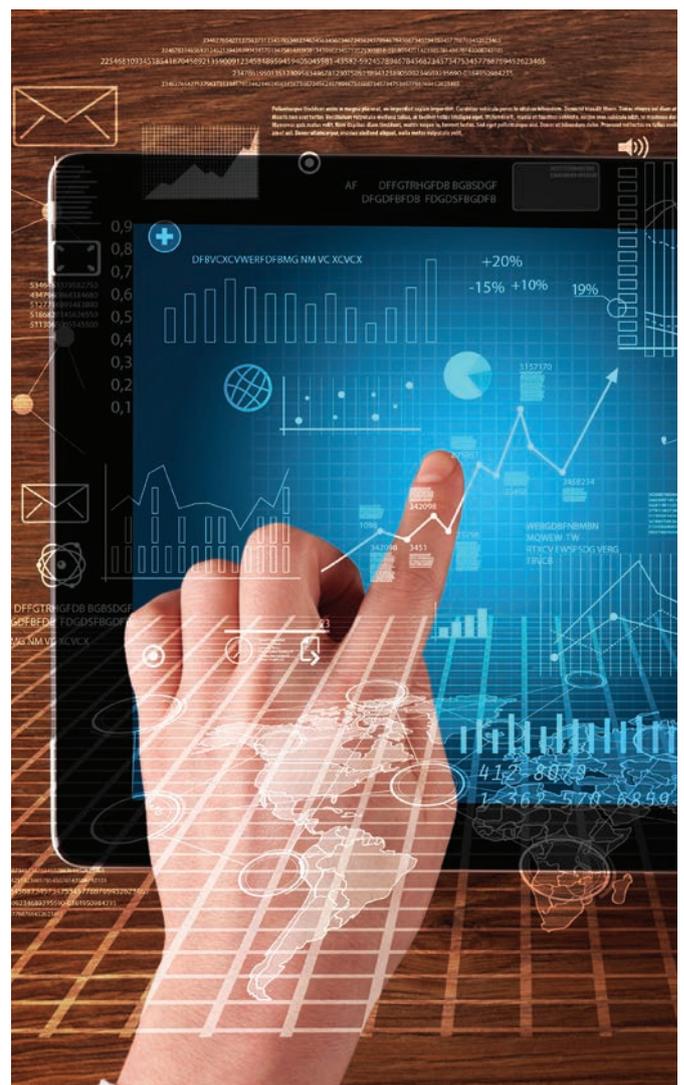
Delivering new banking arrangements for the Government Sector

During 2017-18, Treasury developed a blueprint for transformational change across the government sector to take advantage of innovation and emerging technology in financial services. The Request for Proposal was issued to shortlisted providers on 6 June 2018, adopting a modular structure to allow the State to partner with multiple providers - thereby increasing competition, providing flexibility and enabling innovation. The Government Sector Finance Bill 2018 was developed to support the progression of the tender with an optimal scope. Responses to the tender are due in late July with the new contract expected to be signed in December 2018.

Digital presence

Treasury's new website was launched in early 2017 with a seamless continuation of information for agencies. The website has now been in operation for a full reporting period with almost 400,000 page views, and positive feedback from our stakeholders on the new design, information architecture and enhanced functionality.

On the NSW Treasury website, the home page received the highest number of hits over this reporting period, and has been excluded from the following table owing to its function as a 'landing page'. The publication library continued to attract the highest volume of traffic with Treasury Circulars and Policy Papers being the most searched items. This information allows Treasury's groups to focus improvement efforts on high-value information.



Top 10 most visited pages on the NSW Treasury website in 2017-18

2017-18 ranking	Web page name	Overview of page content
1	Document Library	Location of all documents on the website, available through document filter and refined by topic options
2	Fire and Emergency Services Levy	Information on the Fire and Emergency Services Levy (FESL) that was deferred on 30 May 2017. Traffic to this page is redirected from the previous FESL website
3	Media Releases	NSW Treasurer media releases and fact sheets
4	Our Leadership team	Profiles of members of the Treasury Leadership Team
5	Current Opportunities	Current career opportunities and job vacancies with NSW Treasury
6	Public Private Partnerships - Awarded Projects	Public private partnerships projects awarded by NSW Government sector
7	Our Treasury Teams	Organisation structure and key responsibilities of Treasury groups
8	Contact us	Contact forms to submit enquiries to relevant areas in Treasury
9	About NSW Treasury	Outline of Treasury's core responsibilities
10	Risk Management toolkit	Risk Management toolkit assisting agencies to develop and implement their risk management framework and processes.

The 2018-19 NSW Budget Papers are published on the Budget website – budget.nsw.gov.au. Over the 2017-18 year, the Budget website was significantly redesigned to incorporate new data analytics in the form of interactive maps. As mentioned, the new maps enable citizens of NSW to see the spend and performance against each State Outcome for their local community.

This year, the redesigned Budget website received over 125,000 visits. With the exception of the home page, the webpages with the highest visits were the NSW Budget 2018-19 Budget Papers and NSW Budget 2017-18 Budget Papers.

The NSW Productivity Commission online portal was launched in May 2018. The new portal enables individuals and businesses to offer ideas and suggestions on improving regulation and reducing red tape. Since its launch, the webpages with the most visits have been the home page; the Your Feedback – help cut red tape page; and the Better Regulation webpage.

The NSW Industrial Relations website had a significant NSW Government online presence with over 1.8 million visits between July 2017 and June 2018. The website provides access to industrial relations information and legislation, public holidays; industry-specific rights and requirements in the building and construction, entertainment, retail, taxi, transport and clothing industries; and conditions of employment for public sector workers in NSW including links to information on the Commonwealth's Fair Work system for private sector employees in the state. It also includes publications, events, webinars and seminars covering a comprehensive range of workplace-related issues. The site also hosts dedicated subsites for young people at work, Indigenous employees and employers.

In addition, NSW Industrial Relations currently has over 2,500 Twitter followers (twitter.com/NSW_IR). Twitter is the communication channel announcing and linking followers to the latest industrial relations news and updated publications.

GOAL THREE

Innovative and strategic policy, reform and delivery based on rigorous analytics

NSW Treasury provides sector leadership in making NSW a recognised leader in business reform, infrastructure delivery and service provision.

Building on our economic capability and leadership

In February 2018, the Treasurer announced the establishment of the NSW Productivity Commission, with Peter Achterstraat AM appointed as Commissioner in June 2018. Establishing the new Productivity Commission resulted in the creation of the new role of Executive Director of Productivity within Treasury's Fiscal and Economic Group, and reporting to the new Productivity Commissioner. This role heads up the Office of the Commissioner and works with the Productivity Commissioner, as well as the Deputy Secretary Fiscal and Economic Group and cross-Treasury teams, to drive the productivity reform agenda for NSW.

Also in February, the new advisory role of the State's first Chief Economist was announced, with the role to be a thought leader and spokesperson on economic issues, analysis and trends. The Chief Economist is working with the Productivity Commissioner, government agencies, public and private policy leaders, academics and the business community to support the Treasurer and government on priority economic analysis, with a focus on external engagement and communications.

NSW Public Sector commissioning and contestability capability

Treasury's Commissioning and Contestability Unit (CCU) was established in 2016, to embed a whole-of-government approach to commissioning and partnering with service delivery agencies to deliver better services, better outcomes, and better value for the people of NSW. Across 2017-18, Treasury partnered with agency clusters to support major commissioning and contestability agendas in Family and Community Services, Justice and Transport, as well as targeted opportunities in Health, Industry and Education.

Work during 2017-18 saw successful partnerships with many agencies across government:

- Supporting Family and Community Services to improve safety, permanency and wellbeing outcomes for vulnerable children and young people, by recommissioning NGO-delivered Out-of-Home Care services, and transitioning these into a new Permanency Support Program - which focuses on improving outcomes through family preservation and restoration.
- Supporting Corrective Services NSW to market test the operation of John Morony Correctional Centre (JMCC), to lift performance of the JMCC, improve inmate outcomes, and incentivise increased efficiency across the publicly-operated custodial system. Following a competitive tender process, the Department of Justice signed an agreement for the operation of JMCC with the In-House Contestant in August 2017
- Supporting the Department of Education to deliver on the Government's commitment to additional out-of-school-hours care places; working with schools and their communities, local councils, Before and After School Care providers and other stakeholders, to support the provision of additional Before and After School Care places in areas of current and potential unmet demand; and exploring opportunities to develop longer term system improvements which could address emerging demands and supply constraints in the future
- Supporting Transport for NSW to franchise the operation of Inner West bus services, boosting services at reduced cost to taxpayers.

Treasury's work has laid the foundation for a whole-of-government approach to commissioning, by co-designing and launching the Commissioning and Contestability Policy and Practice Guide; and delivering a series of capability events and online learning modules to support on-the-job application of commissioning and contestability tools across government.

In July 2017, CCU launched the Commissioning and Contestability Community of Practice to embed commissioning and customer-centricity in NSW service delivery, and lift commissioning capability across the sector. The Community of Practice Network provides an active forum for professionals to connect with each other, share best practice, experience and learnings, and currently has over 500 members.

In February 2018, Treasury formally launched specialised learning modules developed to support commissioning and contestability capability across the NSW Public Sector. The learning modules are accessible to all NSW Government employees through the Communities of Practice website.

NSW workplace reform

Treasury progressed a range of industrial reforms across the sector during 2017-18 to ensure industrial arrangements are appropriate, and support the needs of a modern public service and the achievement of the Premier's Priorities.

Surrogacy Leave

Treasury's Industrial Relations team designed and implemented new provisions to support parental leave, for public service employees becoming parents through altruistic surrogacy or permanent out-of-home care arrangements.

The leave entitlements are similar to those currently available to employees who adopt a child, that is, 12 months leave – of which 14 weeks is paid leave and the remainder is unpaid leave; and for those employees providing permanent out-of-home care are entitled to take 12 months' unpaid parental leave.

Paramedics Death and Disability Scheme

Treasury's Industrial Relations team introduced income protection and death benefits for paramedics under the NSW Ambulance Income Protection Benefits State Award 2017.

The scheme provides income protection benefits for up to five years for on-duty claims, and up to two years for off-duty claims. Funding has also been made available for health and wellbeing programs in NSW Ambulance.

Work Level Standards

In collaboration with the Public Service Commission, Treasury investigated the development of Work Level Standards role evaluation methodology to improve consistency, aid workforce mobility and better align pay progression with employee performance. Treasury has been nominated to participate in a pilot to trial the proposed new arrangements. Treasury also undertook an evaluation of redundancy arrangements, and options to better incentivise agencies to pursue workplace reforms throughout the sector.

OUR PERFORMANCE

Future workforce reforms

Reform options are in the early stages of development, and initial opportunities have been discussed by the cluster Secretaries. The options developed on future workforce reforms will be presented for government consideration, and decision in 2019 with implementation expected to commence in 2019-20.

Treasury will continue to implement the Government's Wages Policy with Wage Price Index being maintained at around 2.5 per cent while also supporting the policy's capacity for additional increases where supported by savings initiatives.

Microeconomic reform

Business reform agenda and Commonwealth engagements

In February 2018, the Treasurer announced the establishment of the first NSW Productivity Commission within Treasury, and in May 2018 appointed Peter Achterstraat AM as the first Productivity Commissioner.

The Commissioner, supported by the NSW Productivity Commission will provide leadership, a coherent strategy and renewed focus on policies capable of boosting productivity and raising the quality of regulation in NSW.

The NSW Productivity Commission launched an online portal for individuals and businesses to offer ideas on improving regulation and reducing red tape. The submissions will be considered as the Commissioner develops reform options for government review.

Also in February 2018, as part of a suite of microeconomic reforms, the NSW Government announced that it would conduct a Review of Payroll Tax Administration in NSW (the Review) to reduce the administrative burden on businesses. The scope of the Review focused on the administrative aspects and compliance issues associated with payroll tax in NSW. The Review was undertaken by NSW Treasury, with the assistance of PricewaterhouseCoopers (PwC). The final report is due to be delivered at the end of August 2018.

National reform priorities

In October 2017, Treasury worked with the NSW and other Australian state and territory Treasurers to establish the Board of Treasurers. The Board's role is to collaborate on issues of common interest, advance national reform priorities from a state and territory perspective, and foster more constructive and effective engagement with the Commonwealth Government.

The Board is an independent and enduring body that upholds the sovereignty of state and territory governments within the Australian constitutional framework, with respect to federal financial relations.

In 2017-18, Treasury initiated engagement with the Board to ascertain further opportunities to improve workforce and business mobility. Treasury is working with the Board to identify a productivity-enhancing reform agenda, and agree on a set of coordinated cross-jurisdictional reforms by the end of 2018 to promote national economic growth and make it easier to do business.

Treasury is also pursuing an active agenda with the Commonwealth, and other jurisdictions, on productivity reform. Treasury is leading efforts through the Board and the Council for Federal Financial Relations to identify and agree national reform priorities in the funding and delivery of major services such as health and education, and is also negotiating with the Commonwealth for agreement on the NSW schedule on small business reform.

Risk management and insurance activities within Treasury

Business Continuity Planning

To ensure our readiness in the event of a disruptive incident, the NSW Treasury Business Continuity Plan (BCP) facilitators meet monthly to test BCP tools, to provide updates on the implementation of actions put in place following the lessons learned from scenario testing, and to discuss changes to their groups' BCPs. During the year, all BCP details were reviewed and amended where necessary and business critical documents were identified and posted onto the Treasury BCP website.

An offsite scenario simulation test involving the Crisis Management and Damage Assessment teams was held in September 2017. This test incorporated using our BCP and tools such as xMatters – Treasury's incident notification system. In addition, two simulated exercises were conducted successfully by the BCP facilitators, the Treasury Information Technology team and Department of Finance, Services and Innovation Workforce Services staff, to test the readiness and retrieval methodology of the BCP equipment and laptops.

Compliance

As part of our ongoing commitment to accountability and transparency, and as a component of the compliance Assurance Monitoring program, NSW Treasury incorporates annual compliance verifications from its extended leadership team, and heads of all relevant business units. Following the review and update of the Compliance Obligations Register, and associated questions, one compliance exercise was run during the reporting year using the workflow functionality associated with the Compliance, Risk and Assurance Management system – Protecht.

Compliance eLearning modules that relate to our higher risk corporate policies are in place and form part of the Compliance Assurance Monitoring program e.g. the Treasury Code of Ethics and Conduct. These modules assist our employees to understand their responsibilities in association with key corporate and NSW Government policies, and legislative requirements. They also form part of the on-boarding process for new starters and annual employee refresher training.

A new Compliance Breach form and register were developed in the Protecht system to record and report on any compliance breaches by staff.

Risk Assessment

A new Risk Appetite Statement, with associated risk tolerances was developed and implemented following consultation with the Treasury Leadership Team, and other Treasury senior subject management experts. In addition, Treasury established Key Risk Indicators (KRIs) aligned to our strategic risks, enabling monitoring of risks and providing assurance on the effectiveness of the strategic risks' controls. Consequently, the NSW Treasury Risk Management Framework was reviewed to incorporate the new Risk Appetite Statement and reference to the KRIs.

During the reporting year, risk and control self-assessment workshops continued to be conducted with members of the Leadership Team, the Extended Leadership Team and functional heads, to identify, assess and monitor our operational risks.

The NSW Treasury Risk Champions network was formed in February 2018, and is made up of 35 business unit representatives across NSW Treasury. Since the network's inception, the Risk Champions have begun reviewing risks within their respective divisions in consultation with the risk owner and the Risk and Compliance team. Also, the Protecht system is continually updated to incorporate new risks, and any changes to risk ratings and control effectiveness. The Risk Champions meet on a quarterly basis and, as part of their on-boarding, attend in-house training sessions on the NSW Treasury Risk Management Framework, the Protecht system and complete a Risk Management workshop conducted by SunCorp.

The NSW Treasury Fraud and Corruption Framework was reviewed and the Audit and Risk Committee received quarterly updates on fraud and corruption matters, noting there were no reportable matters for the financial year.

Insurance

Treasury's insurance premiums for 2017-18 totalled \$242,900. NSW Treasury's effective management of risk resulted in retrospective adjustments of \$18,969 to our premiums paid in previous years.

Internal Audit and Risk Management Attestation Statement for the 2017-2018 Financial Year for NSW Treasury

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

Core Requirements

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

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:

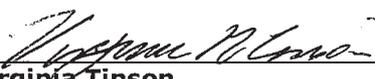
- Independent Chair, Victoria Weekes, appointed April 2017, first term expires April 2020.
- Independent Member, Jon Tyers, appointed August 2012, first term August 2012 to October 2015, second term extended from November 2015 to October 2018.
- Independent Member, Paul Ruiz, appointed December 2017, first term expires December 2020.
- Deborah O'Toole - Independent Member, appointed December 2017, first term expires December 2020.
- Independent Member, Patricia Azarias, appointed November 2015, first term was due to expire November 2018. Resigned on 10 July 2018.
- Independent Member, Garry Dinnie, appointed June 2013, term expired during December 2017.



Michael Pratt

Secretary

Date: 9.10.18



Virginia Tinson

Director of Risk & Compliance / Acting Chief Audit Executive

Telephone: 02 9228 3783

Date: 25/09/18

**Digital Information Security Policy Annual Attestation Statement for the 2017-2018
Financial Year for The Treasury**

I, Michael Pratt, am of the opinion that The Treasury had an Information Security Management System (ISMS) in place during the 2017-2018 financial year that is consistent with the Core Requirements set out in the NSW Government Digital Information Security Policy

The controls in place to mitigate identified risks to the digital information and digital information systems of The Treasury are adequate, subject to the identified deficiencies in the controls and procedures of a GovConnect ICT shared service provider. This ICT shared service provider has taken steps to remediate the control environment, with remaining deficiencies to be addressed in consultation with other GovConnect customers.

Risks to the digital information and digital information systems of The Treasury have been independently assessed against the ISMS developed in accordance with the NSW Government Digital Information Security Policy.



Michael Pratt
Secretary, NSW Treasury



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, which comprise the Statement of comprehensive income for the year ended 30 June 2018, the Statement of financial position as at 30 June 2018, 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 The Treasury as at 30 June 2018, 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 The 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' (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.

Other Information

Other information comprises the information included in The Treasury's annual report for the year ended 30 June 2018, other than the financial statements and my Independent Auditor's Report thereon. The Secretary of The 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 Department Head.

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 The 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 except where The Treasury's operations will cease as a result of an administrative restructure.

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: www.auasb.gov.au/auditors_responsibilities/ar4.pdf. The description forms part of my auditor's report.

My opinion does not provide assurance:

- that The 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 of NSW

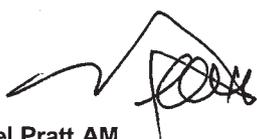
18 October 2018
SYDNEY

The Treasury

Statement by the Department Head

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

- (a) the accompanying financial statements in respect of the year ended 30 June 2018 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 2018 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,

16 October 2018

The Treasury

Statement of comprehensive income for the year ended 30 June 2018

	Notes	Actual 2018 \$'000	Budget 2018 \$'000	Actual 2017 \$'000
Expenses excluding losses				
Employee related expenses	2(a)	82,902	85,730	84,060
Other operating expenses	2(b)	44,321	40,468	37,814
Depreciation and amortisation	2(c)	6,243	7,176	4,420
Grants and subsidies		244	2,172	3,171
Finance costs	2(d)	(8)	68	100
Total expenses excluding losses		133,702	135,614	129,565
Revenue				
Appropriation	3(a)	114,865	117,919	128,873
Sale of goods and services	3(b)	14,374	20,141	11,288
Personnel services revenue	3(c)	2,664	-	4,423
Acceptance by the Crown Entity of employee benefits and other liabilities	3(d)	1,251	1,623	1,417
Other revenue		1,869	1	950
Total revenue		135,023	139,684	146,951
Gain / (loss) on disposal		(4)	-	(2)
Net result	17	1,317	4,070	17,384
Other comprehensive income				
<i>Items that will not be reclassified to net result</i>				
Superannuation actuarial gains / (losses) on defined benefit plans	12	401	-	2,522
Superannuation actual return on fund assets less interest income	12	822	-	1,288
Total other comprehensive income		1,223	-	3,810
TOTAL COMPREHENSIVE INCOME		2,540	4,070	21,194

The accompanying notes form part of these financial statements.

The Treasury

Statement of financial position as at 30 June 2018

	Notes	Actual 2018 \$'000	Budget 2018 \$'000	Actual 2017 \$'000
ASSETS				
Current assets				
Cash and cash equivalents	5	13,595	2,144	11,865
Receivables	6	9,325	5,415	8,647
Total current assets		22,920	7,559	20,512
Non-current assets				
Receivables	6	-	10,900	7,008
Plant and equipment	7	14,239	13,825	16,377
Intangible assets	8	49,117	60,626	43,830
Total non-current assets		63,356	85,351	67,215
Total assets		86,276	92,910	87,727
LIABILITIES				
Current liabilities				
Payables	9	16,694	7,975	13,505
Provisions	10	10,383	11,100	11,762
Other	11	1,383	1,382	1,383
Total current liabilities		28,460	20,457	26,650
Non-current liabilities				
Payables	9	4,257	-	3,774
Provisions	10	2,816	13,711	9,816
Other	11	8,637	12,817	10,021
Total non-current liabilities		15,710	26,528	23,611
Total liabilities		44,170	46,985	50,261
Net assets		42,106	45,925	37,466
EQUITY				
Accumulated funds		42,106	45,925	37,466
Total equity		42,106	45,925	37,466

The accompanying notes form part of these financial statements.

The Treasury

Statement of changes in equity for the year ended 30 June 2018

	Notes	<u>Accumulated</u> <u>Funds</u> <u>\$'000</u>
Balance at 1 July 2017		37,466
Net result for the year		1,317
Other comprehensive income		
Superannuation actuarial gains / (losses) on defined benefit plans	12	401
Superannuation actual return on fund assets less interest income	12	<u>822</u>
Total other comprehensive income		<u>1,223</u>
Total comprehensive income for the year		<u>2,540</u>
Transactions with owners in their capacity as owners		
Increase in net assets from equity transfer	13	<u>2,100</u>
Balance at 30 June 2018		<u>42,106</u>
Balance at 1 July 2016		<u>16,272</u>
Net result for the year		17,384
Other comprehensive income		
Superannuation actuarial gains / (losses) on defined benefit plans	12	2,522
Superannuation actual return on fund assets less interest income	12	<u>1,288</u>
Total other comprehensive income		<u>3,810</u>
Total comprehensive income for the year		<u>21,194</u>
Balance at 30 June 2017		<u>37,466</u>

The accompanying notes form part of these financial statements.

The Treasury

Statement of cash flows for the year ended 30 June 2018

Notes	Actual 2018 \$'000	Budget 2018 \$'000	Actual 2017 \$'000
CASH FLOWS FROM OPERATING ACTIVITIES			
Payments			
Employee related	(75,914)	(84,161)	(77,419)
Grants and subsidies	(244)	(2,172)	(3,171)
Other	(47,690)	(40,733)	(38,070)
Total Payments	(123,848)	(127,067)	(118,660)
Receipts			
Appropriation	114,864	117,919	128,042
Sale of goods and services	10,800	21,644	9,843
Other	2,568	1,173	2,094
Total Receipts	128,232	140,736	139,979
NET CASH FLOWS FROM OPERATING ACTIVITIES	4,384	13,669	21,319
17			
CASH FLOWS FROM INVESTING ACTIVITIES			
Purchases of plant and equipment	(368)	(350)	(164)
Purchases of Intangibles	(2,286)	(14,300)	(23,442)
NET CASH FLOWS FROM INVESTING ACTIVITIES	(2,654)	(14,650)	(23,606)
NET INCREASE / (DECREASE) IN CASH	1,730	(981)	(2,287)
Opening cash and cash equivalents	11,865	3,125	14,152
CLOSING CASH AND CASH EQUIVALENTS	13,595	2,144	11,865
5			

The accompanying notes form part of these financial statements.

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 and is consolidated in the Total State Sector's financial statements. Treasury is a not-for-profit entity (as profit is not its principal objective) and has no cash generating units. Treasury includes NSW Industrial Relations.

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

On 1 January 2018, the Data Analytics Centre (DAC) division was transferred from the Department of Finance, Services and Innovation (DFSI) to Treasury and the Long Service Corporation (LSCorp) transferred from Treasury to DFSI under the *Administrative Arrangements (Administrative Changes – Miscellaneous) Order 2017*.

These financial statements for the year ended 30 June 2018 have been authorised for issue by the Secretary on the date the accompanying Statement by the Department Head was signed.

(b) Basis of preparation

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

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

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

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

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

(c) Statement of compliance

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

(d) Administered activities

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

Transactions and balances relating to the administered activities are not recognised as Treasury's assets and liabilities, but are disclosed in Note 19.

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

(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.

1. Summary of Significant Accounting Policies (continued)

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

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

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

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

(g) Income recognition

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

(i) Parliamentary appropriations and contributions

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

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

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

(ii) Sale of goods

Revenue from the sale of goods is recognised as revenue when Treasury transfers the significant risks and rewards of ownership of the goods usually on delivery of the goods.

(iii) Rendering of services (including personnel services)

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

(iv) Grants

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.

(v) Investment revenue

Interest income is recognised using the effective interest rate method. The effective interest rate is the rate that exactly discounts the estimated future cash receipts over the expected life of the financial instrument or a shorter period, where appropriate, to the net carrying amount of the financial asset.

Rental income arising from operating leases is accounted for on a straight-line basis over the lease terms.

1. Summary of Significant Accounting Policies (continued)

(h) Property, plant and equipment

(i) Acquisition of property, plant and equipment

Property, plant and equipment are initially measured at cost and subsequently revalued at fair value less accumulated depreciation and impairment. Cost is the amount of cash or cash equivalents paid or the fair value of the other consideration given to acquire the asset at the time of its acquisition or construction or, where applicable, the amount attributed to that asset when initially recognised in accordance with the requirements of other AAS.

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

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

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

(ii) Capitalisation thresholds

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

(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 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 allocate 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

Physical non-current assets are valued in accordance with the 'Valuation of Physical Non-Current Assets at Fair Value' Policy and Guidelines Paper (TPP 14-01). This policy adopts fair value in accordance with AASB 13 Fair Value Measurement, AASB 116 and AASB 140 Investment Property.

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

1. Summary of Significant Accounting Policies (continued)

Fair value of property, plant and equipment is based on a market participant's perspective, using valuation techniques (market approach, cost approach, income approach) that maximise relevant observable inputs and minimise unobservable inputs.

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 property, 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.

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.

(i) Leases

An operating lease is a lease other than a finance lease. Operating lease payments are recognised as an operating expense in the Statement of Comprehensive Income on a straight-line basis over the lease term.

(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.

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

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 impaired losses.

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

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 loss.

1. Summary of Significant Accounting Policies (continued)

(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 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

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

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

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

(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

(a) Personnel services arrangements

Costs associated with staff employed to exercise the functions of LSCorp are recovered by way of personnel services revenue. On 1 January 2018, this arrangement ceased following LSCorp's transfer to DFSI.

(b) 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% 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.

(c) 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'. The associated leave liabilities of LSCorp staff were transferred out on 1 January 2018. Prior to 1 January 2018, liabilities for LSL and defined benefit superannuation of staff who were employed to exercise the functions of LSCorp were not assumed by the Crown Entity.

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.

As per Accounting Standard AASB 119 for defined benefit superannuation schemes, expenses are recognised based on the current service costs and net interest and expected return on fund assets are recognised as other comprehensive income for the reporting period. In accordance with NSW Treasury Circular TC18-10 Accounting for Superannuation, Treasury recognises actuarial gains and losses (for those employees exercising the functions of LSCorp) for defined benefit superannuation schemes outside of the net result in the 'other comprehensive income' in the year in which they occur.

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

Notes to the Financial Statements
30 June 2018

1. Summary of Significant Accounting Policies (continued)

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

(d) Consequential on-costs

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

(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.

(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 18. 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) Income tax

As an entity wholly owned by the NSW Government, Treasury is an income tax exempt entity.

Notes to the Financial Statements
30 June 2018

1. Summary of Significant Accounting Policies (continued)

(r) 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 16.

(s) Comparative information

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

(t) New, revised or amending standards and interpretations

The accounting policies applied in the year are consistent with those of the previous year.

Significant impacts on the accounting policies from the adoption of new, revised or amended accounting standards and interpretations, if any, are disclosed in the relevant accounting policy and notes.

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

The following lists new standards and interpretations that have been issued but are not yet effective, may be applicable to Treasury:

- AASB 9 *Financial Instruments (2014)* (operative date 1 July 2018)
- AASB 15 *Revenue from Contracts with Customers* (operative date 1 July 2019)
- AASB 16 *Leases* (operative date 1 July 2019)
- AASB 1058 *Income of Not-for-Profit Entities* (operative date 1 July 2019)
- AASB 1059 *Service Concession Arrangements: Grantors* (operative date 1 July 2019)
- AASB 2014-5 *Amendments to Australian Accounting Standards arising from AASB 15* (operative date 1 July 2018)
- AASB 2014-7 *Amendments to Australian Accounting Standards arising from AASB 9 (December 2014)* (operative date 1 July 2018)
- AASB 2014-10 *Amendments to Australian Accounting Standards – Sale or Contribution of Assets between an Investor and its Associate or Joint Venture* (operative date 1 July 2018)
- AASB 2015-8 *Amendments to Australian Accounting Standards – Effective Date of AASB 15* (operative date 1 July 2018)
- AASB 2016-3 *Amendments to Australian Accounting Standards – Clarifications to AASB 15* (operative date 1 July 2018)
- AASB 2016-8 *Amendments to Australian Accounting Standards – Australian Implementation Guidance for Not-for-Profit Entities* (operative date 1 July 2019)
- AASB 2017-5 *Amendments to Australian Accounting Standards – Effective Date of Amendments to AASB 10 and AASB 128 and Editorial Corrections* (operative date 1 July 2018)
- AASB 2017-6 *Amendments to Australian Accounting Standards – Prepayment Features with Negative Compensation* (operative date 1 July 2019)

It is considered impracticable to presently determine the impact of adopting those new standards and interpretations issued or amended but not yet effective.

In compliance with NSW Treasury mandates per Treasury Circular NSW TC18-01, Treasury has not early adopted any new accounting standards, amendments and interpretations.

Notes to the Financial Statements
30 June 2018

2. Expenses Excluding Losses

	2018 \$'000	2017 \$'000
(a) Employee related expenses		
Salaries and wages (including annual leave)	72,508	73,289
Superannuation - defined benefit plans	624	1,138
Superannuation - defined contribution plans	4,234	4,290
Long service leave	1,107	685
Workers compensation insurance	168	105
Payroll tax and fringe benefits tax	4,261	4,553
	82,902	84,060

No employee related expenses have been capitalised in Intangibles and therefore excluded from the above (2017: \$Nil). Except as noted, there are no other employee related payments included in asset and expenditure accounts.

(b) Other operating expenses include the following:

Auditor's remuneration

Audit of the financial statements	124	125
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Operating lease rental expense

Minimum lease payments	8,071	8,001
Contractors	8,606	7,466
Centralised corporate support charges	4,554	4,203
Consultants	5,089	4,642
Training	1,364	1,491
Information management	8,432	5,597
Building management maintenance and utilities	951	866
Staff recruitment	505	1,387
Computer maintenance and software licences	3,584	468
Internal audit fees	334	329
Maintenance ⁽ⁱ⁾	302	250
Printing and advertising	410	1,714
Travel	252	286
Minor plant, equipment and stores	210	163
Audit and Risk Committee	61	75
Insurance	64	58
Event management	337	196
Postal charges	76	85
Legal fees	141	84
Other	854	328
	44,321	37,814

Reconciliation - Total maintenance

(i) Maintenance expense - contracted labour and other (non-employee related), as above	302	250
Employee related maintenance expenses included in Note 2(a)	-	-
Total maintenance expenses included in Note 2(a) and 2(b)	302	250

Notes to the Financial Statements
30 June 2018

2. Expenses Excluding Losses (continued)

	2018 \$'000	2017 \$'000
(c) Depreciation and amortisation		
Depreciation		
Computer hardware	1,080	1,082
Office furniture	29	29
Leasehold improvements	1,750	1,738
	2,859	2,849
Amortisation of Software intangibles	3,384	1,571
Total Depreciation and Amortisation	6,243	4,420
(d) Finance costs		
Unwinding of discount rate	(8)	100

3. Revenues

(a) Appropriations and Transfers to the Crown Entity

Summary of Compliance	2018 \$'000		2017 \$'000	
	Appropriation	Expenditure	Appropriation	Expenditure
Original Budget Appropriation/Expenditure				
* Appropriation Act	117,919	114,865	144,191	128,873
Other Appropriation/Expenditure				
* s 24 <i>Public Finance and Audit Act 1983</i> - transfers of functions between entities	2,609	-	-	-
Total Appropriations/Expenditure/ Net Claim on Consolidated Fund (includes transfer payments)	120,528	114,865	144,191	128,873
Appropriation drawn down		114,865		128,873
Liability to Consolidated Fund		-		-

Notes:

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

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

Notes to the Financial Statements
30 June 2018

3. Revenues (continued)

	2018 \$'000	2017 \$'000
(b) Sale of goods and services		
Rendering of services		
Recoupment of costs ⁽ⁱ⁾	14,374	11,286
Other	-	2
	<u>14,374</u>	<u>11,288</u>
(c) Personnel services revenue		
Recoupment of Long Service Corporation staff costs	<u>2,664</u>	<u>4,423</u>
(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	774	888
Superannuation - defined benefit	455	504
Payroll tax	22	25
	<u>1,251</u>	<u>1,417</u>

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

The Treasury

Notes to the Financial Statements
30 June 2018

4. Program Groups of Treasury

Program Group

Purpose:

Analysis, advice and delivery

Treasury is the lead agency in protecting the State's triple AAA credit rating and delivering strong budgets. Treasury provides leadership in financial and risk management across the public sector to strengthen State finances, place downward pressure on the cost of living and improve New South Wales for all its citizens. Our purpose includes analysis, advice and delivery of State finances and to optimise the State's balance sheet.

	Analysis, advice and delivery		Not Attributable		Total	
	2018 \$'000	2017 \$'000	2018 \$'000	2017 \$'000	2018 \$'000	2017 \$'000
TREASURY'S EXPENSES & INCOME						
Expenses excluding losses						
Operating expenses						
Employee related	82,902	84,060	-	-	82,902	84,060
Other operating expenses	44,321	37,814	-	-	44,321	37,814
Depreciation and amortisation	6,243	4,420	-	-	6,243	4,420
Grants and subsidies	244	3,171	-	-	244	3,171
Finance costs	(8)	100	-	-	(8)	100
Total expenses excluding losses	133,702	129,565	-	-	133,702	129,565
Revenue						
Appropriation	-	-	114,865	128,873	114,865	128,873
Sale of goods and services	14,374	11,288	-	-	14,374	11,288
Personnel services revenue	2,664	4,423	-	-	2,664	4,423
Acceptance by the Crown Entity of employee benefits and other liabilities	1,251	1,417	-	-	1,251	1,417
Other revenue	1,869	950	-	-	1,869	950
Total revenue	20,158	18,078	114,865	128,873	135,023	146,951
Gain / (loss) on disposal	(4)	(2)	-	-	(4)	(2)
Net result	(113,548)	(111,489)	114,865	128,873	1,317	17,384
Other comprehensive income						
<i>Items that will not be reclassified to net result</i>						
Superannuation actuarial gains / (losses) on defined benefit plans	401	2,522	-	-	401	2,522
Superannuation actual return on fund assets less interest income	822	1,288	-	-	822	1,288
Total other comprehensive income	1,223	3,810	-	-	1,223	3,810
TOTAL COMPREHENSIVE INCOME	(112,325)	(107,679)	114,865	128,873	2,540	21,194

The Treasury

Notes to the Financial Statements
30 June 2018

4. Program Groups of Treasury (continued)

	Analysis, advice and delivery		Not Attributable		Total	
	2018 \$'000	2017 \$'000	2018 \$'000	2017 \$'000	2018 \$'000	2017 \$'000
TREASURY'S ASSETS & LIABILITIES						
ASSETS						
Current assets						
Cash and cash equivalents	13,595	11,865	-	-	13,595	11,865
Receivables	9,325	8,647	-	-	9,325	8,647
Total current assets	22,920	20,512	-	-	22,920	20,512
Non-current assets						
Receivables	-	7,008	-	-	-	7,008
Plant and equipment	14,239	16,377	-	-	14,239	16,377
Intangible assets	49,117	43,830	-	-	49,117	43,830
Total non-current assets	63,356	67,215	-	-	63,356	67,215
Total assets	86,276	87,727	-	-	86,276	87,727
LIABILITIES						
Current liabilities						
Payables	16,694	13,505	-	-	16,694	13,505
Provisions	10,383	11,762	-	-	10,383	11,762
Other	1,383	1,383	-	-	1,383	1,383
Total current liabilities	28,460	26,650	-	-	28,460	26,650
Non-current liabilities						
Payables	4,257	3,774	-	-	4,257	3,774
Provisions	2,816	9,816	-	-	2,816	9,816
Other	8,637	10,021	-	-	8,637	10,021
Total non-current liabilities	15,710	23,611	-	-	15,710	23,611
Total liabilities	44,170	50,261	-	-	44,170	50,261
Net assets	42,106	37,466	-	-	42,106	37,466
EQUITY						
Accumulated funds	42,106	37,466	-	-	42,106	37,466
Total equity	42,106	37,466	-	-	42,106	37,466

Notes to the Financial Statements
30 June 2018

5. Cash and Cash Equivalents

	2018 \$'000	2017 \$'000
Cash at bank	13,595	11,865
	13,595	11,865

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

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

Cash and cash equivalents (per statement of financial position)	13,595	11,865
Closing cash and cash equivalents (per statement of cash flows)	13,595	11,865

Refer to Note 20 for details regarding credit risk, liquidity risk and market risk arising from financial instruments.

6. Receivables

Current

Personnel services recoverable from LSCorp	-	3,921
Sale of goods and services	6,772	864
Prepayments	512	1,282
GST	1,169	1,597
Other	872	984
	9,325	8,647

Non-current

Personnel services recoverable from LSCorp	-	7,008
	-	7,008

Total receivables

	9,325	15,655
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Refer to Note 20 for details regarding credit risk, liquidity risk and market risk arising from financial instruments.

Notes to the Financial Statements
30 June 2018

7. Plant and Equipment

	Plant and Equipment \$'000	Leasehold improvements \$'000	Total \$'000
At 1 July 2017 - fair value			
Gross carrying amount	4,859	19,548	24,407
Accumulated depreciation and impairment	(3,212)	(4,818)	(8,030)
Net carrying amount	1,647	14,730	16,377
At 30 June 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

Reconciliation

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

Year ended 30 June 2018

Net carrying amount at start of year	1,647	14,730	16,377
Additions	249	119	368
Disposals	(119)	-	(119)
Acquisitions through administrative restructures	357	-	357
Depreciation expense	(1,109)	(1,750)	(2,859)
Other movements:			
Write back on disposal	115	-	115
Net carrying amount at end of year	1,140	13,099	14,239

Notes to the Financial Statements
30 June 2018

7. Plant and Equipment (continued)

	Plant and Equipment \$'000	Leasehold improvements \$'000	Total \$'000
At 1 July 2016 - fair value			
Gross carrying amount	4,733	19,144	23,877
Accumulated depreciation and impairment	(2,132)	(3,080)	(5,212)
Net carrying amount	2,601	16,064	18,665

At 30 June 2017 - fair value			
Gross carrying amount	4,859	19,548	24,407
Accumulated depreciation and impairment	(3,212)	(4,818)	(8,030)
Net carrying amount	1,647	14,730	16,377

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 2017			
Net carrying amount at start of year	2,601	16,064	18,665
Additions	159	404	563
Disposals	(33)	-	(33)
Depreciation expense	(1,111)	(1,738)	(2,849)
Other movements:			
Write back on disposal	31	-	31
Net carrying amount at end of year	1,647	14,730	16,377

Notes to the Financial Statements
30 June 2018

8. Intangible Assets

	Software \$'000	Capital Works in Progress \$'000	Total \$'000
At 1 July 2017 - fair value			
Gross carrying amount	42,373	5,176	47,549
Accumulated amortisation and impairment	(3,719)	-	(3,719)
Net carrying amount	38,654	5,176	43,830
At 30 June 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

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 2018

Net carrying amount at start of year	38,654	5,176	43,830
Additions	-	8,285	8,285
Disposals	(1,200)	-	(1,200)
Transfers	10,927	(10,927)	-
Acquisitions through administrative restructures	386	-	386
Amortisation	(3,384)	-	(3,384)
Other movements:			
Write back on disposal	1,200	-	1,200
Net carrying amount at end of year	46,583	2,534	49,117

Notes to the Financial Statements
30 June 2018

8. Intangible Assets (continued)

	Software \$'000	Capital Works in Progress \$'000	Total \$'000
At 1 July 2016 - fair value			
Gross carrying amount	3,825	20,392	24,217
Accumulated amortisation and impairment	(2,148)	-	(2,148)
Net carrying amount	1,677	20,392	22,069
At 30 June 2017 - fair value			
Gross carrying amount	42,373	5,176	47,549
Accumulated amortisation and impairment	(3,719)	-	(3,719)
Net carrying amount	38,654	5,176	43,830

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 2017

Net carrying amount at start of year	1,677	20,392	22,069
Additions	-	23,332	23,332
Transfers	38,548	(38,548)	-
Amortisation	(1,571)	-	(1,571)
Net carrying amount at end of year	38,654	5,176	43,830

9. Payables

	2018 \$'000	2017 \$'000
Current		
Accrued salaries, wages and on-costs	576	1,279
Creditors	16,118	12,226
	16,694	13,505
Non-current		
Payables	4,257	3,774
Total payables	20,951	17,279

Details regarding credit risk, liquidity risk and market risk, including a maturity analysis of the above payables are disclosed in Note 20.

Notes to the Financial Statements
30 June 2018

10. Provisions

	2018 \$'000	2017 \$'000
Current		
Employee benefits and related on-costs		
Recreation leave	6,483	6,426
Long service leave not assumed by the Crown	-	2,096
Provision for on-costs on employee benefits	2,818	3,087
Provision for fringe benefits tax	5	7
Provision for termination	1,077	146
Total current	10,383	11,762
Non-current		
Employee benefits and related on-costs		
Long service leave not assumed by the Crown	-	32
Provision for payroll tax on long service leave liability	61	59
Provision for on-costs on long service leave liability	111	104
	172	195
Superannuation	-	6,969
Other		
Restoration costs	2,644	2,652
Total non-current	2,816	9,816
Aggregate employee benefits and related on-costs		
Provisions-current	10,383	11,762
Provisions-non-current	172	7,164
Accrued salaries, wages and on-costs (Note 9)	576	1,279
	11,131	20,205

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

Movements in provisions (other than employee benefits)

Restoration costs

Carrying amount at the beginning of financial year	2,652	2,548
Unwinding / change in the discount rate	(8)	104
Carrying amount at end of financial year	2,644	2,652

11. Other Liabilities

Current

Lease incentive	1,383	1,383
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Non-current

Lease incentive	8,637	10,021
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Total

	10,020	11,404
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Current and non-current liabilities relate to the lease incentives for the new premises at 52 Martin Place, Sydney.

Notes to the Financial Statements
30 June 2018

12. Defined Benefit Superannuation Schemes

The defined benefit schemes for all Treasury employees are assumed by the Crown Entity. The amounts disclosed in this note reflects Treasury's responsibility for superannuation payments of the staff that perform the functions of the LSCorp up to 31 December 2017. On 1 January 2018, these liabilities of LSCorp were transferred to DFSI.

Nature of the benefits provided by the fund

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

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

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

All the schemes are closed to new members.

Description of the regulatory framework

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

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

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

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

An actuarial investigation of the Fund is performed every three years. The last actuarial investigation was performed as at 30 June 2015. The latest actuarial investigation as at 30 June 2018 is currently underway, expected to be completed in December 2018.

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

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

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

Description of risks

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

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

Notes to the Financial Statements
30 June 2018

12. Defined Benefit Superannuation Schemes (continued)

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

Description of significant events

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

	SASS 31-Dec-17	SANCS 31-Dec-17	SSS 31-Dec-17	TOTAL 31-Dec-17	TOTAL 30-Jun-17
Member Numbers					
Contributors	4	7	3	14	14
Deferred benefits	-	-	2	2	2
Pensioners	-	-	16	16	16
Pensions fully commuted	-	-	6	6	6
Superannuation Position for AASB 119 purposes	\$'000	\$'000	\$'000	\$'000	\$'000
Accrued liability (Note 1)	-	-	-	-	25,905
Estimated reserve account balance	-	-	-	-	(18,936)
1. Deficit/(surplus)	-	-	-	-	6,969
2. Future Service Liability (Note 2)	257	90	111	457	546
3. Surplus in excess of recovery available from schemes (- 1. - 2. and subject to a minimum of zero)	-	-	-	-	-
4. Net (asset)/liability to be recognised in statement of financial position (1. + 3.)	-	-	-	-	6,969

Note 1:

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

Note 2:

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

The Treasury

Notes to the Financial Statements
30 June 2018

12. Defined Benefit Superannuation Schemes (continued)

	SASS Financial Year to 31-Dec-17 \$'000	SANCS Financial Year to 31-Dec-17 \$'000	SSS Financial Year to 31-Dec-17 \$'000	Total Financial Year to 31-Dec-17 \$'000	Total Financial Year to 30-Jun-17 \$'000
Net Defined Benefit Liability/(Asset) at start of year	(913)	(212)	8,094	6,969	10,579
Current service cost	48	11	35	94	188
Net Interest on the net defined benefit liability/(asset)	(12)	(3)	105	90	209
Actual return on Fund assets less Interest income	(143)	(31)	(648)	(822)	(1,288)
Actuarial (gains)/losses arising from changes in demographic assumptions	-	-	-	-	5
Actuarial (gains)/losses arising from changes in financial assumptions	(11)	(4)	(112)	(127)	(2,558)
Actuarial (gains)/losses arising from liability experience	(60)	(13)	(201)	(274)	31
Employer contributions	(78)	(10)	(38)	(126)	(197)
Transferred to DFSI	1,169	262	(7,235)	(5,804)	-
Net Defined Benefit Liability/(Asset) at end of year	-	-	-	-	6,969

Reconciliation of the Fair Value of Fund Assets

	SASS Financial Year to 31-Dec-17 \$'000	SANCS Financial Year to 31-Dec-17 \$'000	SSS Financial Year to 31-Dec-17 \$'000	Total Financial Year to 31-Dec-17 \$'000	Total Financial Year to 30-Jun-17 \$'000
Fair value of Fund assets at beginning of the year	3,330	722	14,884	18,936	18,085
Interest income	44	9	193	246	341
Actual return on Fund assets less Interest income	143	31	648	822	1,288
Employer contributions	78	10	38	126	197
Contributions by participants	20	-	18	38	82
Benefits paid	-	-	(364)	(364)	(1,125)
Taxes, premiums & expenses paid	(7)	(20)	44	17	68
Transferred to DFSI	(3,608)	(752)	(15,461)	(19,821)	-
Fair value of Fund assets at end of the year	-	-	-	-	18,936

The Treasury

Notes to the Financial Statements
30 June 2018

12. Defined Benefit Superannuation Schemes (continued)

	SASS Financial Year to 31-Dec-17 \$'000	SANCS Financial Year to 31-Dec-17 \$'000	SSS Financial Year to 31-Dec-17 \$'000	Total Financial Year to 31-Dec-17 \$'000	Total Financial Year to 30-Jun-17 \$'000
Present value of defined benefit obligations at beginning of the year	2,417	509	22,979	25,905	28,664
Current service cost	48	11	35	94	188
Interest cost	32	6	299	337	550
Contributions by participants	21	-	18	39	82
Actuarial (gains)/losses arising from changes in demographic assumptions	-	-	-	-	5
Actuarial (gains)/losses arising from changes in financial assumptions	(11)	(4)	(112)	(127)	(2,558)
Actuarial (gains)/losses arising from liability experience	(60)	(13)	(201)	(274)	31
Benefits paid	-	-	(364)	(364)	(1,125)
Taxes, premiums & expenses paid	(8)	(19)	44	17	68
Transferred to DFSI	(2,439)	(490)	(22,698)	(25,627)	-
Present value of defined benefit obligations at end of the year	-	-	-	-	25,905

Reconciliation of the effect of the Asset Ceiling

	SASS Financial Year to 31-Dec-17 \$'000	SANCS Financial Year to 31-Dec-17 \$'000	SSS Financial Year to 31-Dec-17 \$'000	Total Financial Year to 31-Dec-17 \$'000	Total Financial Year to 30-Jun-17 \$'000
Adjustment for effect of asset ceiling at beginning of the year	-	-	-	-	-
Interest on the effect of asset ceiling	-	-	-	-	-
Change in the effect of asset ceiling	-	-	-	-	-
Adjustment for effect of asset ceiling at end of the year	-	-	-	-	-

The adjustment for the effect of asset ceiling has been determined based on the maximum economic benefit available to the entity in the form of reductions in future employer contributions.

12. Defined Benefit Superannuation Schemes (continued)

Fair value of Fund assets

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

As at 31 December 2017

Asset category	Quoted prices in active markets for identical assets	Significant observable inputs	Unobservable	31-Dec-17	30-Jun-17
	Level 1 (A\$'000)	Level 2 (A\$'000)	inputs Level 3 (A\$'000)	Total (A\$'000)	Total (A\$'000)
Cash	1,859,162	2,023,050	-	3,882,213	3,087,307
Australian Fixed Interest	21,937	2,802,853	-	2,824,790	2,500,725
International Fixed Interest	9,233	1,468,477	-	1,477,710	480,991
Australian Equities	8,739,598	443,972	25	9,183,595	9,446,079
International Equities	9,159,066	2,975,726	790	12,135,583	12,053,503
Property	867,863	606,475	2,077,161	3,551,499	3,453,108
Alternatives	391,892	3,611,120	3,923,769	7,926,781	9,066,056
Total	21,048,752	13,931,674	6,001,745	40,982,170	40,087,769

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

	31-Dec-17	30-Jun-17
Cash	9.5%	7.7%
Australian Fixed Interest	6.9%	6.2%
International Fixed Interest	3.6%	1.2%
Australian Equities	22.4%	23.6%
International Equities	29.6%	30.1%
Property	8.7%	8.6%
Alternatives	19.3%	22.6%
Total	100.0%	100.0%

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

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

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

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

Notes to the Financial Statements
30 June 2018

12. Defined Benefit Superannuation Schemes (continued)

Fair value of entity's own financial instruments

The disclosures below relate to total assets of the Fund.

The fair value of the Fund assets as at 31 December 2017 include \$106.9 million in NSW government bonds.

Of the direct properties owned by the Fund:

- STC occupies part of a property 100% owned by the Fund with a fair value of \$251 million at 31 December 2017 (30 June 2017: \$250 million).
- Health Administration Corporation occupies part of a property 50% owned by the Fund with a fair value (100% interest) of \$274 million at 31 December 2017 (30 June 2017: \$261 million).

Significant Actuarial Assumptions at the Reporting Date

As at	31-Dec-17
Discount rate	2.65%
Salary increase rate (excluding promotional increases)	2.50% 2017/2018 and 2018/2019; 3.50% 2019/2020 and 2020/2021; 3.00% pa 2021/2022 to 2025/2026;
Rate of CPI increase	2.25% 2017/2018 to 2019/2020; 2.50% pa thereafter
Pensioner mortality	The pensioner mortality assumptions are as per the 2015 Actuarial Investigation of the Fund. These assumptions are disclosed in the actuarial investigation report available from the trustee's website. The report shows the pension mortality rates for each age.
As at	30-Jun-17
Discount rate	2.62%
Salary increase rate (excluding promotional increases)	2.50% 2017/2018 and 2018/2019; 3.50% 2019/2020 and 2020/2021; 3.00% pa 2021/2022 to 2025/2026;
Rate of CPI increase	2.00% 2017/2018; 2.25% 2018/2019; 2.50% pa
Pensioner mortality	The pensioner mortality assumptions are as per the 2015 Actuarial Investigation of the Fund. These assumptions are disclosed in the actuarial investigation report available from the trustee's website. The report shows the pension mortality rates for each age.

The Treasury

Notes to the Financial Statements
30 June 2018

12. Defined Benefit Superannuation Schemes (continued)

Sensitivity Analysis

Treasury's total defined benefit obligation as at 31 December 2017 under several scenarios is presented below. The total defined benefit obligation disclosed is inclusive of the contribution tax provision which is calculated based on the asset level at 31 December 2017.

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

	Base Case	Scenario A	31-Dec-17 Scenario B
		-1.0% discount rate	+1.0% discount rate
Discount rate	2.65%	1.65%	3.65%
Rate of CPI increase	as above	as above	as above
Salary inflation rate	as above	as above	as above
Defined benefit obligation \$'000	25,627	29,665	22,351
	Base Case	Scenario C +0.5% rate of CPI increase	Scenario D -0.5% rate of CPI increase
Discount rate	as above	as above	as above
Rate of CPI increase	as above	as above + 0.5%	as above - 0.5%
Salary inflation rate	as above	as above	as above
Defined benefit obligation \$'000	25,627	27,510	23,921
	Base Case	Scenario E +0.5% salary increase rate	Scenario F -0.5% salary increase rate
Discount rate	as above	as above	as above
Rate of CPI increase	as above	as above	as above
Salary inflation rate	2.50%	3.00%	2.00%
Defined benefit obligation \$'000	25,627	25,737	25,522
	Base Case	Scenario G Lower Mortality*	Scenario H Higher Mortality**
Defined benefit obligation \$'000	25,627	26,098	25,334

The Treasury

Notes to the Financial Statements
30 June 2018

12. Defined Benefit Superannuation Schemes (continued)

	30-Jun-17		
	Base Case	Scenario A	Scenario B
		-1.0% discount rate	+1.0% discount rate
Discount rate	as above	as above -1.0% pa	as above +1.0% pa
Rate of CPI increase	as above	as above	as above
Salary inflation rate	as above	as above	as above
Defined benefit obligation \$'000	25,905	30,047	22,552

	Base Case	Scenario C +0.5% rate of CPI increase	Scenario D -0.5% rate of CPI increase
Discount rate	as above	as above	as above
Rate of CPI increase	as above	above rates plus 0.5% pa	above rates less 0.5% pa
Salary inflation rate	as above	as above	as above
Defined benefit obligation \$'000	25,905	27,771	24,215

	Base Case	Scenario E +0.5% salary increase rate	Scenario F -0.5% salary increase rate
Discount rate	as above	as above	as above
Rate of CPI increase	as above	as above	as above
Salary inflation rate	as above	above rates plus 0.5% pa	above rates less 0.5% pa
Defined benefit obligation \$'000	25,905	26,011	25,803

	Base Case	Scenario G Lower Mortality*	Scenario H Higher Mortality**
Defined benefit obligation \$'000	25,905	26,369	25,615

* Assumes the short-term pensioner mortality improvement factors for years 2018-2021 also apply for years after 2021

**Assumes the long-term pensioner mortality improvement factors for years post 2021 also apply for years 2018 to 2021

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

12. Defined Benefit Superannuation Schemes (continued)

Asset-Liability matching strategies

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

Funding arrangements

Funding arrangements are reviewed at least every three years following the release of the triennial actuarial review and was last reviewed following completion of the triennial review as at 30 June 2015. Contribution rates are set after discussions between the employer, STC and NSW Treasury.

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

Surplus/deficit

The following is a summary of the 31 December 2017 financial position of the Fund calculated in accordance with AASB 1056 Accounting Standard "Superannuation Entities":

	SASS	SANCS	SSS	Total	Total
	31-Dec-17	31-Dec-17	31-Dec-17	31-Dec-17	30-Jun-17
	\$'000	\$'000	\$'000	\$'000	\$'000
Accrued benefits*	2,341	466	12,105	14,912	14,952
Net market value of Fund assets	(3,608)	(752)	(15,464)	(19,824)	(18,936)
Net (surplus)/deficit	(1,267)	(286)	(3,359)	(4,912)	(3,984)

*There is no allowance for a contribution tax provision within the Accrued Benefits figure for AASB 1056. Allowance for contributions tax is made when setting the contribution rates.

Contribution recommendations

Recommended contribution rates for Treasury are:

	SASS	SANCS	SSS
	multiple of	% member	multiple of
	member	salary	member
	contributions		contributions
	-	-	-

Notes to the Financial Statements
30 June 2018

12. Defined Benefit Superannuation Schemes (continued)

Economic assumptions

The economic assumptions adopted for the 31 December 2017 AASB 1056 Accounting Standard "Superannuation Entities":

Weighted-Average Assumptions	31-Dec-17	30-Jun-17
Expected rate of return on Fund assets backing current pension liabilities	7.4% pa	7.4% pa
Expected rate of return on Fund assets backing other liabilities	6.4% pa	6.4% pa
Expected salary increase rate (excluding promotional salary increases)	2.7% to 30 June 2019 then 3.2% pa thereafter	2.7% to 30 June 2019 then 3.2% pa thereafter
Expected rate of CPI increase	2.2% pa	2.2% pa

Expected contributions

	SASS 31-Dec-18 \$'000	SANCS 31-Dec-18 \$'000	SSS 31-Dec-18 \$'000	Total 31-Dec-18 \$'000
Expected Treasury contributions	-	-	-	-

Maturity profile of defined benefit obligation

The weighted average duration of the defined benefit obligation is 13.3 years (2017: 13.6 years).

Profit or loss impact

	SASS 31-Dec-17 \$'000	SANCS 31-Dec-17 \$'000	SSS 31-Dec-17 \$'000	Total 31-Dec-17 \$'000	Total 30-Jun-17 \$'000
Current service cost	48	11	35	94	188
Net interest	(12)	(3)	105	90	209
Profit or loss component of the Defined Benefit Cost	36	8	140	184	397

Other comprehensive income impact

Actuarial (gains) / losses on liabilities	(71)	(17)	(313)	(401)	(2,522)
Actual return on Fund assets less Interest income	(143)	(31)	(648)	(822)	(1,288)
Total remeasurement in Other Comprehensive Income	(214)	(48)	(961)	(1,223)	(3,810)

Notes to the Financial Statements
30 June 2018

13. Equity transfers

Financial Year Ended 30 June 2018	DAC transfer from DFSI \$'000	LSCorp transfer to DFSI \$'000	Total \$'000
Current Assets			
Receivables	1,723	(3,351)	(1,628)
Total Current Assets	1,723	(3,351)	(1,628)
Non Current Assets			
Receivables	-	(5,844)	(5,844)
Property, plant and equipment	357	-	357
Intangibles	386	-	386
Total Non Current Assets	743	(5,844)	(5,101)
Total Assets	2,466	(9,195)	(6,729)
Current Liabilities			
Provisions	-	(3,351)	(3,351)
Deferred income	366	-	366
Total Current Liabilities	366	(3,351)	(2,985)
Non Current Liabilities			
Provisions	-	(5,844)	(5,844)
Total Non Current Liabilities	-	(5,844)	(5,844)
Total Liabilities	366	(9,195)	(8,829)
Increase/(Decrease) in Net Assets from Equity Transfer	2,100	-	2,100

14. Commitments for expenditure

	2018 \$'000	2017 \$'000
Capital Commitments		
Aggregate capital expenditure contracted for at balance date and not provided for:		
Not later than one year	-	9,921
Total (including GST)	-	9,921
Operating Lease Commitments		
Future non-cancellable operating lease rentals not provided for:		
Not later than one year	10,495	9,594
Later than one year and not later than five years	46,580	41,563
Later than five years	30,587	38,776
Total (including GST)	87,662	89,933

Leasing arrangements are generally for rental of premises and equipment to be paid one month in advance. The total commitments for expenditure as at 30 June 2018 include input tax credits of \$7,969,000 (2017: \$8,176,000) which are recoverable from the Australian Taxation Office.

Notes to the Financial Statements
30 June 2018

15. Contingent Liabilities and Contingent Assets

There are no contingent assets or liabilities as at the reporting date (2017: Nil).

16. Budget Review

Net result

The actual net result was a gain of \$1.3 million which is \$2.8 million lower than the budget of \$4.1 million. This reduction is mainly due to:

- Reduced appropriation of \$3.1 million due to approved budget variations including carried forward requests
- Lower Sale of Goods, Services and Personnel services revenue \$3.1 million due to less services provided mainly to the Long Service Corp
- Higher other revenue of \$1.9 million due to the new revenue stream from the DAC - Data Analytics Centre that transferred to Treasury on 1st January 2018
- Lower employee related expenses of \$2.8 million due to staff vacancies
- Higher operating expenses of \$3.9 million due to higher computer and software related costs with the implementation of Prime
- Lower grant payments of \$1.9 million due the delay of a planned grant to a future year.

Assets and liabilities

Current assets exceeded the budget by \$15.4 million largely due to a higher cash balance of \$11.5 million due to higher accrued expenses held at year end. Current receivables are higher by \$3.9 million due to additional recoups from Crown Entity for work done on ministerial holding companies.

Non-current assets were below budget by \$22.0 million mainly due to lower receivables of \$10.9 million relating to the transfer of LSCorp staff entitlements to DFSI and lower intangible assets of \$11.5 million relating to delays in completing Prime related projects.

Current liabilities exceeded the budget by \$8.0 million due to higher payables of \$8.7 million due to higher accruals for work done by firms working on Prime, and lower provisions of \$0.7 million for LSCorp employee entitlements which was transferred to DFSI on the 1st January 2018.

Non-current liabilities were lower than the budget by \$10.8 million due to lower provisions of \$10.9 million relating to the transfer of LSCorp to DFSI.

Cash Flows

The net cash flows from operating activities are lower than the budget by \$9.3 million due to many offsetting variations in the various account line items. Major expense categories were lower than budget due to employee related savings largely offset by higher other operating expenses. Major revenue items were lower than budget due to a lower drawdown of appropriation and higher accruals for the collection of revenues.

The net cash flows from investing activities was lower by \$12.0 million mainly due to delayed capital expenditure and higher accruals relating to our Prime asset. Higher accruals resulted in lower than budgeted cash payments.

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

	Notes	2018 \$'000	2017 \$'000
Net cash used on operating activities		4,384	21,319
Depreciation and amortisation	2(c)	(6,243)	(4,420)
Increase / (decrease) in receivables		(8,053)	(2,768)
Decrease / (increase) in provisions		8,379	6,690
Decrease / (increase) in payables and other liabilities		2,854	(3,435)
Net gain / (loss) on sale of plant and equipment		(4)	(2)
Net result		1,317	17,384

The Treasury

Notes to the Financial Statements 30 June 2018

18. Trust Funds

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

	Entertainment Industry Bond ⁽ⁱ⁾ \$'000	Public Trust ⁽ⁱⁱ⁾ \$'000
2018		
Opening cash balance	60	9
Receipts	-	(36)
Expenditure	-	36
Closing cash balance	60	9
2017		
Opening cash balance	60	9
Receipts	-	94
Expenditure	-	(94)
Closing cash balance	60	9

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

19. Administered Assets

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

Unclaimed Wages	2018 \$'000	2017 \$'000
Opening cash balance	442	405
Receipts	77	159
Expenditure	(475)	(122)
Closing cash balance	44	442

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

Notes to the Financial Statements
30 June 2018

20. Financial instruments

Treasury's principal financial instruments are cash deposits held within the NSW Treasury Banking System, short term receivables and payables. These instruments expose Treasury primarily to interest rate risk on cash balances held within the NSW Treasury Banking system and credit risk on short term receivables. 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 2018 \$'000	Carrying Amount 2017 \$'000
Financial assets				
Cash and cash equivalents	5	N/A	13,595	11,865
Receivables ⁽ⁱ⁾	6	Receivables (at amortised cost)	7,644	12,776
Financial liabilities				
Payables ⁽ⁱⁱ⁾	9	Financial liabilities measured at amortised cost	20,616	16,908

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

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

(b) Credit risk

Credit risk arises when there is the possibility of 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 and receivables. No collateral is held by Treasury and it has not granted any financial guarantees.

Cash

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

20. Financial instruments (continued)

Receivables

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

An allowance for impairment is raised when there is objective evidence that the entity will not be able to collect all amounts due. This evidence includes past experience, and current and expected changes in economic conditions and debtor credit ratings. No interest is earned on trade debtors. Sales are made on 14 or 30 day terms.

(c) Liquidity risk

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

During the current and prior year, there were no defaults of loans payable. No assets have been pledged as collateral. The entity's exposure to liquidity risk is deemed insignificant based on prior periods' data and current assessment of risk.

The liabilities are recognised for amounts due to be paid in the future for goods or services received, whether or not invoiced. Amounts owing to suppliers (which are unsecured) are settled in accordance with the policy set out in NSW TC11-12. If trade terms are not specified, payment is made no later than the end of the month following the month in which an invoice or a statement is received. Interest is awarded for late payment. No interest for late payment was made during the year (2017: \$Nil).

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			
2018					
Financial liabilities					
Creditors	-	20,616	16,359	4,257	-
2017					
Financial liabilities					
Creditors	-	16,908	13,134	3,774	-

(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 only through interest rates on cash and cash equivalents. Treasury does not have any exposure to foreign currency risk, does not enter into commodity contracts and does not trade in derivatives of any nature.

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

The Treasury

Notes to the Financial Statements
30 June 2018

20. Financial instruments (continued)

Interest rate risk					
	Carrying amount \$'000	-1% Net Result \$'000	Equity \$'000	+1% Net Result \$'000	Equity \$'000
2018					
Financial assets					
Cash and cash equivalents	13,595	(136)	(136)	136	136
Total Increase / (decrease)		(136)	(136)	136	136
2017					
Financial assets					
Cash and cash equivalents	11,865	(119)	(119)	119	119
Total Increase / (decrease)		(119)	(119)	119	119

(e) Fair value

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

21. Compensation of Key Management Personnel

	2018 \$'000	2017 \$'000
Short-term employee benefits:		
Salaries	11,340	8,348
Non-monetary benefits	4	8
Total remuneration	<u>11,344</u>	<u>8,356</u>

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.

22. 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 entity's activities. KMP of Treasury includes the Treasurer, the NSW Treasury Secretary, and certain NSW Treasury Deputy Secretaries and Executive Directors.

Notes to the Financial Statements
30 June 2018

22. Related Party (continued)

(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. Expenditure paid by the Crown Entity with related parties was recovered at cost.

(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

The company 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.

23. Events after the Reporting Period

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

End of audited Financial Statements

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Performance measurement framework

Performance Measures	Target	2013-14	2014-15	2015-16	2016-17	2017-18
Employee engagement						
Engagement scores in PSC People Matter survey and Treasury Pulse surveys	57% ¹	61%	62%	68%	67%	69%
Customer service						
Responses in the customer service survey	80%	n/a	n/a	n/a	80%	n/a
Customer service survey	NPS>=0	n/a	n/a	n/a	n/a	(21)
Advice on economic and fiscal strategies						
Treasury's tax revenue estimation variation compared with that of other Treasuries ^{3,4}	NSW ≤ Other States	NSW 3.5% Others 1.8%	NSW 2.2% Others 0.3%	NSW 4.2% Others -0.3%	NSW n/a Others n/a	
Treasury's economic forecasting variation compared with that of other Treasuries ³	NSW ≤ Other States	NSW 0.6% ² Others 0.9% ²	NSW 0.4% ² Others 0.8% ²	NSW 1.1% Others 1.0%	NSW n/a Others n/a	NSW n/a Others n/a
Advice on the efficiency and effectiveness of public sector agencies						
Percentage of required Government businesses with a signed Statement of Corporate or Business Intent	100%	SOCs 100% All 68%	SOCs 100% All 94%	SOCs 100% All 79% ³	SOCs 100% All 100%	SOCs 100% All 100%
Deviation of actual Government business dividend and tax equivalent payments from budget estimate ⁴	≤ ±10%	4.90%	3.00%	-12.80%	-6.00%	n/a
Treasury financial performance						
Treasury's actual net cost of services to be less than or equal to its budget allocation	≤ 100%	96.70%	137%	90.10%	98.27%	99.55%
Improved efficiency and effectiveness of expenditure						
Maintain expense growth below long-term revenue growth	Growth below average revenue growth of 5.6%	4.20%	4.20%	4.00%	4.10%	5.4%
Effective Balance Sheet Management						
Maintaining a Triple-A credit rating for NSW	Triple-A	Triple-A	Triple-A	Triple-A	Triple-A	Triple-A
State superannuation liabilities on track to be fully funded by 30 June 2030	100% by June 2030	72.4%	75.6%	69.4%	72.1%	73.2%

n/a = not available

¹ ORC Global Public Sector Benchmark for engagement.

² Lower percentage driven by machinery of Government changes, planned reforms and restructures which have impacted on businesses required to undertake SBIs.

³ Historical changes are due to data revision

⁴ Data enabling the calculation is available after the time of the publication of this table

APPENDICES

Senior executive grades and remuneration

Senior Executives	2016-17		2017-18	
	Female	Male	Female	Male
Executive Band 4	-	1		1
Executive Band 3	2	2	1	3
Executive Band 2	10	13	9	14
Executive Band 1	34	36	31	39
Total	46	52	41	57
	98		98	

Executive - Average Remuneration	2016-17	2017-18
Executive Band 4 (Secretary)	\$627,433	\$577,850
Executive Band 3 (Deputy Secretary)	\$403,857	\$420,743
Executive Band 2 (Executive Director)	\$286,010	\$294,333
Executive Band 1 (Director)	\$219,211	\$224,097

Note: There was one performance-related incentive payment made in 2017-18 for \$50,737.50, please note this is separate and not included in the average remuneration calculated above.

For the reporting period of 2017-18 senior executives' monetary remuneration and the value of employment benefits paid represented 34.90 per cent of the NSW Treasury's salaries-related expenses. In the previous 2016-17 year this figure was 31.93 per cent.

Human Resources statistics

On 28 June 2018 Treasury had 517.95 full-time equivalent (FTE) staff. This equates to a headcount of 550 staff.

Table 2 shows the number of FTE staff working in each of Treasury's Groups during 2017-18. 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.

Please note, all the data below is as at census date (28 June 2018).

A. Staff Profile	2016-17	2017-18
Full-time equivalent (FTE)	488	517.95
Total EEO respondent to Ethnicity	344	335
Total EEO respondent to Language	313	297
Total EEO respondent to Disability	334	323
Total EEO respondent to Aboriginality	351	346

B. Full-time equivalent staff by Group	2016-17	2017-18
Full-time equivalent (FTE)	488.16	517.95
Fiscal and Economic Group	151.43	178.11
Agency Budget and Strategy	100.60	108.47
Commercial	72.46	70.67
Financial Risk Management and Transformation	36.80	0
Industrial Relations	55.19	56.49
Human Resources	18.20	29.20
Corporate	51.48	70.01
Office of the Secretary	2.00	3.00

Note: FY17-18 data - Human Resources FTE includes 15 Fast Track Graduates who were on external secondment. Financial Risk Management moved into Fiscal and Economic Group. Financial Management Transformation ceased to exist 1 June 2018 and staff were reassigned to BAU divisions across Treasury.

Staff by age	2016-17	2017-18
Age range		
20 - 24 years	21	22
25 - 29 years	100	103
30 - 34 years	104	98
35 - 39 years	80	86
40 - 44 years	53	59
45 - 49 years	65	54
50 - 54 years	56	57
55 - 59 years	34	33
60+ years	31	38

Non-executive full-time and part-time staff by classification and grade	Actual staff numbers	Full-time equivalent
Grade		
Clerk Grade 1-2	8	7.21
Clerk Grade 3-4	50	48.65
Clerk Grade 5-6	75	73.78
Clerk Grade 7-8	90	85.80
Clerk Grade 9-10	99	89.61
Clerk Grade 11-12	130	121.45

APPENDICES

Trends in the workforce diversity groups

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

A. Trends in the representation of Workforce Diversity Groups				
EEO Group	Benchmark / Target	2016	2017	2018
Women	50.0%	53.2%	54.4%	53.45%
Aboriginal people and Torres Strait Islanders	2.6%	1.0%	1.3%	1.45%
People whose first language was not English	19.0%	25.9%	26.3%	17.82%
People with a disability	NA	2.6%	2.4%	1.64%
People with a disability requiring work-related adjustment	1.5%	0.5%	0.5%	0.36%

The benchmarks in Table A above are determined by the NSW Public Service Commission (PSC). For more detail please refer to the PSC website (www.psc.nsw.gov.au).

B. Trends in the distribution of Workforce Diversity Groups				
EEO Group	Benchmark/ Target	2016	2017	2018
Women	100	94	97	92
Aboriginal people and Torres Strait Islanders	100	NA	NA	NA
People whose first language was not English	100	95	95	95
People with a disability	100	NA	NA	NA
People with a disability requiring work-related adjustment	100	NA	NA	NA

Please note that work is underway to improve the reporting of disability information in the sector to enable comparisons with population data. For this reason, no benchmark and figures have been provided for 'people with a disability' or for 'people with a disability requiring work-related adjustment'.

In Table B above, a Distribution Index of 100 indicates that the centre of the distribution of the EEO group across salary levels is the same as other staff. Values less than 100 indicate that the EEO group tends to be more concentrated at lower salary levels compared with other staff. The lower the index, the more pronounced this tendency. Values greater than 100 indicate that the EEO group is less concentrated at lower salary levels. The Distribution Index is not calculated when the EEO group or the non-EEO group comprises less than 20 staff.

Workforce diversity and inclusion

In the 2017-18 financial year, we have continued on our journey to becoming world class, especially in regards to workforce diversity and inclusion. Key to building a diverse workforce at Treasury has been our commitment to, and our agreed sector-wide, high impact initiatives to support senior female and Aboriginal Leaders at Treasury.

Treasury has continued to focus on putting its Employees First to support an inclusive workplace culture. In October 17, we launched a series of workshops to explore the organisation's understanding of flexibility, and build a joint vision for flexibility across Treasury. This resulted in the development of new resources to support employees and managers. A Women Leading at Treasury program has been designed and will commence in July 2018.

International Women's Day

We are privileged to have a network of strong female leaders at Treasury, and recognised 2018 International Women's Day celebrating with an all-employee morning tea. An opportunity for all employees to connect, Vicki Telfer (Executive Director NSW Industrial Relations) and Charles Cho (General Counsel) both took the opportunity to share the importance of women in leadership, and the strength of our female workforce to the Treasury business.

In addition to mark the occasion, workshops to support woman at Treasury in building their own personal brand were run.

Multicultural policies and services program

In line with the NSW Public Sector Aboriginal Employment Strategy, NSW Treasury is committed to growing and developing a talented Aboriginal workforce. To support this commitment, NSW Treasury is participating in the Aboriginal Employment Development Program (Aboriginal EDP). The program provides on-the-job work experience for 18 months, offering exposure to a variety of projects and development activities, whilst undertaking a Diploma of Leadership and Management through TAFE NSW. During the 18-month program, the participants receive a competitive salary, and upon successful completion of the program, gain ongoing employment.

In February 2018, three employees commenced with Treasury as part of the Aboriginal EDP. The three employees are continuing to provide invaluable contributions to their teams and the wider organisation.

Celebrating NAIDOC Week

Treasury partnered with the Department of Premier and Cabinet (DPC) to celebrate NAIDOC Week. The celebrations culminated with a joint Treasury and DPC Diversity and Inclusion Council 'Because of Her, We Can!' event. Held at Tranby Indigenous Adult Education and Training Centre, the event welcomed senior Indigenous leader Kristy Masella, Michael O'Loughlin and Sonia Steward (Deputy Secretary DPC) in attendance with all speaking about women who have influenced their lives.

In a nod to the importance of NAIDOC Week, Treasury held an additional a 'Because of Her, We Can!' event the week after the official NAIDOC Week, to further celebrate key women who influenced our lives and provided an opportunity for employees to experience our rich Indigenous culture.

Jawun Program

Jawun is a not-for-profit organisation working with corporate and government clients to build skills and capability in Indigenous people and their organisations.

We have continued our partnership with Jawun in supporting Indigenous organisations through our most valued resource - our people. Through a six-week secondment, our employees can access a fully supported and challenging development opportunity, while working in an Indigenous organisation in one of two regions: Central Coast and Inner Sydney.

APPENDICES

Disability inclusion action plan

Treasury and the Department of Premier and Cabinet (DPC) established a joint Diversity and Inclusion Council in 2016. Since inception, the Council acts as the advisory body performing an oversight and advocacy role across our two organisations; it consists of nine members from all levels of the two organisations and is co-chaired by the two Secretaries. The members assist in driving engagement and support of diversity and inclusion across both organisations.

The Council has four objectives to drive us forward, as we build a more diverse and inclusive workplace:

Objective 1 – All leaders value diversity to deliver the best results for government

Objective 2 – Increase representation and engagement of diverse employee groups

Objective 3 – Embed a sustainable culture of Diversity and Inclusion across Treasury and DPC

Objective 4 – Review NSW Government policies on major infrastructure to ensure best practice accessibility and inclusion.

Additionally, a key area of focus in the coming year will be to establish a disability inclusion action plan for Treasury.

Proactive work health and safety risk management

NSW Treasury prioritises the health, safety and wellbeing of all staff, contractors and visitors while undertaking work for, or on, its premises. NSW Treasury focuses on fostering relationships between senior managers and employees who together work to identify and resolve safety issues within the workplace.

Key achievements during the 2017-18 year included:

- appointment of a new WHS Committee with a total of nine new committee members
- launch of the 'My Wellbeing' initiative which introduced new health and wellbeing offerings: webinars, office health checks, and continued offering of Treasury's yearly influenza vaccinations
- continued training of Treasury's 23 certified first-aid officers to ensure they have the most recent information in the event of an emergency.

Workplace health and safety incidents and assessments

The decrease in reported workplace incidents can be attributed to Treasury's agile environment with sit/stand desks and new technologies. NSW Treasury continues to offer existing and new staff the opportunity to receive an ergonomic assessment to ensure they understand how to set up their workstation each day. A total of 15 ergonomic assessments were conducted for 2017-18. This assessment is carried out by Ergoworks, who provides Human Resources with a detailed assessment of the individual's workstation, plus any additional tools and resources that need to be purchased for the individual to be comfortable at work.

A total of 10 work health and safety incidents and risks were reported in 2017-18: four were caused by a slip/fall, one was caused by a cut, one was a pre-existing injury, and four were caused by other/miscellaneous events. There was one workers compensation claim made in 2017/18.

Government Information (Public Access)

Review of proactive release program

The *Government Information (Public Access) Act 2009* (GIPA Act) provides members of the public with a right of access to 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 regularly review its programs to ensure the information, which is in the public's interest and assists people with access to services, is made publicly available via the Treasury websites. Treasury has an Open Government Committee which meets regularly to assess and identify information to be proactively released.

In the 2017-18 reporting period, Treasury proactively released information and tools including:

- Budget data and visualisation tools to assist in information accessibility
- economic reporting information relating to the NSW economy and Budget
- revenue and taxations reports rating
- NSW financial management transformation
- wide range of publications and documents including policies, Budget papers, financial reports, research and guidelines.

Number of access applications received

During the reporting period, Treasury received 49 formal access applications under the *GIPA Act* including withdrawn applications.

Statistical information about access applications

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

Industrial Relations Achievements

During the financial year, NSW Treasury has achieved positive outcomes via its industrial relations division; such successes highlight Treasury's value to the community as a regulator.

State Compliance

- NSW Industrial Relations Officers responded to 14,474 telephone calls and 1,924 email enquiries
- NSW Industrial Relations Investigators received 283 complaints over the year and concluded 231 matters
- Investigators recovered \$515,616 in long service leave entitlements for 69 employees.

Maintaining the integrity of the Wages Policy

- Wages Policy has been maintained with the Wage Price Index at around 2.5 per cent
- 86 industrial instruments were made covering around 200,000 public sector employees. Most of these instruments provided annual increases of 2.5 per cent, and where more generous increases were provided, the cost of the additional increase has been offset by achieved savings.

APPENDICES

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

	Access granted in full	Access granted in part	Access refused in full	Information not held	Information already available	Refuse to deal with application	Refuse to confirm / deny whether information is held	Application withdrawn
Media	0	2	1	1	0	0	0	0
Members of Parliament	8	22	3	3	0	0	0	2
Private Sector Business	1	0	0	0	0	0	0	1
Not-for-profit organisations or community groups	0	0	0	0	0	0	0	0
Members of the public (application by legal representative)	0	1	0	0	0	0	0	1
Members of the public (other)	2	0	0	1	0	0	0	0

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

	Access granted in full	Access granted in part	Access refused in full	Information not held	Information already available	Refuse to deal with application	Refuse to confirm / deny whether information is held	Application withdrawn
Personal information applications*	1	0	0	0	0	0	0	0
Access applications (other than personal information applications)	9	24	4	5	0	0	0	5
Applications that are partly personal information applications and partly other	1	0	0	0	0	0	0	0

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

Table C: Invalid applications

Reason for invalidity	Number of applications
Application does not comply with formal requirements (Section 41 of the Act)	0
Application is for excluded information of the agency (Section 43 of the Act)	0
Application contravenes restraint order (Section 110 of the Act)	0
Total number of invalid applications received	0
Invalid applications that subsequently became valid applications	4

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	19
Executive Council information	1
Contempt	5
Legal professional privilege	8
Excluded information	0
Documents affecting law enforcement and public safety	0
Transport safety	0
Adoption	0
Care and protection of children	0
Ministerial code of conduct	0
Aboriginal and environmental heritage	0

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

Table E: Other public interest considerations against disclosure

Matters listed in table to Section 14 of the Act	Number of occasions when application not successful
Responsible and effective government	11
Law enforcement and security	0
Individual rights, judicial processes and natural justice	4
Business interests of agencies and other persons	11
Environment, culture, economy and general matters	0
Secrecy provisions	0
Exempt documents under interstate Freedom of Information legislation	0

Table F: Timeliness

Matters listed in table to Section 14 of the Act	Number of applications
Decided within the statutory timeframe (20 days plus any extensions)	34
Decided after 35 days (by agreement with applicant)	15
Not decided within time (deemed refusal)	0
Total	49

APPENDICES

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	1	4	5
Internal review following recommendation under Section 93 of the Act	1	0	1
Review by NCAT (formerly ADT)	0	0	0
Total			8

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

	Number of applications for review
Applications by access applicants	6
Applications by persons to whom information the subject of access application relates (see Section 54 of the Act)	2

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	9
Applicant-initiated transfers	0

Public interest disclosures

All Treasury staff have a responsibility to report suspected wrongdoing, including corruption; maladministration; serious and substantial waste of public money; and breaches of the *Government Information (Public Access) Act 2009* (GIPA Act). The *Public Interest Disclosures Act 1994* (PID Act) is aimed at encouraging and facilitating the disclosure, in the public interest, of wrongdoing in the public sector. The reporting of suspected wrongdoing is vital to the integrity of the public sector, and its ability to provide the services the NSW public deserves. Treasury is committed to protecting staff that make public interest disclosures.

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

The Secretary of NSW Treasury has ensured that staff are 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 all Treasury staff access to training presented by the NSW Ombudsman's Office
- providing online training e-courses for new staff as part of Treasury's new starter induction program
- providing online training courses to all Treasury staff
- displaying promotional posters to increase awareness outlining 'How to report wrongdoing in Treasury'.

In accordance with Section 4 of the Public Interest Disclosures Regulation 2011, the following information is provided on public interest disclosures for the period 1 July 2017 to 30 June 2018:

Section 4 of the Public Interest Disclosures Regulation 2011	2017-18
Number of public officials who made public interest disclosures to NSW Treasury	0
Number of public interest disclosures received by NSW Treasury	1
Of public interest disclosures received, how many were primarily about:	
Corrupt conduct	1
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	1

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).

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.

Treasury employees are informed and educated with respect to the privacy legislation, and its requirements, through online privacy training modules and advice provided through the Information Access and Governance Unit.

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

Additional information about how Treasury manages its obligations under the *PPIP Act* is available at <https://www.treasury.nsw.gov.au/privacy>. Further information and assistance can be provided by emailing the Information Access and Governance Unit at gipa@treasury.nsw.gov.au

APPENDICES

Government resources efficiency policy

NSW Treasury continues to support the Government Resources Efficiency Policy, and our Facilities Management team focuses on efficiencies in waste and procurement policy.

This year, Treasury transferred electricity procurement to the whole-of-government contract with Origin Energy. The scale of this contract has financial benefits, and ensures Treasury continues to receive the best possible energy rates.

Treasury also introduced organic waste recycling across Treasury's floors in our 52 Martin Place office. Through the new initiative, organic waste is collected and composted through alternative waste treatment facilities, which results in diverting this waste from landfill. The improvement to the recycling program has reduced the amount of cross-contamination of the recycling streams, and reduced overall general waste deposits, as well as developing an increased awareness for all Treasury staff of recycling principles.

Treasury continues to work with other government tenants in the 52 Martin Place building to extend the fire stair use across the whole tenancy. When this is completed, employees will have the option to increase their 'step count' by walking between level 7 to level 30, rather than always using the lifts provided.

Funds granted to non-government community organisations

During 2017-18 financial year, NSW Treasury administered grants to:

- Australian Accounting Standards Board
- University of NSW.

The Australian Accounting Standards Board (AASB)

Total funding to the AASB from combined States and Territory Treasuries is \$3 million over three years from 1 July 2016 to 30 June 2019. NSW's contribution was \$165,257 for 2017-18. 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.

University of NSW

Treasury has committed \$50,000 p.a. to support the work of the Research Council Centre of Excellence in Population Ageing Research (CEPAR), which has been established under the University of NSW. The research work done by this body will be relevant to Treasury to promote better resource management and advise government on economic, infrastructure and financial matters.

Accounts payable performance 2017–18

NSW Treasury outsources various services – including financial services. During 2017–18, 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 2017–18, 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). There were however, instances where delays resulted in Treasury not paying some tax invoices on time. The reason for these delays included: disputed tax invoices where replacement invoices are not reissued; part delivery of goods/services where it is necessary to wait for full delivery of procurement before payment could be made; delay in the invoice approval process; general errors in invoice information and tax invoices were incorrectly addressed to Treasury staff.

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

Quarter	Less than 30 days overdue \$	Between 30 days and 60 days overdue \$	Between 60 days and 90 days overdue \$	More than 90 days overdue \$
September 2017	1,337,055	275,065	280,184	103,902
December 2017	888,799	537,961	186,541	128,050
March 2018	1,711,138	524,853	288,929	316,453
June 2018	653,199	561,212	166,059	399,009

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

Quarter	Target by number %	Actual by number %	Value paid on time \$	Total amount paid \$
September 2017	88	80%	7,991,145	9,987,351
December 2017	88	84%	8,867,385	10,608,736
March 2018	88	81%	12,503,449	15,344,821
June 2018	88	91%	17,273,874	19,053,353

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Expenditure on consultants

Consultant	Project Description	Amount (excl GST) \$
Consultants costing \$50,000 or more		
Finance and Accounting/Tax		
Deloitte Consulting Pty Ltd	Support on data migration reconciliation for the Prime Budgeting & Reporting Platform	154,735.82
Economic Services		
PwC	Review of payroll tax administration	184,093.19
Applied Economics Pty Ltd	Build NSW public sector capability in undertaking cost benefit analysis	90,000
Infrastructure NSW	Joint assignment with the Greater Sydney Commission and Infrastructure NSW on the economic rationale for a Metropolis of Three Cities	55,000
Quantum Health Pty Ltd	Analysis of sugary drink consumption patterns in NSW	50,000
PwC	Analysis of the impact of heatwaves in NSW	50,000
Information Technology		
PwC	Development and Operation of the Prime accounting system	3,833,773.82
Accenture Australia Ltd	Implementation of Treasury customer relationship management model	559,200
Servian Pty Ltd	Development of data analytics centre platform	353,412.5
Deloitte Touche Tohmatsu	Assurance and support for development of the Prime project	211,530.83
James & Munroe	Visual analysis assistance and Prime Hyperion enhancements	141,793.75
Deloitte Consulting Pty Ltd	Development and Operation of the Prime accounting system	115,749.83
The Customer Experience Company Pty Ltd	Design of the NSW Budget dashboard	90,777.27
The Trustee for VM Consulting Trust	Benefits review of the Financial Management Transformation project	79,000
Price Water House Coopers Securities	Accounting support for FEFr and FMT teams	76,884
Organisational Review		
The Boston Consulting Group	Support for the Treasury strategic enablement project	495,000
Grant Thornton Australia Ltd	Delivery of the finance capability diagnostic tool including survey analysis and reporting	71,077
ERNST & YOUNG	Financial advisory services in respect of Forestry Corporation of NSW's hardwoods business	60,000
Governance and Policy		
KPMG Australia PTY LTD	Review of the NSW Budget process as part of the move to Outcome Budgeting	871,292.85
Nothing Consulting Pty Ltd	Secretarial governance support to electricity retained interests	152,126.73
Deloitte Touche Tohmatsu	Review of NSW public sector commissioning capabilities and development of learning modules to support the practical application of commissioning and contestability principles	135,909
Korn Ferry International Pty Ltd	Conduct process to identify suitable candidates for Industrial Relations Commission	70,000
Subtotal		\$7,901,356.59

Consultants costing less than \$50,000		
Finance and Accounting / Tax	4 projects	90,722.55
Economic Services	9 projects	36,647.80
Information Technology	7 projects	139,312.59
Organisational Review	10 projects	263,915.59
Legal	3 projects	13,378.54
Governance & Policy	9 projects	202,783.64
Subtotal 42 projects		\$746,760.71
<hr/>		
Total Expenditure on Consultants		\$8,648,117.30

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Overseas visits

Supporting investment in NSW – Trade Mission to USA

Michael Pratt, as Secretary NSW Treasury and NSW Industrial Relations, travelled to the United States of America from 27 January 2018 to 9 February 2018 as a member of the NSW Trade Mission meeting with potential investors in NSW. The members of the Trade Mission delegation included the Hon. Dominic Perrottet, NSW Treasurer and Minister for Industrial Relations, Nigel Freitas (Chief of Staff), Edward Yap (Senior Policy Advisor) and David Deverall, Chief Executive Officer, Treasury Corporation (TCorp). The Secretary's costs for accommodation and travel were covered by NSW Treasury.

International Public Sector Accounting Standards

Executive Director, Industry and Government Services Division, Agency and Budget Policy Group, Karen Sanderson, travelled to Toronto, Canada from 2 December to 5 December 2017 to attend the International Public Sector Accounting Standards Board (IPSASB) Consultative Advisory Group. Ms Sanderson is the Australian participant on the group. The IPSASB is an independent standard-setting board that develops high-quality International Public Sector Accounting Standards, guidance and resources for use by public sector entities around the world for general purpose financial reporting. The IPSASB Consultative Advisory Group meets twice a year and one of these meetings is funded by the Australian Accounting Standards Board. The cost of this travel and accommodation was funded by the Australian Accounting Standards Board (AASB).

As the Australian participant on the group, Ms Sanderson also travelled to Singapore to present as a key speaker at the ACCA Global Public Sector Conference on 1 and 2 March 2018, and share her practical experience and ideas on how governments, the accountancy profession and other key stakeholders and development partners can help strengthen public financial accounting and reporting globally. The cost of travel and accommodation for this trip was funded by the conference organisers.

Australia and New Zealand School of Government

Following nomination by the Treasury Secretary, and endorsement of the Public Service Commissioner, Treasury's General Counsel, Charles Cho, was selected to participate in the Executive Fellows Program run by the Australian and New Zealand School of Government (ANZSOG), along with other public service executives from around Australia. To complete a component of the program Mr Cho, travelled to Singapore from 18 to 24 November 2017 to undertake public sector management programs at the Lee Kuan Yew School of Public Policy – an autonomous postgraduate school of the National University of Singapore. The Lee Kuan Yew School hosted the ANZSOG delegation as a component of the Australian and New Zealand School of Government Executive Fellows Program that Mr Cho was undertaking. The cost of travel and accommodation was funded by NSW Treasury.

Director Fiscal Strategy, James Atkinson, travelled to Wellington, New Zealand on 26–29 November 2017 to complete the Australian and New Zealand School of Government (ANZSOG) Masters Course. The Australian and New Zealand School of Government funded the accommodation for the duration of the trip for all participants in the course. The cost of travel was funded by NSW Treasury.

Australian Bureau of Statistics Population Estimates Technical Workshop

Treasury's Director Economic Modelling and Forecasting, Michael Gadiel, travelled to Christchurch, New Zealand from 25–27 October 2017 to attend the Australian Bureau of Statistics (ABS) Population Estimates Technical Workshop.

An invited speaker at the workshop, Mr Gadiel shared the impact of relative house prices and labour market strength on Australian population flows. Additionally, whilst at the workshop he engaged with the ABS and other states and territories on the implications of the 2016 Census on the estimated resident population, which affect distribution of GST and State Planning Policy (SPP) funding to NSW. The cost of travel and accommodation was funded by NSW Treasury.

Treasury Circulars 2017-18

Title	Circular Number	Date
Industrial Relations – Crown Employees Wages Staff (Rates of Pay) Award 2018	TC18-12	29/06/2018
Industrial Relations – Notional Salary 2018-19	TC18-11	15/06/2018
Accounting for Superannuation	TC18-10	15/06/2018
Industrial Relations – Crown Employees (Public Sector – Salaries 2018) Award	TC18-09	13/06/2018
Goods and Services Tax (GST) treatment of certain government taxes, fees and charges (Division 81 of the GST Act)	TC18-08	1/06/2018
Machinery of government changes – Goods and Services Tax and Fringe Benefits Tax	TC18-07	29/05/2018
Agency guidelines for the 2016-17 Mandatory Annual Returns to Treasury	TC18-06	29/05/2018
AASB 16 Leases – Transition Elections	TC18-05	24/05/2018
Extension of the NSW Government Cash and Banking Services contract	TC18-04	21/05/2018
Program Evaluation	TC18-03	24/04/2018
NSW Fraud and Corruption Control Policy	TC18-02	6/04/2018
Accounting Policy: Mandates of options and major policy decisions under Australian Accounting Standards	TC18-01	16/02/2018
Agency guidelines for the 2017-18 Mandatory Early Close	TC17-12	20/12/2017
Recurrent Investor Assurance Framework (RIAF)	TC17-11	9/11/2017
Industrial Relations – Review of Meal, Travelling and other Allowances	TC17-10	12/07/2017
Crown Employees Wages Staff Award 2017	TC17-09	06/07/2017
Industrial Relations – Crown Employees (Public Sector – Salaries 2017) Award	TC17-08	05/07/2017

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Treasurer's legislation – list of legislation

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

- *Annual Reports (Departments) Act 1985 No 156*
- *Annual Reports (Statutory Bodies) Act 1984 No 87*
- *Appropriation Act 2016 No 30*
- *Appropriation (Parliament) Act 2016 No 31*
- *Australia and New Zealand Banking Group Limited (NMRB) Act 1991 No 35*
- *Bank Integration Act 1992 No 80*
- *Bank Mergers Act 1996 No 130*
- *Bank Mergers (Application of Laws) Act 1996 No 64*
- *Betting Tax Act 2001 No 43, jointly with the Minister for Finance, Services and Property*
- *Canberra Advance Bank Limited (Merger) Act 1992 No 17*
- *Capital Debt Charges Act 1957 No 1*
- *Coal and Oil Shale Mine Workers' (Superannuation) Act 1941 No 45*
- *Commonwealth Powers (State Banking) Act 1992 No 104*
- *Conversions of Securities Adjustment Act 1931 No 63*
- *Decimal Currency Act 1965 No 33*
- *Duties Act 1997 No 123, jointly with the Minister for Finance, Services and Property*
- *Electricity Generator Assets (Authorised Transactions) Act 2012 No 35*
- *Electricity Network Assets (Authorised Transactions) Act 2015 No 5*
- *Electricity Retained Interest Corporations Act 2015 No 6*
- *Emergency Services Levy Insurance Monitor Act 2016 No 23*
- *Finances Adjustment Act 1932 No 27*
- *Financial Agreement Act 1944 No 29*
- *Financial Agreement Act 1994 No 71*
- *Financial Agreement (Amendment) Act 1976 No 35*
- *Financial Agreement (Decimal Currency) Act 1966 No 39*
- *Financial Agreement Ratification Act 1928 No 14*
- *Financial Sector Reform (New South Wales) Act 1999 No 1*
- *First State Superannuation Act 1992 No 100*
- *Fiscal Responsibility Act 2012 No 58*
- *Freight Rail Corporation (Sale) Act 2001 No 35*
- *Gaming Machine Tax Act 2001 No 72, Part 3, jointly with the Minister for Finance, Services and Property*
- *General Government Liability Management Fund Act 2002 No 60*
- *Government Guarantees Act 1934 No 57*
- *Government Insurance Office (Privatisation) Act 1991 No 38 (except sections 26 and 27, jointly with the Minister for Innovation and Better Regulation)*
- *Health Insurance Levies Act 1982 No 159, jointly with the Minister for Finance, Services and Property*
- *Inscribed Stock Act 1902 No 79*
- *Inscribed Stock (Issue and Renewals) Act 1912 No 51*

- *Insurance Protection Tax Act 2001 No 40, jointly with the Minister for Finance, Services and Property*
- *Intergovernmental Agreement Implementation (GST) Act 2000 No 44*
- *Land and Property Information NSW (Authorised Transaction) Act 2016 No 46*
- *Land Tax Act 1956 No 27, jointly with the Minister for Finance, Services and Property*
- *Land Tax Management Act 1956 No 26, jointly with the Minister for Finance, Services and Property*
- *Local Government and Other Authorities (Superannuation) Act 1927 No 35*
- *New South Wales Retirement Benefits Act 1972 No 70*
- *NSW Grain Corporation Holdings Limited Act 1992 No 31*
- *NSW Lotteries (Authorised Transaction) Act 2009 No 60*
- *Parliamentary Budget Officer Act 2010 No 83*
- *Parliamentary Contributory Superannuation Act 1971 No 53*
- *Payroll Tax Act 2007 No 21, jointly with the Minister for Finance, Services and Property*
- *Payroll Tax Deferral (BlueScope Steel) Act 2015 No 68, jointly with the Minister for Finance, Services and Property*
- *Police Association Employees (Superannuation) Act 1969 No 33*
- *Police Regulation (Superannuation) Act 1906 No 28*
- *Ports Assets (Authorised Transactions) Act 2012 No 101*
- *Public Authorities (Financial Arrangements) Act 1987 No 33*
- *Public Authorities Superannuation Act 1985 No 41*
- *Public Finance and Audit Act 1983 No 152 (except parts, the Premier)*
- *Public Loans Act 1902 No 81*
- *Restart NSW Fund Act 2011 No 32*
- *Road Improvement (Special Funding) Act 1989 No 95*
- *Social and Affordable Housing NSW Fund Act 2016 No 51*
- *State Authorities Non-contributory Superannuation Act 1987 No 212*
- *State Authorities Superannuation Act 1987 No 211*
- *State Bank (Corporatisation) Act 1989 No 195*
- *State Bank of South Australia (Transfer of Undertaking) Act 1994 No 47*
- *State Bank (Privatisation) Act 1994 No 73*
- *State Insurance and Care Governance Act 2015 No 19, Part 2 and Schedules 1 and 2, and Parts 1 and 4 and Schedule 4 so far as they relate to Insurance and Care NSW (remainder, the Minister for Finance, Services and Property)*
- *State Owned Corporations Act 1989 No 134, Section 37B (remainder, the Premier)*
- *State Public Service Superannuation Act 1985 No 45*
- *Superannuation Act 1916 No 28*
- *Superannuation Administration Act 1996 No 39*
- *Superannuation Administration Authority Corporatisation Act 1999 No 5*
- *Superannuation Administration Corporation (Pillar) (Authorised Transaction) Act 2016 No 19*
- *Superannuation (Axiom Funds Management Corporation) Act 1996 No 40*
- *Taxation Administration Act 1996 No 97, jointly with the Minister for Finance, Services and Property*
- *Totalizator Act 1997 No 45, Section 76 (remainder, the Minister for Racing)*

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- *Totalisator Agency Board Privatisation Act 1997 No 43*
- *Transport Employees Retirement Benefits Act 1967 No 96*
- *Treasury Corporation Act 1983 No 75*
- *Waste Recycling and Processing Corporation (Authorised Transaction) Act 2010 No 8*

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

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

Treasurer's legislation – changes during 2017–18

New Acts

Appropriation Act 2018

This Act appropriated sums for the services of the Government for 2018–19 from Consolidated Fund.

Assented on 27 June 2018.

Appropriation (Parliament) Act 2018

This Act appropriated sums for the services of the Legislature for 2018–19 from Consolidated Fund.

Assented on 27 June 2018.

NSW Generations Funds Act 2018

This Act established the NSW Generations (Debt Retirement) Fund and the NSW Generations (Community Services and Facilities) Fund to provide funding for State debt retirement and for certain community purposes. Assented on 27 June 2018.

Assented on 27 June 2018.

Snowy Hydro Legacy Fund Act 2018

This Act provides for the use of the proceeds from sale of Snowy Hydro Limited to fund infrastructure to benefit regional New South Wales.

Assented on 27 June 2018.

State Revenue Legislation Amendment Bill 2018

This Act makes miscellaneous amendments to certain State revenue legislation in connection with the Budget for the year 2018–19; and for other purposes.

Assented on 27 June 2018.

New regulations

Land Tax Management (Transitional) Regulation 2018

This Regulation requires that the Chief Commissioner must assess or reassess the surcharge land tax chargeable on residential land that arose on 31 December 2016 in certain circumstances.

This regulation commenced on 27 April 2018.

Other regulations under the Public Finance and Audit Act 1983

Minor changes were made to the *Public Finance and Audit Act 1983* to keep the Act's schedules of applicable departments and statutory bodies current.

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Financial and annual reporting legislation

Exemptions and variations from reporting requirements under acts and regulations

Agency	Applicable Financial Year(s)	Exemption / Variation	Reasons(s) for request
<p>Six companies controlled by the Minister for Disability Services:</p> <ul style="list-style-type: none"> ■ Benevolent Australia – Disability Services Limited ■ HWNS Services Limited ■ Northcott Supported Living Limited ■ LiveBetter Disability Services Limited ■ MNC Transfer Limited ■ HV Transfer Limited 	2017-18	Extended the first financial year for the six companies to cover the period from the incorporation of each on 25 May 2017 through to 30 June 2018.	To avoid the cost of a financial report and audit for a single day.
<p>Four companies controlled by the State Sporting Venues Authority:</p> <ul style="list-style-type: none"> ■ Stadium Australia Operations Pty Ltd ■ Stadium Australia Management Ltd ■ Stadium Investments Pty Ltd ■ Stadium Holdings Pty Ltd 	2016-17	Relieved the four companies from the requirement to prepare a final financial report.	Each of the four companies ceased operating in April 2017. The results of each were consolidated into the financial report of State Sporting Venues Authority.
Sport UNE Pty Ltd	2017	Relieved the company from the requirement to prepare a final financial report.	The company ceased trading in November 2016 and was deregistered in March 2017.
UNSW Centre for Transformational Environmental Technologies	2017-18	Extended the company's first financial year.	The company did not trade during the week from its incorporation in late December 2017 until 31 December 2017.

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

1. To submit financial reports

Agency	Applicable Financial Year(s)	Exemption / Variation	Reasons(s) for request
Technical and Further Education Commission	2016-17	Extended the deadline for the Commission to submit its 2016-17 financial report from 11 August 2017 until 30 September 2017.	To permit the Commission to record financial information from its new Education Business System - Revenue Management Strategy in its 2016-17 financial report.

2. To submit annual reports

Agency	Applicable Financial Year(s)	Exemption / Variation	Reasons(s) for request
Technical and Further Education Commission	2016-17	Extended the deadline for the Commission to submit its 2016-17 annual report to its Minister from 30 October 2017 until 19 December 2017.	Due to delays in finalising the Bureau's final financial report, the Audit Office could not commence its audit of that report until October 2016.

ABBREVIATIONS AND ACRONYMS

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

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Treasury