

NSW Treasury

Annual Report 2018-2019



NSW Treasury

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Letter of submission to the NSW Treasurer

The Hon. Dominic Perrottet MP

Treasurer

GPO Box 5341
Sydney, NSW 2001

Dear Treasurer,

I have the pleasure of submitting NSW Treasury's Annual Report for financial year ended 30 June 2019, for presentation to the NSW Parliament in accordance with the *Annual Report (Departments) Act 1985*.

This volume reports on the operations and performance of the NSW Treasury, together with the consolidated financial statements for the period 1 July 2018 to 30 June 2019.

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.



Michael Pratt AM
Secretary

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Michael Pratt AM -
NSW Treasury Secretary

Year in review

It never ceases to amaze me how much we can achieve over a 12-month period. The significant milestones we have reached, combined with the collective effort organisation-wide, has put us in good stead to realise our vision of becoming recognised as world class among Treasuries globally by December 2020.

Looking back on our accomplishments over 2018-19, we have made strong headway despite global and national economies slowing, and local challenges arising. Our State's balance sheet is strong, and our dedication to the provision of strategic advice and innovative reform to government has been crucial to the State's overall successes during the financial year.

Equipped with right people, with the right mentality, we are well placed to support the Government in delivering its key policy priorities and drive the sector towards clear outcomes and performance accountability. We are also in an advantageous position to embed the machinery of government changes, and define strategies to progress the four strategic pillars announced in the 2019-20 Budget.

Our efforts over the past financial year have resulted in the following key highlights:

- a new approach to the Government's banking services, with contracts signed with the Government's new banking providers
- the successful sale of 51% of WestConnex
- the signing of Gonski 2.0 Education Agreement with the Commonwealth
- 10 Memoranda of Understanding (MoU) - with key companies - agreed and signed to support the Western City Aerotropolis
- production of the 2018-19 Half Yearly Review
- liaised with the Government and Parliamentary Budget Office on election costings
- published the first-ever NSW Pre-Election Budget Update
- successfully delivered the 2019-20 State Budget

Following the state election in March 2019, and the government being re-elected for a third term, Treasury has also been at the heart of the largest transformation of the NSW Public Sector, and in partnership with the Department of Premier and Cabinet, has provided leadership to the sector on implementing the machinery of government changes, amalgamating 10 clusters into eight, to help drive efficiency and effectiveness across the Public Sector.

<p>BUDGET RESULT Surplus</p> <p>\$1.2bn</p> <p>Total State Sector Accounts for 2018-19</p>	<p>BUDGET SURPLUSES</p> <p>\$1.7b</p> <p>Average surpluses over the four years to 2022-23</p>	<p>CAPITAL EXPENDITURE Budget and forward estimates</p> <p>\$93.0b</p> <p>Record investment continues</p>	<p>NET DEBT Debt – cash and investments Actuals June 2019</p> <p>-\$10.4b</p> <p>The lowest among all the states</p>
<p>NET DEBT % OF GSP June 2019</p> <p>-1.7%</p> <p>A result of our strong financial management</p>	<p>NET WORTH General Government Sector June 2023</p> <p>\$311b</p> <p>The largest of the states</p>	<p>CREDIT RATING Confirmed by Moody's & S&P</p> <p>Triple-A</p> <p>One of only two Australian states</p>	<p>TAX CUTS Tax cuts of approximately</p> <p>\$1.5b</p> <p>Implemented over the last three budgets</p>

THE FOUR STRATEGIC PILLARS INCLUDE:

ECONOMIC BLUEPRINT

“The Economic Blueprint will drive the next phase of the State’s economic growth”



BALANCE SHEET MANAGEMENT

“The Government is lowering the financial burden for future generations”



FEDERAL FINANCIAL RELATIONS

“Let’s have a conversation on how the revenue system can work better for all”



PLANNING FOR OUTCOMES

“The Government is focusing on delivering outcomes, not bigger governments”



1. Economic blueprint – building on significant achievements to date, to set out the long-term strategies for the next phase of economic growth
2. Balance sheet management – the NSW Generations Fund (NGF) seeded with \$10 billion in 2019, and expected to grow to more than \$28 billion over the next decade
3. Federal financial relations – David Thodey AO will lead an expert panel providing an NSW perspective on the sustainability of the federal funding system
4. Planning for outcomes – sector-wide reform integrating outcome-focused target setting, business planning and performance management; improving alignment and effectiveness of agency budgets towards the delivery of State outcomes.

At the heart of all our successes, and central to being recognised as world class among Treasuries globally, is a team of high-performing, highly-engaged individuals. We have worked tirelessly over the course of 2018-19 to ensure we not only have such a team, but one that is also supported by

a diverse and inclusive customer-centred culture. Treasury’s efforts in this area focus on providing an end-to-end employee experience, from recruitment and induction, through to performance and development; we continually incorporate feedback from our people, and the annual People Matters Employee Survey.

We continue to invest in our talent by implementing a workplace flexibility action plan, piloting project management fundamentals training and reviewing leadership programs. These programs will be key drivers of employee engagement and will support us as we propel towards achieving our overarching strategy.

All in all, 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 and how our work impacts the great state of New South Wales.

Michael Pratt AM
Secretary





About NSW Treasury

NSW Treasury manages the State's finances and assets, monitors the performance of its commercial agencies and develops financial and industrial relations policies. With over 500 analysts, economists and specialists from all backgrounds, Treasury, as a central agency, is known for the provision of quality advice and influence, excellence in delivery, and strong and transparent risk management.

Established in April 1824, Treasury is proudly the oldest continuing government agency in Australia. It 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 New South Wales (NSW) have access to services and infrastructure that deliver social and economic benefits, underpinned by a strong and sustainable economic and financial position.

OUR STRATEGIC INTENT

To be recognised by December 2020 as world class among Treasuries globally. Known for: excellence in outcome-based performance budgeting | balance sheet optimisation | macro and micro economic policy analysis and reform. All delivered by a customer-centric, responsive and accountable workforce of highly talented people working in a flexible, high-performance and agile workplace.

OUR PURPOSE

Ensuring that the people of NSW have access to services and infrastructure that deliver social and economic benefits underpinned by a strong and sustainable economic and financial position.

GOAL ONE

A team of diverse, 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 STRATEGIC PRIORITIES

AGILE CUSTOMER-CENTRIC TEAM	BALANCE SHEET OPTIMISATION	OUTCOME BUDGETING	ECONOMIC PRODUCTIVITY AND REFORM
OUR BEHAVIOURS	Innovative	Collaborative	Bold
OUR VALUES	Excellence in service	Accountability	Integrity
			Trust

Our core responsibilities

Management of NSW finances

- consistent collection and consolidation of financial information from public entities
- strong financial management through accurate data, analysis and advice
- stewardship of the public sector financial system to enable delivery of outcomes
- effective delivery of the Budget, Total State Sector Accounts and other financial reports, on behalf of the Treasurer.

Analysis, advice and delivery

- informed fiscal, economic, commercial and financial policy advice
- innovative reforms which support a strong and competitive economy
- robust 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.

Primary legislation administered by NSW Treasury

Treasury administers a large range of Acts and regulations on behalf of the Treasurer. The following Acts constitute the primary legislation which governs most of the agency's core business.

- Annual Reports Acts (Departments, 1985; Statutory Bodies, 1984)
- Fiscal Responsibility Act 2012
- Long Service Corporation Act 2010
- Public Finance and Audit Act 1983
- Public Authorities (Financial Arrangements) Act 1987
- Government Sector Employment Act 2013 (Part 4, Division 6, jointly with the Premier)
- Appropriation Act 2014



- Appropriation (Budget Variations) Act 2014
- Appropriation (Parliament) Act 2014
- Restart NSW Fund Act 2011
- Annual Holidays Act 1944
- Long Service Leave Act 1955
- Public Holidays Act 2010

As a department in the NSW Public Sector, Treasury has administrative responsibility for the following entities up until 30 June 2019:

- 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)
- Port of Newcastle, Port Botany and Port Kembla Lessor Companies (Pty Ltd)
- Restart NSW Fund
- Social and Affordable Housing NSW Fund
- Electricity Retained Interest Corporation – Ausgrid
- Electricity Retained Interest Corporation – Endeavour Energy
- NSW Generations (Debt Retirement) Fund
- NSW Generations (Community Services & Facilities) Fund
- Roads Retained Interest Pty Ltd

In 2018-19, the Secretary of NSW Treasury was also the nominal employer of the NSW Public Service for industrial purposes and was responsible for the central management of NSW public sector industrial relations functions.

Treasury leadership team



Michael Pratt AM
(Secretary)



Kenna Ackley
(Office of the Secretary -
Chief of Staff)



Jo Blackwell
(Chief People Officer)



Charles Cho
(General Counsel)



Kim Curtain
(Interim Deputy Secretary -
Trade, Tourism, Investment
& Precincts)



Phil Gardner
(Deputy Secretary -
Commercial Group)



San Midha
(Deputy Secretary - Policy
& Budget Group)



Stewart Walters
(Financial & Operations
Group - Chief Financial and
Operations Officer)



Joann Wilkie
(Deputy Secretary -
Economic Strategy &
Productivity Group)



Tracy Wilson
(Information
Technology - Chief
Information Officer)

Treasury's structure and responsibilities

During the 2018-19 period, the new NSW Ministry was sworn in on 2 April 2019. To effectively serve the new Ministry and the government's priorities, Treasury realigned its structures.

Whilst some changes did not officially take place until 1 July 2019, the proposed restructure was announced in line with the NSW Ministry.

The Treasury cluster leads the economic, jobs and investment conversation across the state. From its position at the centre of government, NSW Treasury drives the economic development strategy to guide NSW's growth for the next 10 to 20 years.

Treasury's 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.

Comprising of the Secretary, four Deputy Secretaries, a General Counsel, a Chief People Officer, a Chief Financial Officer, a Chief Information Officer and a Chief of Staff, the 2018-19 Annual Report presents our new organisation structure, aligning with our refreshed strategy, the State's four pillars and our 2020 world class vision.

Headed up by the Secretary, Michael Pratt, Treasury's structure consists of nine groups that are responsible for delivering Treasury's strategy and goals:

- Commercial, Commissioning & Procurement
- Economic Strategy & Productivity
- Financial & Operations Group
- Human Resources

- Information Technology
- Office of General Counsel
- Office of the Secretary
- Policy & Budget
- Trade, Tourism, Investment & Precincts

Commercial, Commissioning & Procurement

The Commercial, Commissioning & Procurement (CC&P) Group comprises the transactions, commercial assets, infrastructure and structured finance, and commissioning units, as well as NSW Procurement.

Core responsibilities include:

- 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) and other government businesses which includes overseeing their governance, and assessing and monitoring their commercial performance
- supporting design and implementation of service delivery reforms in NSW
- managing major asset transactions
- setting and governing policies, and managing key spend categories for the State's annual \$33 billion + procurement expenditure.

Economic Strategy & Productivity

The Economic Strategy & Productivity Group shapes the NSW economic strategy and influences the future direction of tax policy, economic policy and reform, productivity policy, small business policy and federal financial relations.

Core responsibilities also include:

- advising and promoting sound economic policy within NSW to enhance the economic performance and welfare of NSW
- bolstering the capacity of NSW Treasury to lead economic reform and debate by advising on state, national and global economic issues, analysis and trends
- monitoring and forecasting the NSW economy and revenues, and providing policy advice on the State's revenue measures and federal financial relations
- supporting the sustainability of small businesses in NSW by providing assistance and information, strategic and procedural advice, confidential mediation and dispute resolution services and speaking up for small business within government
- driving productivity improvements to enhance the welfare of NSW including driving microeconomic and regulatory reform.

Financial & Operations Group

The Financial & Operations Group provides a range of services to Treasury and the sector, including:

- finance and business performance management
- the production and publication of the Total State Sector Accounts
- the production of monthly financial reporting and analysis of the general government aggregate financial results and provision of the aggregates financial reporting for the Budget and Half Year
- the provision of technical support and training for the sector on the Budgeting System

- the stewardship for the sector on financial management and accounting policy including capability support and compliance/performance management and delivery of the Recurrent Expenditure Gateway Assurance program
- the provision of technical accounting advice to the sector including capability support, liaison with other jurisdictions and liaison with relevant national and international accounting bodies
- being responsible for the Risk Assurance and Internal Audit function for Treasury including stewardship of the areas across the sector via a cluster Audit & Risk Chair Leadership forum
- the corporate finance and facilities management functions for Treasury.

Human Resources

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 a work/life balance for all our people and promoting flexible working.

Information Technology

The Information Technology Group is responsible for all Treasury technology systems including the sector wide budgeting platform, Prime. They ensure the integrity, availability and security of information and systems. Core areas of responsibility include:

- Applications and IT projects
- Operations and support
- Records and information management
- Finance and budget systems
- Cyber security.

Office of General Counsel

The Office of General Counsel (OGC) provides the Treasurer, other cluster Ministers and NSW Treasury with strategic legal advice and a 'legal lens' on whole of government policy initiatives, supports State significant commercial asset transactions and strategic projects, and manages contractual, statutory and other legal issues arising from Treasury's operations.

The OGC's activities include:

- providing general support on major commercial transactions and strategic projects
- conducting contract reviews, advice and negotiations
- undertaking statutory interpretation, review and updates to Treasury legislation
- dealing with contract disputes, HR disputes, litigation management and support
- supporting Treasury compliance activities from a legal perspective.

Office of the Secretary

The Office of the Secretary manages 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 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 include:

- developing and managing Treasury communications
- leading Treasury's Parliamentary Cabinet and Governance functions
- project management.

Policy & Budget

The Policy & Budget (P&B) Group is the primary agency relationship manager at NSW Treasury.

The role of P&B 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.

The group also plays an integral role in preparing the State Budget and monitoring agency financial and policy performance.

Core responsibilities include:

- coordination of agency content for core Treasury publications, including Budget Papers, total State Sector Accounts and Half-Yearly Review and the Pre-Election Budget Update (PEBU)
- 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.

Trade, Tourism, Investment & Precincts

The Trade, Tourism, Investment & Precincts (TTIP) team implements the NSW Government's economic development activities. They deliver programs and services, in NSW and across the world, to grow trade, investment and tourism; supporting small business and start-ups to grow, and NSW companies to succeed in international markets. The TTIP's role is to promote NSW as the destination of choice for tourists, businesses, students and global talent.

TTIP is also responsible for the State's industry development and jobs growth targets, ensuring NSW remains globally competitive and invests in the industries and places that will ensure NSW remains a great place to live and work, not just now, but well into the future. Their goals, designed to create economic growth that benefits the citizens of NSW, include:

- create great jobs in great places
- grow capital investment in NSW
- position NSW globally and nationally for investment and trade growth
- create liveable places and precincts which are vibrant, improve connectivity and reduce commute times
- make our precincts economically successful
- attract skilled labour, technology and innovative practices from across the world to ensure NSW is a leader in future industry sectors and technologies.



Organisational change

Treasury commenced 2018-19 with an organisational structure to support the delivery of Treasury's strategy. As the year progressed several organisational realignments took place to further streamline functions, enhance efficiency and effectiveness.

This included the transition of the Agency Policy & Budget Group to the Policy & Budget (P&B) Group, along with the Fiscal and Economic Group (FEG) evolving into the Economic Strategy & Financial Management Group.

As of February, the appointment of a new Deputy Secretary to lead the Economic and Financial Management Group was formalised, with Treasury welcoming Joann Wilkie to the team. With the inclusion of economic development functions as part of the machinery of government changes, this group was restructured as the Economic Strategy & Productivity Group.

The above organisational change was finalised prior to the machinery of government (MoG) transformations announced following the March 2019 state election.

As part of the MoG, the below changes were devised in preparation for implementation 1 July 2019:

- All economic development and strategy-related work, along with the Productivity Commission and NSW Small Business Commission, will fall within the Economic Strategy & Productivity Group. This group, including the macroeconomic analysis, jobs policy, revenue and tax policy, regulatory and productivity, and intergovernmental teams will be tasked with the development of the Economic Blueprint for NSW
- A new organisational group and Deputy Secretary role for Trade, Tourism, Investment & Precincts Group was formed. Headed up by an interim Deputy Secretary, this group will work with relevant entities and teams to ensure it supports the development of a comprehensive Trade and Investment Strategy, informed by the Economic Strategy and Productivity Group shapes. This includes both onshore and offshore capability, as well as a focus on priority sectors, industries and precincts
- The P&B Group will include the implementation of the Government Sector Finance (GSF) Act, which will form part of the Sector Performance and Outcomes team
- The Commercial Group will evolve into the Commercial, Commissioning & Procurement Group and will include responsibility for whole-of-government procurement and the incoming NSW Procurement team
- A new division, Financial & Operations Group, will bring all of sector accounts, reporting and analysis, financial and accounting advice, corporate services and audit and risk leadership together
- The functions of Technology, Legal and Human Resources will report to the Secretary, with those heading up these disciplines joining the Treasury Leadership Team
- The Communications and Executive and Ministerial Services (EMS) teams will form part of the Office of the Secretary and report directly to the Chief of Staff
- With current Corporate Services and Human Resources functions being re-aligned within the new organisation structure, the position of Deputy Secretary, Corporate Services and Deputy Secretary, People Services Group will no longer be required, and as such will be dismantled officially as of 1 July 2019.

NSW's fiscal and economic environment

Our sector leadership has been evident across the financial year, through the conceptualisation of the Productivity Discussion Paper, the announcement of the Federal Financial Relations Review in the 2019-20 Budget and the appointment of the State's first ever Chief Economist, Stephen Walters. Since commencing his role in July 2018, he has provided exemplary insights and advice on state, national and global economic issues, analysis and trends, and the provision of fresh and innovative economic analysis.

Such deliverables achieved by the Chief Economist over the financial year included:

- leading the development of the Economic Blueprint (to be released by the Treasurer towards the end of 2019), which will form the overarching narrative for much of the Government's work across a broad range of portfolios
- enhanced the forecasting performance of Treasury by reviewing technical capabilities, streamlining the forecasting processes and better integrating economic and revenue forecasting
- participated in a successful forecasting conference with Treasury economists from across all states and territories - the conference allowed collaboration of techniques to enhance the forecasting accuracy across government
- taking leadership of the Common Planning Assumptions Group to ensure the assumptions and forecasts across government are applied consistently
- the preparation and delivery of economic and revenue inputs to the Pre-Election Budget Update (PEBU) document that was published before the March 2019 State Election.

Economic factors

The 2019-20 Budget continues the Government's legacy of strong financial management, making unprecedented investments in frontline services and infrastructure, easing the cost of living for families and cutting taxes. At the same time, the Government is also laying the foundations for a stronger economic and financial future.

The Budget delivers sustainable operating surpluses - averaging \$1.7 billion per annum over the next four years. Families and communities across NSW are seeing tangible benefits following eight years of government fiscal discipline. The proceeds of the Government's successful asset recycling program continues to bear fruit in the form of new transformational infrastructure like North West Metro, which opened in May 2019. The 2019-20 Budget builds on this momentum by projecting the largest infrastructure program in the State's history at \$93 billion over the next four years. Through careful management and ongoing discipline, the program is being rolled out without burdening future generations with excessive debt, while also steadily increasing the value of the overall asset base owned by the people of NSW. The State's net worth has surpassed a quarter of a trillion dollars, the highest of any Australian state, and continues to grow towards one third of a trillion dollars by June 2023.

New South Wales continues to have the lowest net debt in Australia, sitting at negative \$8.8 billion as at June 2019. The State is now one of only five sub national jurisdictions around the world to have the highest possible credit rating, rated triple-A by both major credit rating agencies.

The 2019-20 Budget further advances expenditure and balance sheet reforms already underway, while also opening new avenues of economic and revenue reform. In doing so, the Government continues to lay foundations for a stronger future for NSW and its people.

The Government's fiscal and economic policies, combined with record infrastructure investment, has transformed NSW into the economic engine room of Australia.

Having successfully grown the economy and maintained budget surpluses, without having to raise taxes, through recent global and local challenges has been a major coup for the Government. However, the Government is proactively planning for the future through the implementation of four policy pillars to support the continued prosperity of NSW.

The first pillar is an Economic Blueprint for the future of NSW (the Blueprint). It will present long-term strategies to deliver the next wave of state economic growth, identifying emerging opportunities and a pathway to capitalise on them.

The second pillar is continuing to optimise management of the balance sheet, lowering the financial burden for future generations. NSW became the first state or territory in Australia to establish a sovereign wealth fund, the NSW Generations Fund (NGF). Seeded with an initial investment of \$10 billion in late 2018, the NGF is projected to grow to more than \$28 billion over the next decade. This initiative will help the Government maintain sustainable debt levels consistent with a triple-A credit rating, helping support current and future generations.

The third pillar is re-examining federal financial relations from a state perspective. As the NSW economy continues to grow and evolve, the Government will need to maintain a stable and reliable revenue base to fund essential services and infrastructure. An independent panel will provide citizens options to give New South Wales more autonomy and flexibility in federal financial relations, while making the State's taxes lower, simpler and fairer.

The fourth and final pillar supports the Government's move to outcomes budgeting which focuses on citizen success, not just the finances.

Economic influences

New South Wales has recorded impressive economic growth in recent years. The economy grew by an above-trend¹ rate averaging around 3 percent a year over the four years to 2017-18, and experienced the fastest per capita growth of any state, averaging 1.6 percent a year.

However, economic growth has eased in 2018-19, driven by soft household income growth, a slowing housing market and drought conditions. State Final Demand (SFD) growth, the major component of Gross State Product (GSP) growth and most timely broad indicator of economic activity, eased to a below-trend rate of 2.2 percent in 2018-19. Overall, GSP is expected to grow by 2¼ percent in 2018-19 and 2019-20.

¹ Trend economic growth is projected at 2½ percent a year over the medium term driven by the supply capacity of the economy.

Despite near-term challenges, segments of the economy remain resilient, particularly in the labour market where the unemployment rate remains low. The Government's record infrastructure program, rising commercial building activity and a solid export sector have underpinned the State's resilience and are expected to partially offset weakness in household consumption and a detraction from dwelling investment.

Solid fundamentals, led by strong labour market conditions, and a wave of policy stimulus (including recent personal income tax and interest rate cuts) are expected to support growth. Consequently, the economy is forecast to return to trend growth of 2½ percent in 2020-21.

Labour market conditions are strong, with employment growing at an above long-run average rate of 3.3 percent in 2018-19, led by full-time jobs. This has facilitated the workforce participation rate to reach a record high in 2018-19 and drove the unemployment rate to an average of 4.4 percent, close to its lowest level in over four decades. Solid economic growth is expected to sustain this strength in labour market conditions. Over the next two years, employment growth is expected to be around 1¼ to 1½ percent, reflecting improved productivity growth, while the unemployment rate is expected to stabilise at around 4½ percent. This is consistent with estimates of full employment.

NSW population growth has also been strong, recording 1.6 percent over 2018, well above the 1.1 percent average since the early 1980s. Population growth is forecast to remain around half a percentage point above the long-term average over the next two years, continuing to support economic growth.

The public sector is expected to remain a key source of economic strength, underpinned by the State's record \$93 billion four-year capital programs. Public investment is expected to contribute half a percentage point per year to economic growth over the next two years, around five times its historical average.

This should bolster employment in construction and its supporting services, including engineers and project managers, though the scale of the program could add to pressures on available capacity to deliver projects.

The solid run in business investment is expected to continue and provide a major driver of economic growth. The pipeline of projects is near a record high for engineering and non-residential building sector. Fundamental drivers in various sectors also indicate a favourable investment environment.

Following a period of strong growth, dwelling construction has passed its peak for this cycle and is forecast to continue to drag on economic growth over the next two years. An elevated pipeline of dwellings under construction should allow for an orderly slowdown in activity in the near-term, while strong population growth and a stabilisation of house prices should support activity over time.

Household consumption growth has slowed over the past year, particularly discretionary spending, amid a squeeze on household wealth, weakness in income growth and falling housing transactions. Until housing market conditions show a sustained improvement, consumer spending will have to rely more on future growth in disposable income. Fiscal and monetary policy stimulus should help to invigorate household disposable incomes in the near term before an expected gradual increase in wages growth. Stronger income growth and a stabilisation in housing market conditions should see consumption growth improve in 2020-21, becoming a key driver in returning economic growth to a trend rate.

Inflation has remained subdued over the past year, growing by 1.7 percent. This has been driven by large falls in petrol prices at the end of 2018 and early 2019, weak growth in rental prices and large falls in telecommunication and retail goods. The outlook for inflation is for it to rise in line with stronger wages growth and a lower Australian dollar, albeit gradually.

The near-term global growth outlook has weakened amid worsening trade tensions between the United States and China, a continuation of Brexit related uncertainty and rising geopolitical tensions. Faltering global trade growth has implications for the State's key commodity and service exports. More positively, the International Monetary Fund is forecasting global growth to pick up from 3 percent in 2019 to around 3.4 percent in 2020. The anticipated recovery should stimulate demand for export-orientated firms, providing a more favourable environment for broader business hiring and investment.

The role individual branches within Treasury play in delivering world class results for the state of NSW

Revenue Forecasting branch

The branch supports fiscal sustainability by providing rigorous revenue forecasts to inform the Government about available revenue to meet current and future expenditure needs. This includes understanding revenue drivers and informing the Government on emerging revenue risks.

In 2018-19, the branch prepared forecasts for the major taxes and mineral royalties (e.g. transfer duty, payroll tax and motor vehicle taxes). These forecasts were based on a number of drivers, including macroeconomic parameters, monthly data from Revenue NSW and other agencies, and forecasts of coal prices and volumes.

The branch conducted the following three forecasting updates for the year:

- 2018-19 Half-Yearly Review
- Pre-Election Budget Update
- 2019-20 Budget

In addition to undertaking the forecasts, the branch was responsible for drafting the revenue chapter of the 2018-19 Half-Yearly Review, Pre-Election Budget Update and 2019-20 Budget, including analysis of taxation and non taxation revenue.

As part of the Pre-Election Budget Update and 2019-20 Budget, the branch prepared a sensitivity analysis showing the impact of a movement in various factors on state taxation revenues and royalties. The impact of a movement in property volumes and prices, employment and employee compensation, coal export volumes and prices, and exchange rates were included in the analysis.

The branch also monitored revenue through the year and provided regular revenue status updates. This ensured that key stakeholders were informed of how revenue receipts were tracking against forecast amounts in a timely manner.

Throughout the year, the branch engaged in regular liaison with Revenue NSW, Roads and Maritimes Services and the Independent Liquor and Gaming Authority to gather the required information to inform forecasts and to ensure the accuracy and timeliness of data.

Finally, this branch also supported other teams, such as the State Tax Policy branch, in producing tax policy costings and other related tasks.

State Tax Policy branch

In the 2018-19 Budget, the Government announced that it would implement a Point of Consumption (PoC) tax on all wagering in NSW, applying from 1 January 2019. The State Tax Policy branch worked together with Liquor and Gaming NSW, Revenue NSW and the Treasurer's Office to introduce the Betting Tax Amendment Bill 2018, which established the PoC tax. The legislation passed in October 2018. The PoC tax closes a loophole in the wagering taxation system by ensuring all betting operators that offer bets to customers in NSW also pay wagering tax in NSW.

The Budget also included the Government's commitment to increase the payroll tax threshold to \$1 million by 2021-22. The State Tax Policy branch worked together with Revenue NSW to introduce the State Revenue Legislation Amendment Bill 2018, which implements annual increases in the payroll tax threshold from \$750,000 to \$850,000 in 2018-19, \$900,000 in 2019-20, \$950,000 in 2020-21 and \$1 million in 2021-22. The legislation passed in June 2018. The increase in the threshold will reduce the tax liability of the nearly 40,000 businesses that pay payroll tax.

In the 2018-19 Half-Yearly Review, the Government announced that it would annually index transfer duty thresholds to the Sydney Consumer Price Index. The State Tax Policy branch worked together with Revenue NSW to introduce the State Revenue and Other Legislation Amendment Bill 2019, which implemented the annual indexation of transfer duty thresholds. The legislation passed in June 2019. This annual indexation will generate increased savings for property buyers by reducing the effect of bracket creep.

The State Tax Policy branch supported the NSW Productivity Commission to conduct the Review of Payroll Tax Administration, which was finalised in October 2018. The review aimed to identify opportunities for improving the effectiveness of payroll tax administration and reducing compliance costs. The Government agreed to all 12 recommendations from the review and the State Tax Policy branch has been contributing to the ongoing work of implementing these recommendations. This work has included introducing legislation to extend the due date for annual reconciliation and to allow eligible businesses to make fixed monthly payment amounts instead of having to calculate monthly amounts. These improvements will save businesses time and money by making payroll tax compliance easier.

During the pre-election period, the branch also supported the Parliamentary Budget Office with costings on tax policy and revenue proposals, and finally during the financial year, had the opportunity to present to representatives of the Seoul Metropolitan Government on the NSW tax system and its administration.

Fines Review branch

Over 2018-19, the Fines Review branch worked with government agencies, with regulatory responsibilities for fines administration and enforcement, to implement NSW fines reforms. The measures reduced the cost of 52 non-safety related parking fines, allowed 20 councils and six universities to opt into charging the reduced fines, introduced a 10-minute grace period for certain paid parking, and launched a digital solution for citizens to report confusing parking signs.

Macroeconomic Analysis, Research & Strategy branch

During the 2018-19 period, the Macroeconomic Analysis, Research and Strategy branch continued to drive a regular liaison program with other economic stakeholders (both from the private sector and within Government), and a robust process of peer review for the Budget and Half-Yearly Review economic forecasts. This focused on improving the quality of Treasury's economic forecasts, narrative and analysis by providing alternate views and qualitative assessments.

This branch also:

- Produced detailed economic scenario analysis for the 2019-20 Budget, the first time such analysis had been included in a Budget. This showed the impact of variations in some key economic parameters on other areas of the economy, the overall macroeconomic outlook and general government tax revenues. This will provide a greater insight into the interdependencies within our complex economy, that a partial sensitivity analysis does not capture. These scenarios were selected to cover plausible economic events that could affect New South Wales over the forecast horizon
- Provided a regular program of economic presentations and Q&A sessions to the Treasurer and his office
- The branch has supported the Chief Economist in delivering his key deliverables
- Participated in a knowledge sharing economic and revenue forecasting workshop with other Treasuries from across Australia

- Established a project team to lead the preparation and delivery of the 2021 Intergenerational Report (IGR), to be publicly released in the first half of 2021. A government-led document, the IGR provides commentary on the long-term fiscal pressures facing NSW and the resulting fiscal gap
- Made presentations to a number of school groups throughout the year. This forum provides an opportunity for our future thought leaders to hear about what NSW Treasury does and get an overview of the economic outlook.

Federal Financial Relations branch

During the financial year, this branch:

- Successfully managed the secretariat for the Board of Treasurers in its inaugural year in 2018. Through the Board, Australian state and territory Treasurers are tasked with collaborating on issues of common interest and advancing national reform priorities from a state and territory perspective
 - Key achievements for the Board this financial year included securing fiscal protections for all states in Commonwealth reform of GST distribution and in national school education reforms under Gonski 2.0
 - The Board of Treasurers also embarked on a joint program of productivity enhancing reform to promote national economic growth, making it easier to do business. With this, Treasury leads the work to reduce the burden of payroll tax administration and improve labour mobility through interstate occupational mutual recognition arrangements
 - Provided strategic leadership on interactions with the Commonwealth through other avenues, making a submission to the hallmark Thodey Review of the Australian Public Service (APS) on options to improve the way the APS interacts with their state counterparts to drive better policy outcomes. Better collaboration between the APS and states across complex, cross-jurisdictional areas of responsibility, including health and education, will achieve the best outcomes for the nation
- Conducted high quality forecasting of a variable GST revenue base in support of the NSW Budget and continued support for NSW negotiations on key national agreements with the Commonwealth across key portfolios was provided throughout the year. Through the Board of Treasurers and the Council for Federal Financial Relations, NSW Treasury has been active in 2019 in pursuing a national health agreement that delivers long term reforms required to ensure states' management of the public hospital system remains fiscally sustainable over the coming decades
 - Conducted a three-day site visit by Commonwealth Grants Commissioners and made a significant submission to the 2020 Review to put forward NSW views on the development of the new assessment methodology that will guide GST distribution for the five years from 2020-21 to 2024-25.

Our performance

Following the development of Treasury's strategy and overarching goals, in 2018-19 we have focused on driving clear outcomes, applying the four pillars announced in the 2019-20 Budget and making further significant steps towards our 2020 world class Treasury vision.

The subsequent chapters provide a summary of our 2018-19 achievements against our three corporate goals.

GOAL ONE

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

Developing customer relationships

Over the financial year, Treasury has worked to further embed the customer experience strategy across the organisation, to deliver both relationship and specialist skills advice to our customers – including clusters, agencies, state owned organisations (SOCs) and the broader NSW Government. There has been a continued focus on Treasury's Customer Relationship Model with focused sessions on capability requirements, collaboration labs and active engagement with agency partners on key policy and fiscal issues – notably Gonski 2.0 and the extra funding for 100,000 free places at TAFE over the next four years.

To also ensure Treasury maintains its accuracy and understanding about its key stakeholders, we undertook a survey of our external customers through the Net Promoter Score (NPS) mechanism. With outcomes revealing Treasury is renowned for its expertise, knowledge and dedication, year-on-year comparison shows a significant improvement in the

understanding level of our customers' businesses, as well as an improvement in our 'One Treasury' approach to the provision of advice and guidance. This has been achieved through the proactive engagement with cluster Secretaries and policy teams in regular bilateral meetings.

Investing in our talent

Organisation Culture Review

Ensuring Treasury reaches its cultural outcome by 2020, to be recognised amongst Treasuries globally for its customer centred, employee first culture, a comprehensive Culture@Treasury Review was conducted.

During the financial year, we continued to invest in the development of our leaders. Activity to support this included the delivery of our internal leadership program 'Lead the Way' to future leaders, and we piloted a new 'Management Fundamentals' program.

People Matter Employee Survey

Responding to the results of the 2018 People Matter Employee Survey (PMES), a range of initiatives and workshops were held with employees at all levels of the organisation. The PMES results, and our subsequent employee consultation, identified flexible working arrangements as a key area of focus. Positively, the focus on flexible working has been reflected in the 2019 PMES results with satisfaction with flexible working increasing from 81 percent to 84 percent.

Overall employee engagement sits at 68 percent and engagement with work at 75 percent.

End-to-end employee experience

To ensure leadership and talent management programs are aligned to Treasury's strategy, an end-to-end employee experience communication plan has been developed during the financial year. This provides structure and consistency with how Treasury communicates with employees; capturing the communication touch points that align people to the NSW Treasury strategy, culture and brand.

The following initiatives were started during the financial year to enhance the end-to-end employee experience:

- the commencement of onboarding sessions, for new starters every six to eight weeks, as of the end of March 2019
- a pilot session of Management Fundamentals program, held in May 2019
- a review and refresh of the Reward and Recognition program within Treasury.

Diversity and inclusion

NSW Treasury acknowledges diversity and inclusion as a key driver of engagement, and a lever to ensure the organisation reaches its strategy and goals; greater inclusion of our diverse workforce allows us to provide better advice for our customers.

As part of our Diversity and Inclusion Strategy 2019–2025, we have strived to increase the proportion of women in senior leadership roles from roughly 33 percent to 50 percent by 2025. As of 30 June 2019, we have already achieved this with our leadership team having an even gender split.

In addition, the strategy aims to increase the employment levels of Aboriginal and Torres Strait Islander people across the public sector.

To assist in the delivery of this objective, Treasury worked with Legal Aid in order to boost Aboriginal employment within Treasury, as well as the broader sector.

Finally, Treasury has participated in the Male Champions of Change program as endorsed by the Secretaries Board.

Better ways of working

To ensure the delivery of Treasury's strategy, significant work has been undertaken on our core infrastructure, including our technology platform (based on a digital-by-default approach), financial management, legal and audit processes, and governance framework.

Technology

The appointment of a dedicated Chief Information Officer (CIO) was confirmed in January 2019.

Technology initiatives have focused on building an agile, flexible and digitally proficient workforce. Over the past year Treasury upgraded its laptop fleet to facilitate the deployment of Windows 10 and Office 365 and trained staff in these technologies. Digital workplace facilities were upgraded with the installation of Skype meeting rooms and improved audio to support collaboration with colleagues working remotely.

Cyber security has also been a key area of focus. Staff training was improved with the release of new online compliance content and the introduction of face to face security training as part of new staff onboarding. Quarterly security awareness campaigns were introduced in 2019 to assess staff knowledge and training needs.

Communications

To support our strategy over 2018-19, and to maintain the momentum through to 2019-20, Treasury implemented a comprehensive external integrated communications plan focusing on building up the organisation's reputation as a thought leader.

As such, the Secretary, as well as several of the leadership team, participated in numerous speaking engagements across the financial year to build brand awareness, demonstrate our collective expertise, engage target audiences and develop and nurture relationships with key stakeholders across NSW. Such events included:

- Future of Finance workshop
- Trans-Tasman Business Circle
- Roads Australia
- Western Sydney Leadership Dialogue
- Tourism and Transport Forum Leadership Summit
- Public Service Commission/Department of Premier and Cabinet – Delivery for Citizens Conference
- Public Service Commission Executive Leadership Essentials programs
- Transport cluster leadership committee meeting
- icare Board
- INSW Asset Management Breakfast
- IPAA Budget Breakfast

The internal communications activity across the 2018-19 on the other hand focused on nine core message pillars:

- One Treasury
- Customer Service
- Leadership
- Innovation
- Celebrating Success
- People & Strategy
- Respect
- Productivity
- World Class

With the overarching objective to deliver strategic messaging, consistent communication and relevant content that nurtures two-way dialogue among employees, agencies and NSW citizens, Treasury's internal communications plan provided valuable custom and personalised content that saw a significant increase in employee engagement, organisation-wide, and assisted in the embedding of Treasury's customer-centric culture.

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.

NSW Government Banking Tender

NSW Treasury has delivered new banking arrangements for the Government in response to Financial Management Transformation (FMT) and Outcome Budgeting, as well as leveraged significant technology developments in the sector.

With the NSW Government Banking Tender completed, and new contracts signed by the Treasurer on 14 December 2018, has meant the NSW Government will be able to tap into world-leading innovation in its banking services with Westpac Banking Corporation (Westpac), Australia and New Zealand Banking Group (ANZ) and Citigroup (Citi).

The contracts cover all government transactions including payments, receipts, cross-border banking and purchasing cards and are expected to save up to \$5 million each year in fees and charges.

With the finance sector evolving rapidly, the selection of providers ensures the State offers both the best services to consumers and are an early adopter of innovative technology and new ways of banking.

The contracts also allow greater flexibility, and as technology evolves, a better experience for the millions of people who transact with the Government each year.

Building a strong, sustainable budget and economy

Triple-A credit rating

NSW's Triple-A credit rating was reaffirmed in September 2018 by Standard & Poor's and Moody's rating agencies, making NSW one of only two states in Australia rated as Triple-A by both organisations.

Treasury's team developed a strong 2019-20 NSW Budget delivering a surplus of \$1.2 billion for 2018-19 with an average of \$1.7 billion surplus over the next four years to 2022-23. For the fourth year in a row, NSW has a negative net debt, with debt remaining sustainable through budget surpluses, asset recycling proceeds and modest borrowings.

Expense growth below FRA requirements

Expense growth for the financial year was 5 percent, as compared to Fiscal Responsibility Act 2012 (FRA)'s requirements of 5.6 percent. This result was in line with the projection in the Pre-Election Budget Update. To ensure continued compliance with the FRA, the annual expense growth rate is projected to be 3.7 percent.

The Government is also implementing several efficiency and savings measures, including administrative and procurement savings, consolidation of the public service by reducing the number of clusters from 10 to eight, and amalgamating agencies to support the delivery of savings.

Maintaining the integrity of the NSW Wages Policy

Treasury's Industrial Relations team successfully renegotiated industrial instruments that expired within 2018-19, with all outcomes complying with the Government's Wages Policy. The Wage Price Index for the year, through to the March 2019 quarter, declined slightly from 2.5 percent to 2.3 percent. The continued application of the Government's Wages Policy is estimated to have avoided additional net costs.

Asset and Liability Committee

The Asset and Liability Committee (ALCO) provides best practice advice to Treasury on managing the State's balance sheet 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.

Effective and efficient capital and balance sheet management

During the financial year, the State's net worth grew to \$262 billion and is forecast to reach \$311 billion by June 2023. Such a result means NSW continues to have the highest net worth among the states and territories, largely attributed to the State's growth in non-financial assets. Treasury continues to implement its balance sheet reform agenda to promote resilience and enhance the State's management of financial risk. In optimising the State's cash and liquidity position, Treasury has centralised \$3.6 billion cash to date, and will internalise up to an additional \$1.3 billion in cash balances over the four years to 2021-22.

During 2018-19, Treasury implemented the \$6.3 billion of fiscal headroom measures approved by the Expenditure Review Committee (ERC), as part of the 2018-19 Budget, including improved cash management, investment optimisation, and the implementation of a land and property sales target.

Our Funds

Treasury's innovative thinking was demonstrated by successfully bringing together a team with expertise from agencies within the Treasury Cluster to develop a world-first sovereign wealth fund, the NSW Generations Fund, made possible by the State's strong financial 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.

The NSW Generations Fund

Australia's first sovereign fund, the NSW Generations Fund (NGF), is a dual-purpose intergenerational fund which helps future generations through debt retirement, and today's generation by funding programs that improve community facilities and services across NSW.

Reflecting its long-term objectives, the NGF invests in a diverse range of assets including domestic and international equities, bonds, property and infrastructure. Under the prevailing governance arrangements, Treasury endorses the risk appetite and the NGF Advisory Board endorses the investment strategy to the Treasurer.

Investment performance has been well above expectations, returning 9.6 percent in the seven months since establishment to June 2019. The NGF's value at 30 June 2019 was \$10.9 billion, which equates to an investment gain of approximately \$902 million since it was established.

As the NGF grows, it also delivers for today's communities through the My Community Project (MCP) initiative.

In the first round of MCP, over 1,850 applications were received, with 61,437 community members voting for their preferred project. This innovative approach allowed communities to have a direct say in the projects that get delivered in their local area; the outcome of the vote – which will be reviewed by an independent audit, will be made public in the latter half of 2019.

NSW Infrastructure Future Fund

Treasury is also proactively working with TCorp in managing the State's financial assets through the NSW Infrastructure Future Fund (NIFF) established in 2016 as a fund for investing the net proceeds from the State's asset recycling program. Reflecting the success of the asset recycling program, \$18.3 billion has been invested into the NIFF, with accrued returns since inception to 30 June 2019 of over \$2 billion. This represents a return of 6.3 percent per annum since inception and a 5.9 percent return for the 2018-19 financial year. It should be noted that a significant proportion of these returns are either unrealised or have been reinvested in the NIFF and are therefore not immediately available for underwriting further infrastructure investments.

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. Now in its second year, as at 30 June 2019, the fund had a balance of \$1.2 billion and has returned 9.7 percent since its inception, and 9.1 percent in the 2018-19 financial year.

Managing exposure and liabilities

Treasury is working to create an integrated financial risk management policy that will combine the whole-of-government Foreign Exchange (FX) Risk Policy, which took effect as of 1 July 2018, with policies covering interest rate risk, credit risk and commodity risk; with provisions to expand the policy to other areas in the future. The new policy framework is designed to work in conjunction with the approval regime set out in the Government Sector Finance Act 2018 (GSF Act), which was enacted in December 2018.

Treasury has also worked alongside TCorp to lengthen the State's average debt maturity profile, allowing for improvements in the matching of liabilities with funded infrastructure assets – thereby reducing liquidity and refinancing risks. In November 2018 the State issued its first, and the largest of its kind across the nation, Green Bond, raising \$1.8 billion and allowing the State to highlight its substantial list of green projects, and to further expand and diversify its investor base. Proceeds will be used to fund eligible projects and assets, supporting the State's environmental aims and its transition to a more climate resilient economy.

Outcome Budgeting

Key to our ability to deliver the abovementioned Four Pillars, as announced in the 2019-20 Budget, is a new requirement for each cluster to develop an Outcome and Business Plan. These plans will outline how a revised set of State Outcomes will be achieved, by when, KPIs and lead indicators to track their progress, accountability arrangements and the alignment of cluster base budgets to the outcomes.

The plans have four workstreams to ensure the integration of outcomes across the cluster, these include:

- refinement, post the machinery of government changes, of the 38 outcomes and outcome indicators with targets
- consideration of the cluster change priorities that will help drive the delivery of outcomes
- alignment of cluster base budgets to outcomes and financial performance to understand what it costs to fund an outcome
- governance and accountability arrangements throughout the cluster to help embed the plans and deliver on the outcomes.

The plans should lead to the identification of options for the Government Expenditure Review Committee, as well as options for outcomes and service levels the Government wants delivered within budget constraints.

The Government Sector Finance Act 2018

The Government Sector Finance Act 2018 (GSF Act) is the biggest change to the state's financial management model since the 1980s. With the bill and cognate passed in November 2018, the legislation sets out provisions for managing public finances and applies to a range of Government decision makers, including Ministers, agency heads and public officers.

The changes promote even greater accountability and the red tape reductions have genuine potential to lift public sector efficiency. Importantly for citizens, the legislation is clear in setting a new level of public transparency.

The GSF Act ensures the legislative framework in NSW is conducive to best practice financial management, not just now but for many years to come.

Continued optimisation of Prime

The Prime system was successfully embedded into Treasury's business as usual practice in late 2017 and since that time a number of optimisations have taken place to enhance functionality for the sector.

Fifteen improvements to budget proposal management, capital processes and reporting were released in April 2019.

On 20 June 2019, an automation in the Prime Business system of the 33 separate forms used by agencies to capture Supplementary Financial Return information for the Total State Sector Accounts went live.

A sector wide dashboarding and analysis platform for financial information was also developed and implemented utilising an enterprise tool, Tableau. This will enable all users of financial information throughout the sector to have consistent, easy to read dashboards of the same information in a mobile device enabled manner.

Further work is also underway to enhance the system to support outcome budgeting through Treasury's Budget Process Reform and Outcome Budgeting project.

Providing quality outcomes to the sector and greater NSW

The 2017-18 Total State Sector Accounts were delivered on 5 October 2018, with an unqualified audit opinion from the Audit Office of NSW.

This financial year also saw the production and delivery of the 2018-19 Half Yearly Review (HYR); a publication providing an update on the fiscal and economic position of NSW since the 2018-19 Budget announced in June 2018. The HYR confirmed the fundamentals of the NSW Budget and economy remain strong, with surpluses over the four years to 2021-22 averaging \$1.3 billion per year and a balance sheet going from strength-to-strength, with negative net debt of \$7.7 billion at June 2019.

Treasury also established an election costing process with a dedicated team and two separate points of contact for the Parliamentary Budget Office and the Election Commitment Costings respectively. Finally, Treasury delivered the first Pre-Election Budget Update on 5 March 2019; a publication providing further updates on the fiscal and economic position of NSW since the release of the HYR.

CFO of the Sector

There is a fundamental shift in the way finance professionals will deliver services in the future due to changing business needs and technological disruption.

In response, Treasury has led a CFO of the Sector initiative during the year, focused on creating a world class finance function in the sector with a framework for supporting sector priorities and building for the future of finance. The aspiration is for a sector-wide team of finance professionals, with shared accountability for whole-of-state financial management, and who demonstrate world class expertise in budgeting, performance assessment, decision making and advice to achieve maximum social and economic impact for its citizens.

Treasury seeks to:

- harness the trust and respect of the CFOs to support the finance sector of the future and help deliver sustainable financial and services outcomes
- support the transformation from traditional capabilities to strategic finance advisor
- support transformation of finance across the sector to drive better forecasting and performance monitoring to support outcome-based resource allocation.

The initiative is structured around six work streams:

1. Financial management and forecasting
2. Outcome Budgeting, performance and planning
3. Leadership and capability
4. Accounting/financial policy best practice

5. Risk and assurance

6. Data and knowledge management

Operationalisation and commencement of various governing forums has commenced and will continue throughout 2019-20.

GOAL THREE

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

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

Building on our economic capability and leadership

NSW Treasury's whole-of-government microeconomic reform agenda is led by the Productivity Commissioner with initial focus on payroll tax administration, improving regulations and driving broader productivity through the Board of Treasurers (BoT).

Payroll tax reform

In November 2018, a set of payroll tax reforms were announced to assist businesses across the state of NSW, save about \$10 million a year, and have their paperwork burden eased, under changes following the NSW Productivity Commissioner's review into payroll tax administration.

Payroll tax administration will be streamlined with the introduction of equal automated payments making payroll tax a set-and-forget affair.

Under the current system, all businesses need to submit a monthly return and make a monthly payment. The new reform ensures businesses with a liability under \$150,000 will be able to submit just one annual return and make pre-set monthly instalment payments, based on the previous year's liability.

The reform also follows the budget announcement in June 2018 that the payroll tax threshold would be lifted from \$750,000 in 2017-18 to \$1 million by 2021-22. By 2021-22, approximately 5,000 firms that would have paid payroll tax will be exempt, avoiding both the tax itself and the administrative costs of complying with the payroll tax system.

The successful delivery of identified key transactions

On 31 August 2018, the NSW Government announced the 51 percent stake in WestConnex had been awarded to Sydney Transport Partners. The winning consortium paid \$9.2 billion, an outcome which validated the Government's asset recycling strategy.

The transaction not only funds the completion of the congestion-busting WestConnex but allows the Government to inject billions more towards infrastructure projects across the state.

WestConnex forms part of the Government's core strategy to build budget strength while delivering a once-in-a-generation infrastructure pipeline, creating jobs and driving economic growth.

Social Investment

In November 2018, a record \$1.8 billion in capital was raised through the first ever issue of Green Bonds, heralding a new era of investment in NSW's future.

The Government bonds issued under the Sustainability Bond Programme, a collaborative initiative by Treasury, TCorp, NSW Office of Environment and Heritage and the NSW Office of Social Impact Investment, will be directed into projects delivering environmental and social benefits for the people across the state.

NSW workplace reform

Treasury progressed a range of industrial reforms across the sector during 2018-19 to ensure industrial arrangements are appropriate and support the needs of a modern public service and the achievement of the Premier's Priorities.

Domestic and Family Violence Leave

Treasury's Industrial Relations team designed a reform to better support victim-survivors of domestic violence to have more resources and extra time to rebuild their lives.

On 23 November 2018, the NSW Government announced and approved 10 days of paid domestic and family violence leave, per year, for NSW public sector employees, including teachers, nurses and police from 1 January 2019.

Employees may now use domestic violence leave to seek safe housing; attend related medical and legal appointments or organise alternative care and schooling arrangements for their children and will not have to exhaust all other forms of leave beforehand.

Evidence Bank and evaluation

Evidence Bank is a database that will systematically collate and review pre-investment business cases (including cost benefit analysis'), performance information and post-evaluations, and then put that into standardised summaries. It aims to:

1. provide quality assessed initiative level information on efficiency, effectiveness and appropriateness
2. contribute to evidence base budget decision making process under Outcome Budgeting and Outcomes Assessments
3. assist in tracking whether benefits estimated at the front-end are realised at the back-end
4. assist to develop standardised outcome values for conducting cost-benefit analysis for future programs
5. aid comparative analysis of programs in NSW seeking to achieve similar outcomes, as well as compared to programs in other jurisdictions.

Risk management and insurance activities within Treasury

Fraud and Corruption Prevention and Risk Management

The NSW Treasury Fraud and Corruption Framework and Policy were reviewed, and the Audit and Risk Committee received quarterly updates on fraud and corruption matters.

During the reporting year, risk and control self-assessment workshops continued to be conducted with leadership team members and operational and project risk owners from across Treasury to identify, assess and monitor their material risks.

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

The Key Risk Indicators aligned to our strategic risks were reported on quarterly by the business to enable us to monitor our risks and provide assurance on the effectiveness of the strategic risks' controls.

The NSW Treasury Risk Champions Network continues to grow with 45 business unit representatives across NSW Treasury. Since the network's inception the Risk Champions review risks within their respective divisions in consultation with the risk owner and the Risk and Compliance team. Quarterly Risk Champion events have been held with guest speakers from:

- the NSW Government Chief Information Security Officer's Office presenting on cyber security risk
- KPMG's Risk Strategy & Technology Unit presenting on the CBA APRA review
- the Chief Credit Officer, National Australia Bank on credit risk
- the NSW Office of Environment and Heritage, and Guy Carpenter & Company, in relation to extreme weather-related risks and reinsurance.

Improving Risk Management in the NSW public sector

Treasury undertook several initiatives during 2018-19 to further improve risk management and capability across the NSW public sector. Initiatives undertaken include:

- Treasury formed an Audit and Risk Committee (ARC) Leadership Forum, comprising of all ARC chairs, focused on risk management to facilitate cross-sector ARC knowledge-sharing between cluster ARC chairs
- Treasury partnered with icare to launch the new Risk Education eXpress (REX) platform to develop training to improve risk management capability across the sector
- Treasury is developing a sector-wide Risk Maturity Tool in collaboration with the sector to assess risk culture, identify improvements and strengthen risk management capability and culture across the sector.

Compliance

All staff undertook refresher training relating to our Compliance eLearning modules that provide information on our higher risk corporate policies including the Code of Ethics and Conduct. This training is also mandatory for new starters to undertake, in addition to our face-to-face compliance training.

This training assists our staff to understand their responsibilities in association with key corporate and NSW Government policy and legislative requirements.

Following the review and updating of the Treasury Compliance Obligations Register and associated questions, one compliance exercise was run during the reporting year using the online compliance attestation form.

Business Continuity Planning (BCP)

NSW Treasury's Business Continuity Plan (BCP) framework and accompanying documentation is in place to ensure our readiness in the event of a disruptive incident. During the financial year, the Treasury Business Continuity (BC) facilitators met monthly to test BCP tools, to provide updates on the implementation of lessons learned, actions from scenario testing and to discuss changes to their Groups' BC plans. All Groups' BC plans were reviewed and amended, where necessary and business critical documents identified and posted onto the BCP website.

Robust procedures are in place to support the BCP tools and resources such as those to support the maintenance and retrieval of Treasury's off-site emergency laptops.

Two simulated exercises were successfully conducted by the BCP facilitators and the Treasury Information Technology team to test the readiness and retrieval methodology of the BCP laptops.

An offsite Black System Event scenario simulation test involving the Crisis Management and Damage Assessment teams was held in October 2018, which incorporated using our BC plans, the Treasury Incident Notification system and one of our alternative office locations, Parliament House.

In addition, staff who are members of the BCP teams received refresher training in their BCP responsibilities.

Insurance

Treasury's insurance premiums for 2018-19 totalled \$246,707. NSW Treasury's effective management of risk resulted in retrospective adjustments of \$39,320 to our premiums paid in previous years.



Internal Audit and Risk Management Attestation Statement for the 2018-2019 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

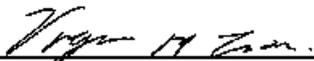
Audit and Risk Committee		
3.1	An independent Audit and Risk Committee with appropriate expertise has been established	Compliant
3.2	The Audit and Risk Committee is an advisory committee providing assistance to the agency head on the agency's governance processes, risk management and control frameworks, 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, Paul Ruiz, appointed December 2017, first term expires December 2020.
- Independent member, Deborah O'Toole, appointed December 2017, first term expires December 2020.
- Independent Member, Jon Tyers, appointed August 2012, first term August 2012 to October 2015, second term from November 2015 to October 2018 and third term from November 2018 to August 2020 (resigned on 1 May 2019).
- Independent Member, Patricia Azarias, appointed November 2015 to November 2018 (resigned on 10 July 2018).


 Michael Pratt
 Secretary
 Date: 30.9.19


 Virginia Tinson
 Acting Director of Internal Audit and Risk
 Telephone: 02 9228 3783
 Date: 30/08/19

NSW Cyber Security Policy Annual Attestation Statement for the 2018 – 2019 Financial Year for NSW Treasury

I, Michael Pratt, am of the opinion that NSW Treasury has managed cyber security risks in a manner consistent with the Mandatory Requirements set out in the NSW Government Cyber Security Policy. It is noted that the NSW Cyber Security Policy came into effect from 1st February 2019 and replaced the former NSW Government Digital Information Security Policy.

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

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

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

An independent review of the Agency's compliance against the mandatory requirements of the NSW Cyber Security Policy was undertaken and found to be adequate.



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 2019, the Statement of Financial Position as at 30 June 2019, 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 2019, 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

The Treasury's annual report for the year ended 30 June 2019 includes other information in addition to 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 Secretary.

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

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

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

I have nothing to report in this regard.

The 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, unless it is not appropriate to do so.

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

25 September 2019
SYDNEY

The Treasury

Statement by the Secretary

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

- (a) the accompanying financial statements in respect of the year ended 30 June 2019 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 2019 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,

19th September 2019

The Treasury

Statement of comprehensive income for the year ended 30 June 2019

	Notes	Budget 2019 \$'000	Actual 2019 \$'000	Actual 2018 \$'000
Continuing operations				
Expenses excluding losses				
Employee related expenses	2(a)	85,818	84,682	83,939
Operating expenses	2(b)	38,090	45,816	44,321
Depreciation and amortisation	2(c)	6,552	6,945	6,243
Grants and subsidies	2(d)	4,859	263	244
Finance costs	2(e)	68	164	(8)
Total expenses excluding losses		135,387	137,870	134,739
Revenue				
Appropriation	3(a)	128,839	116,115	114,865
Sale of goods and services	3(b)	16,024	16,243	14,374
Personnel services revenue	3(c)	-	-	2,664
Grants and contributions	3(d)	-	2,025	-
Acceptance by the Crown Entity of employee benefits and other liabilities	3(e)	1,722	3,247	2,288
Other income		-	2,034	1,869
Total revenue		146,585	139,664	136,060
Operating result		11,198	1,794	1,321
Gains / (losses) on disposal		-	(1)	(4)
Net result from continuing operations	16	11,198	1,793	1,317
Other comprehensive income				
<i>Items that will not be reclassified to net result</i>				
Superannuation actuarial gains / (losses) on defined benefit plans	12	-	-	401
Superannuation actual return on fund assets less interest income	12	-	-	822
Total other comprehensive income		-	-	1,223
TOTAL COMPREHENSIVE INCOME		11,198	1,793	2,540

The accompanying notes form part of these financial statements.

The Treasury

Statement of financial position as at 30 June 2019

	Notes	Budget 2019 \$'000	Actual 2019 \$'000	Actual 2018 \$'000
ASSETS				
Current assets				
Cash and cash equivalents	5	14,290	9,689	13,595
Receivables	6	11,263	3,791	9,325
Total current assets		25,553	13,480	22,920
Non-current assets				
Plant and equipment	7	13,303	12,741	14,239
Intangible assets	8	58,420	50,747	49,117
Total non-current assets		71,723	63,488	63,356
Total assets		97,276	76,968	86,276
LIABILITIES				
Current liabilities				
Payables	9	19,443	6,559	16,694
Provisions	10	8,650	10,377	10,383
Other liabilities	11	1,749	1,383	1,383
Total current liabilities		29,842	18,319	28,460
Non-current liabilities				
Provisions	10	3,045	2,993	2,816
Other liabilities	11	11,866	11,757	12,894
Total non-current liabilities		14,911	14,750	15,710
Total liabilities		44,753	33,069	44,170
Net assets		52,523	43,899	42,106
EQUITY				
Accumulated funds		52,523	43,899	42,106
Total equity		52,523	43,899	42,106

The accompanying notes form part of these financial statements.

The Treasury

Statement of changes in equity for the year ended 30 June 2019

	Notes	Accumulated Funds \$'000
Balance at 1 July 2018		42,106
Net result for the year		1,793
Other comprehensive income		-
Total comprehensive income for the year		1,793
Balance at 30 June 2019		43,899
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	822
Total other comprehensive income		1,223
Total comprehensive income for the year		2,540
Transactions with owners in their capacity as owners		
Increase in net assets from equity transfer		2,100
Balance at 30 June 2018		42,106

The accompanying notes form part of these financial statements.

The Treasury

Statement of cash flows for the year ended 30 June 2019

	Notes	Budget 2019 \$'000	Actual 2019 \$'000	Actual 2018 \$'000
CASH FLOWS FROM OPERATING ACTIVITIES				
Payments				
Employee related		(84,790)	(81,301)	(75,914)
Grants and subsidies		(4,859)	(263)	(244)
Other		(46,913)	(50,645)	(47,690)
Total payments		(136,562)	(132,209)	(123,848)
Receipts				
Appropriation		128,839	116,115	114,864
Sale of goods and services		16,127	20,989	10,800
Other		4,033	4,840	2,568
Total receipts		148,999	141,944	128,232
NET CASH FLOWS FROM OPERATING ACTIVITIES	16	12,437	9,735	4,384
CASH FLOWS FROM INVESTING ACTIVITIES				
Purchases of plant and equipment		(852)	(825)	(368)
Purchases of intangibles		(10,192)	(12,816)	(2,286)
NET CASH FLOWS FROM INVESTING ACTIVITIES		(11,044)	(13,641)	(2,654)
NET CASH FLOWS FROM FINANCING ACTIVITIES		-	-	-
NET INCREASE / (DECREASE) IN CASH AND CASH EQUIVALENTS		1,393	(3,906)	1,730
Opening cash and cash equivalents		12,897	13,595	11,865
CLOSING CASH AND CASH EQUIVALENTS	5	14,290	9,689	13,595

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.

Under the *Administrative Arrangements (Administrative Changes – Public Service Agencies) Order 2019* commencing on 1 July 2019, Treasury will be impacted by the following changes: the Data Analytics Centre (DAC) and NSW Industrial Relations will be transferred to the new Department of Customer Service and Department of Premier and Cabinet (DPC), respectively; NSW Procurement will transition from the former Department of Finance, Services and Innovation (DFSI) and the Office of Small Business Commissioner and NSW Trade and Investment will transfer in from the Department of Industry. Further details are disclosed in Note 22.

These financial statements for the year ended 30 June 2019 have been authorised for issue by the Secretary on the date the accompanying Statement by the Secretary was signed.

(b) Basis of preparation

Treasury's financial statements are general purpose financial statements which have been prepared on an accrual's 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* (the Act) and *Public Finance and Audit Regulation 2015*
- the Treasurer's Directions issued under the Act.

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 AAS, 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 and are disclosed in Note 18.

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) Interest income

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

1. Summary of Significant Accounting Policies (continued)

(h) Property, plant and equipment

(i) Acquisition of plant and equipment

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

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.

1. Summary of Significant Accounting Policies (continued)

(viii) Impairment of plant and equipment

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

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.

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.

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

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

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

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

(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

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

1. Summary of Significant Accounting Policies (continued)

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

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

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

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

Classification and Measurement under AASB 139 (comparative period only)

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.

Any reversals of impairment losses are reversed through the net result for the year, if objectively related to an event occurring after the impairment was recognised. 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 the Long Service Corporation (LSCorp) were 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

1. Summary of Significant Accounting Policies (continued)

Treasury Circular TC18-10 Accounting for Superannuation, Treasury recognised 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 occurred.

A net liability or asset was 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 was actuarially determined.

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

(d) Consequential on-costs

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

(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 17. 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).

1. Summary of Significant Accounting Policies (continued)

(q) *Income Tax*

As a not for profit entity, wholly owned by the government, Treasury is exempt from income tax.

(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 15.

(s) *Comparative information*

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

In 2018, \$1,037,000 in Long Service Leave (LSL) expense and Acceptance by the Crown Entity of employee benefits and other liabilities, were netted off against each other. The comparatives have been corrected which increased the value of LSL expenses and acceptance by the Crown Entity. No other totals were impacted.

Non-current payables of \$4,257,000 relating to lease incentives was moved to non-current other liabilities as a more accurate classification under Australian Accounting Standards.

(t) *New standards and interpretations issued*

i. Effective for the first time in 2018-19

Treasury has adopted AASB 9 *Financial Instruments*, which resulted in changes in accounting policies in respect of recognition, classification and measurement of financial assets and financial liabilities; derecognition of financial instruments and impairment of financial assets and hedge accounting. AASB 9 also significantly amends other standards dealing with financial instruments such as the revised AASB 7 *Financial Instruments: Disclosures*. AASB 9 must be applied retrospectively. Treasury has not restated comparatives on the adoption of AASB 9 as per the transition option mandated by Treasury Circular TC 19-04. There have been no material differences arising from the adoption of AASB 9 during the year.

ii. Issued but not yet effective

As mandated by Treasury Circular TC19-04, Treasury has not early adopted any new accounting standards, amendments and interpretations that have been issued but are not yet effective. Certain new accounting standards and interpretations have been issued that are not mandatory for 30 June 2019 reporting periods.

- AASB 15 *Revenue from Contracts with Customers*, AASB 2016-8 *Amendments to Australian Accounting Standards – Australian Implementation Guidance for Not-for-Profit Entities* and AASB 2016-7 *Amendments to Australian Accounting Standards – Deferral of AASB 15 for NFP entities* is effective for reporting periods commencing on or after 1 January 2019. AASB 15 establishes a five-step model to account for revenue arising from contracts with customers. Revenue is recognised when control of goods or services is transferred to the customer at amounts that reflect the consideration to which Treasury expects to be entitled in exchange for transferring the goods or services to the customer. Under AASB 118 *Revenue*, revenue recognition is currently based on when risks and rewards are transferred.
- AASB 1058 *Income of Not-for-Profit Entities* is effective for reporting periods commencing on or after 1 January 2019 and will replace most of the existing requirements in AASB 1004 *Contributions*. The scope of AASB 1004 is now limited mainly to parliamentary appropriations, administrative arrangements and contributions by owners. Under AASB 1058, Treasury will need to determine whether a transaction is consideration received below fair value principally to enable Treasury to further its objectives (accounted for under AASB 1058) or a revenue contract with a customer (accounted for under AASB 15).

Treasury will adopt AASB 15 and AASB 1058 on 1 July 2019 through application of the full retrospective transition approach. Recognition and measurement principles of the new standards will be applied for the current year and comparative year as though AASB 15 and AASB 1058 had always applied.

Based on the impact assessments Treasury has undertaken on currently available information, Treasury estimates that the adoption of AASB 15 and AASB 1058 will not materially impact the agency.

1. Summary of Significant Accounting Policies (continued)

- AASB 16 *Leases* is effective from reporting periods commencing on or after 1 January 2019.

For lessees, AASB 16 will result in most leases being recognised on the Statement of Financial Position, as the distinction between operating and finance leases is largely removed. Under the new standard, an asset (the right to use the leased item) and a financial liability to pay rentals are recognised at the commencement of the lease. The only exceptions are short-term and low-value leases. AASB 16 will therefore increase assets and liabilities reported on the Statement of Financial Position. It will also increase depreciation and interest expenses and reduce operating lease rental expenses on the Statement of Comprehensive Income. Expenses recognised in the earlier years of the lease term will be higher as the interest charges will be calculated on a larger lease liability balance.

Treasury will adopt AASB 16 on 1 July 2019 through application of the partial retrospective approach, where only the current year is adjusted as though AASB 16 had always applied. Comparative information will not be restated. Treasury will also adopt the practical expedient whereby the fair value of the right-of-use asset will be the same as the lease liability at 1 July 2019.

Based on the impact assessments Treasury has undertaken on currently available information, Treasury estimates additional lease liabilities of \$58.2 million and right-of-use assets of \$45.0 million (inclusive of lease incentive) will be recognised as at 1 July 2019 for leases in which Treasury is a lessee. Most operating lease expenses will be replaced by depreciation of the right of use asset and interest on the lease liability.

The impact to Treasury of adopting the new standards and interpretations listed below was assessed as not material.

- AASB 1059 *Service Concession Arrangements: Grantors* (operative date 1 July 2020)
- AASB 2016-8 *Amendments to Australian Accounting Standards – Australian Implementation Guidance for Not-for-Profit Entities* (operative date 1 July 2019)
- AASB 2018-1 *Amendments to Australian Accounting Standards – Annual Improvements 2015–2017 Cycle* (operative date 1 July 2019)
- AASB 2018-3 *Amendments to Australian Accounting Standards – Reduced Disclosure Requirements* (operative date 1 July 2019)
- AASB 2018-5 *Amendments to Australian Accounting Standards - Deferral of AASB 1059* (operative date 1 July 2020)
- AASB 2018-7 *Amendments to Australian Accounting Standards – Definition of Material* (operative date 1 July 2020)
- AASB 2018-8 *Amendments to Australian Accounting Standards – Right-of-Use Assets of Not-for-Profit Entities* (operative date 1 July 2019)
- AASB 2016-8 *Amendments to Australian Accounting Standards – Australian Implementation Guidance for NFP entities* (operative date 1 July 2019).

The Treasury

Notes to the Financial Statements
30 June 2019

2. Expenses Excluding Losses

	2019	2018
	\$'000	\$'000
(a) Employee related expenses		
Salaries and wages (including annual leave)	72,657	72,508
Superannuation - defined benefit plans	388	624
Superannuation - defined contribution plans	4,176	4,234
Long service leave	3,007	2,144
Workers' compensation insurance	136	168
Payroll tax and fringe benefits tax	4,318	4,261
	84,682	83,939

No employee related expenses have been capitalised in Intangibles and therefore excluded from the above (2018: \$Nil). Except as noted, there are no other employee related payments included in asset and expenditure accounts.

(b) Operating expenses include the following:

Auditor's remuneration		
- Audit of the financial statements	75	124
Operating lease rental expense		
- Minimum lease payments	8,628	8,071
Contractors	13,818	8,606
Centralised corporate support charges	4,008	4,554
Consultants	3,901	5,089
Computers maintenance, licenses and information management	9,418	12,016
Staff recruitment	570	505
Training	2,140	1,364
Building management maintenance and utilities	857	951
Internal audit fees	276	334
Maintenance ⁽ⁱ⁾	145	302
Printing and advertising	473	410
Travel	316	252
Event management	290	337
Minor plant, equipment and stores	178	210
Postal charges	76	76
Audit and Risk Committee	74	61
Insurance	72	64
Legal fees	4	141
Other	497	854
	45,816	44,321

Reconciliation - Total maintenance

(i) Maintenance expense - contracted labour and other (non-employee related), as above	145	302
Employee related maintenance expenses included in Note 2(a)	-	-
Total maintenance expenses included in Note 2(a) and 2(b)	145	302

The Treasury

Notes to the Financial Statements
30 June 2019

2. Expenses Excluding Losses (continued)

	2019 \$'000	2018 \$'000
(c) Depreciation and amortisation		
Computer hardware	505	1,080
Office furniture	29	29
Leasehold improvements	1,785	1,750
	2,319	2,859
Amortisation of Software intangibles	4,626	3,384
Total Depreciation and Amortisation	6,945	6,243
(d) Grants and subsidies		
Grants	263	244
(e) Finance costs		
Unwinding of discount rate	164	(8)

3. Revenues

(a) Appropriations and Transfers to the Crown Entity

Summary of Compliance	2019 \$'000		2018 \$'000	
	Appropriation	Expenditure	Appropriation	Expenditure
Original Budget per Appropriation Act	128,839	116,115	117,919	114,865
Other Appropriation/Expenditure				
- s 27 Appropriation Act 1983 transfers from/(to) another entity	(610)	-	-	-
- s 24 Public Finance and Audit Act 1983 transfers of functions between entities	-	-	2,609	-
Total Appropriations/Expenditure/ Net Claim on Consolidated Fund (includes transfer payments)	128,229	116,115	120,528	114,865
Appropriation drawn down		116,115		114,865
Liability for unspent appropriations drawn down		-		-

Notes:

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

The Treasury

Notes to the Financial Statements
30 June 2019

3. Revenues (continued)

	2019	2018
	\$'000	\$'000
(b) Sale of goods and services		
Rendering of services		
Recoupment of costs ⁽ⁱ⁾	16,226	14,374
Other	17	-
	<u>16,243</u>	<u>14,374</u>
(c) Personnel services revenue		
Recoupment of Long Service Corporation staff costs	-	2,664
(d) Grants and contributions		
Grants from Crown Entity for redundancy costs	2,025	-
(e) Acceptance by the Crown Entity of employee benefits and other liabilities		
The following liabilities and/or expenses have been assumed by the Crown Entity:		
Long service leave	2,855	1,811
Superannuation - defined benefit	372	455
Payroll tax	20	22
	<u>3,247</u>	<u>2,288</u>

(i) Relates to the recoupment of administrative costs composed mainly of salaries and accommodation relating to Treasury related entities.

4. Program Groups of Treasury

Program Group	Purpose:
Analysis, Advice and Delivery	Providing informed fiscal, economic, commercial and financial analysis and advice. Maintaining the State's triple-A rating through implementing comprehensive financial management strategies, and meeting revenue and expenditure growth targets.
Supported Workers	Providing advice and education for employers, employees and vulnerable workers on fair work practices. Advising Government on wages policy, employment rights and conditions. Undertaking best practice funds and claims management for State workers insurance and administering the provision of workers' compensation. Administering health and general liability, property, motor vehicle and other miscellaneous cover to Government and its employees.
Supporting the Economic Growth of NSW	Managing whole of State financial asset and liability activities, as measured by investment and debt performance. Maintaining strong financial management through accurate data and advice. Working towards the State's objective of fully funding Defined Benefit Superannuation by 2030.

Notes to the Financial Statements
30 June 2019

4. Program Groups of Treasury (continued)

	Analysis, Advice and delivery		Supported Workers		Supporting the Economic Growth of NSW		Not Attributable		Total	
	2019 \$'000	2018 \$'000	2019 \$'000	2018 \$'000	2019 \$'000	2018 \$'000	2019 \$'000	2018 \$'000	2019 \$'000	2018 \$'000
TREASURY'S EXPENSES & INCOME										
Expenses excluding losses										
Employee related expenses	31,020	25,900	8,185	11,546	45,477	46,493	-	-	84,682	83,939
Operating expenses	20,080	16,839	3,542	3,006	22,194	24,476	-	-	45,816	44,321
Depreciation and amortisation	4,331	3,385	254	398	2,360	2,460	-	-	6,945	6,243
Grants and subsidies	25	10	-	-	238	234	-	-	263	244
Finance costs	70	(3)	-	-	94	(5)	-	-	164	(8)
Total expenses excluding losses	55,526	46,131	11,981	14,950	70,363	73,658	-	-	137,870	134,739
Revenue										
Appropriation *	-	-	-	-	-	-	-	-	-	-
Sale of goods and services	14,845	12,867	-	-	1,398	1,507	116,115	114,865	116,115	114,865
Personnel services revenue	-	-	-	2,664	-	-	-	-	16,243	14,374
Grants and contributions	2,025	-	-	-	-	-	-	-	-	2,664
Acceptance by the Crown Entity of employee benefits and other liabilities	738	521	696	637	1,813	1,130	-	-	3,247	2,288
Other income	2,001	1,106	33	15	-	748	-	-	2,034	1,869
Total revenue	19,609	14,494	729	3,316	3,211	3,385	116,115	114,865	139,664	136,060
Gains / (losses) on disposal	-	-	-	-	(1)	(4)	-	-	(1)	(4)
Net result from continuing operations	(35,917)	(31,637)	(11,252)	(11,634)	(67,153)	(70,277)	116,115	114,865	1,793	1,317
Other comprehensive income										
<i>Items that will not be reclassified to net result in subsequent periods</i>										
Superannuation actuarial gains / (losses) on defined benefit plans	-	-	-	401	-	-	-	-	-	401
Superannuation actual return on fund assets less interest income	-	-	-	822	-	-	-	-	-	822
Total other comprehensive income	-	-	-	1,223	-	-	-	-	-	1,223
TOTAL COMPREHENSIVE INCOME	(35,917)	(31,637)	(11,252)	(10,411)	(67,153)	(70,277)	116,115	114,865	1,793	2,540

Notes to the Financial Statements
30 June 2019

4. Program Groups of Treasury (continued)

	Analysis, advice and delivery		Supported Workers		Supporting the Economic Growth of NSW		Not Attributable		Total	
	2019 \$'000	2018 \$'000	2019 \$'000	2018 \$'000	2019 \$'000	2018 \$'000	2019 \$'000	2018 \$'000	2019 \$'000	2018 \$'000
TREASURY'S ASSETS & LIABILITIES										
ASSETS										
Current assets										
Cash and cash equivalents	-	-	-	-	-	-	-	-	9,689	13,595
Receivables	1,311	2,889	30	19	2,450	6,417	-	-	3,791	9,325
Total current assets	1,311	2,889	30	19	2,450	6,417	9,689	13,595	13,480	22,920
Non-current assets										
Plant and equipment	4,142	4,111	854	997	7,745	9,131	-	-	12,741	14,239
Intangible assets	17,448	15,072	678	564	32,621	33,481	-	-	50,747	49,117
Total non-current assets	21,590	19,183	1,532	1,561	40,366	42,612	-	-	63,488	63,356
Total assets	22,901	22,072	1,562	1,580	42,816	49,029	9,689	13,595	76,968	86,276
LIABILITIES										
Current liabilities										
Payables	2,152	4,971	383	680	4,024	11,043	-	-	6,559	16,694
Provisions	3,252	2,916	1,045	990	6,080	6,477	-	-	10,377	10,383
Other liabilities	446	398	102	102	835	883	-	-	1,383	1,383
Total current liabilities	5,850	8,285	1,530	1,772	10,939	18,403	-	-	18,319	28,460
Non-current liabilities										
Provisions	956	802	251	233	1,786	1,781	-	-	2,993	2,816
Other liabilities	3,794	3,707	870	954	7,093	8,233	-	-	11,757	12,894
Total non-current liabilities	4,750	4,509	1,121	1,187	8,879	10,014	-	-	14,750	15,710
Total liabilities	10,600	12,794	2,651	2,959	19,818	28,417	-	-	33,069	44,170
Net assets	12,301	9,278	(1,089)	(1,379)	22,998	20,612	9,689	13,595	43,899	42,106

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

The Treasury

Notes to the Financial Statements
30 June 2019

5. Cash and Cash Equivalents

	2019 \$'000	2018 \$'000
Cash at bank	9,689	13,595
	<u>9,689</u>	<u>13,595</u>

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

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

Cash and cash equivalents (per Statement of Financial Position)	9,689	13,595
Closing cash and cash equivalents (per statement of Cash Flows)	<u>9,689</u>	<u>13,595</u>

Refer to Note 19 for details regarding credit risk, liquidity risk and market risk arising from financial instruments.

6. Receivables

	2019 \$'000	2018 \$'000
Current		
Sale of goods and services	-	6,772
Prepayments	1,499	512
GST	661	1,169
Other	1,631	872
Total current receivables	<u>3,791</u>	<u>9,325</u>
Total non-current receivables	-	-
Total receivables	<u>3,791</u>	<u>9,325</u>

Refer to Note 19 for details regarding credit risk, liquidity risk and market risk arising from financial instruments.

The Treasury

Notes to the Financial Statements 30 June 2019

7. Plant and Equipment

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

Reconciliation

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

Year ended 30 June 2019

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

	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 plant and equipment at the beginning and end of the prior reporting period is set out below:

	Plant and Equipment \$'000	Leasehold improvements \$'000	Total \$'000
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

The Treasury

Notes to the Financial Statements
30 June 2019

8. Intangible Assets

	Software \$'000	Capital Works in Progress \$'000	Total \$'000
At 1 July 2018 - fair value			
Gross carrying amount	52,486	2,534	55,020
Accumulated amortisation and impairment	(5,903)	-	(5,903)
Net carrying amount	46,583	2,534	49,117
At 30 June 2019 - fair value			
Gross carrying amount	61,260	-	61,260
Accumulated amortisation and impairment	(10,513)	-	(10,513)
Net carrying amount	50,747	-	50,747

Reconciliation

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

	Software \$'000	Capital Works in Progress \$'000	Total \$'000
Year ended 30 June 2019			
Net carrying amount at start of year	46,583	2,534	49,117
Additions	-	6,262	6,262
Disposals	(22)	-	(22)
Transfers	8,796	(8,796)	-
Amortisation	(4,626)	-	(4,626)
Other movements:			
Write back on disposal	16	-	16
Net carrying amount at end of year	50,747	-	50,747

The Treasury

Notes to the Financial Statements
30 June 2019

8. Intangible Assets (continued)

	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 prior 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

9. Payables

	2019 \$'000	2018 \$'000
Current		
Accrued salaries, wages and on-costs	693	576
Creditors	5,866	16,118
Total payables	6,559	16,694

Details regarding credit risk, liquidity risk and market risk, including a maturity analysis of the above payables are disclosed in Note 19.

The Treasury

Notes to the Financial Statements
30 June 2019

10. Provisions

	2019	2018
	\$'000	\$'000
Current		
Employee benefits and related on-costs		
Recreation leave	6,072	6,483
Provision for on-costs on employee benefits	2,935	2,818
Provision for fringe benefits tax	5	5
Provision for termination	1,365	1,077
Total current	10,377	10,383
Non-current		
Employee benefits and related on-costs		
Provision for payroll tax on long service leave liability	66	61
Provision for on-costs on long service leave liability	119	111
	185	172
Other		
Restoration costs	2,808	2,644
Total non-current	2,993	2,816
Aggregate employee benefits and related on-costs		
Provisions-current	10,377	10,383
Provisions-non-current	185	172
Accrued salaries, wages and on-costs (Note 9)	693	576
	11,255	11,131

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

Movements in provisions (other than employee benefits)

Restoration costs		
Carrying amount at the beginning of financial year	2,644	2,652
Unwinding / change in the discount rate	164	(8)
Carrying amount at end of financial year	2,808	2,644

11. Other Liabilities

	2019	2018
	\$'000	\$'000
Current		
Lease incentive	1,383	1,383
Non-current		
Lease incentive	7,256	8,637
Lease averaging	4,501	4,257
	11,757	12,894
Total Other Liabilities	13,140	14,277

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

The Treasury

Notes to the Financial Statements
30 June 2019

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 performed the functions of the LSCorp up to 31 December 2017. On 1 January 2018, these liabilities of LSCorp were transferred to DFSI.

Comparative figures shown in the table below represent LSCorp up to 31 December 2017.

Statement of comprehensive income impact

	SASS 31-Dec-17 \$'000	SANCS 31-Dec-17 \$'000	SSS 31-Dec-17 \$'000	Total 31-Dec-17 \$'000
Current service cost	48	11	35	94
Net interest	(12)	(3)	105	90
Profit or loss component of the Defined Benefit Cost	36	8	140	184
Other Comprehensive Income Impact				
Actuarial (gains) / losses on liabilities	(71)	(17)	(313)	(401)
Actual return on Fund assets less Interest income	(143)	(31)	(648)	(822)
Total remeasurement in Other Comprehensive Income	(214)	(48)	(961)	(1,223)

13. Commitments for expenditure

	2019 \$'000	2018 \$'000
Operating Lease Commitments		
Future non-cancellable operating lease rentals not provided for:		
Not later than one year	10,588	10,495
Later than one year and not later than five years	46,293	46,580
Later than five years	16,558	30,587
Total (including GST)	73,439	87,662

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 2019 include input tax credits of \$6,676,000 (2018: \$7,969,000) which are recoverable from the Australian Taxation Office.

14. Contingent Liabilities and Contingent Assets

There are no contingent assets or liabilities as at the reporting date (2018: Nil).

15. Budget Review

Net result

The actual net result was a gain of \$1.8 million which is \$9.4 million lower than the budget of \$11.2 million. This reduction is mainly due to:

- Reduced appropriation of \$12.7 million due to approved budget variations including carried forward requests
- Higher other revenue of \$2.0 million due to increased revenue services from DAC
- Lower employee related expenses of \$1.1 million due to staff vacancies
- Higher operating expenses of \$7.7 million mainly due to additional contractors and higher computer software related costs with the implementation of Prime
- Lower grant payments of \$4.6 million due to the youth unemployment initiative transferred to another agency and the delay to providing the aboriginal economic development funding.

Assets and liabilities

Current assets were under the budget by \$12.1 million resulting from a lower cash holding balance of \$4.6 million and receivables of \$7.5 million. Current receivables were lower due to earlier recoups from the Crown Entity for work done on their behalf.

Non-current assets were below budget by \$8.2 million primarily due to lower intangible assets of \$7.7 million. Funding for the remaining work in relation to Prime-Optimisation which was planned for the current year has been carried forward to the next financial year.

Current liabilities were less than the budget by \$11.5 million due to lower payables of \$12.9 million. The budget included significant accruals for capital works which were not required. Provisions were \$1.7 million higher mainly due to additional provisions for terminations.

Non-current liabilities decreased by \$0.2 million relating to a reduction in the winding down of the lease incentive on our premises.

Cash Flows

The net cash flows from operating activities are lower than the budget by \$2.7 million due to offsetting variances in all line items. These include lower employee related costs mainly due to vacancies of \$3.5 million, a delay in the payment of grants of \$4.6 million, and higher services revenue of \$4.9 million mainly due to the early recoupment for services provided to the Crown. These reductions are partly offset by higher other operating expense of \$3.7 million mainly due to higher IT related costs and approved carry forwards of appropriation revenue by \$12.7 million.

The net cash flows from investing activities was higher by \$2.6 million mainly due to the payment of accrued expenditure relating to 2018, partly offset by delayed capital expenditure on further developments relating to optimising Treasury's Prime financial management software,

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

	Notes	2019 \$'000	2018 \$'000
Net cash used on operating activities		9,735	4,384
Depreciation and amortisation expense	2(c)	(6,945)	(6,243)
Increase / (decrease) in receivables		(5,543)	(8,053)
Decrease / (increase) in provisions		(171)	8,379
Decrease / (increase) in payables and other liabilities		4,718	2,854
Net gain / (loss) on sale of plant and equipment		(1)	(4)
Net result		1,793	1,317

The Treasury

Notes to the Financial Statements
30 June 2019

17. 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
2019		
Opening cash balance	60	9
Receipts	-	17
Expenditure	(60)	(12)
Closing cash balance	-	14
2018		
Opening cash balance	60	9
Receipts	-	(36)
Expenditure	-	36
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 current addresses could not be found. In 2019, the balance of the funds was transferred to the CFE Unclaimed Monies.
- (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.

18. 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	2019 \$'000	2018 \$'000
Opening cash balance	44	442
Receipts	330	77
Expenditure	(25)	(475)
Closing cash balance	349	44

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 send that money to the Consolidated Fund within the Crown Entity. Treasury requires this money to be first sent to the Office of Industrial Relations for payment to employees upon application. The balance represents amounts yet to be remitted to the Consolidated Fund.

The Treasury

Notes to the Financial Statements 30 June 2019

19. 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	(iii) Carrying Amount 2019 \$'000	(iv) Carrying Amount 2018 \$'000
Financial assets				
Cash and cash equivalents	5	N/A	9,689	13,595
Receivables ⁽ⁱ⁾	6	Amortised cost	1,631	7,644
Financial liabilities				
Payables ⁽ⁱⁱ⁾	9	Financial liabilities measured at amortised cost	6,241	16,359

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

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

(iii) At 30 June 2019 under AASB 9

(iv) At 30 June 2018 under AASB 139

(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 and cash equivalents

Cash and cash equivalents are comprised of bank balances within the NSW Treasury Banking System.

The Treasury

Notes to the Financial Statements
30 June 2019

19. 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.

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

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

The loss allowance for debtors as at 30 June 2019 and 1 July 2018 (on adoption of AASB 9) was determined using a combination of factors including history of payments, receivables written off and debtor management. The review excluded statutory receivables, prepayments, as these are not within the scope of AASB 7.

The Treasury is not materially exposed to concentrations of credit risk to a single trade debtor or group of debtors as at 30 June 2019. Most of the Treasury's debtors are other NSW government agencies.

The loss allowance for trade debtors as at 30 June 2019 and 1 July 2018 (on adoption of AASB 9) was determined as follows:

30 June 2019						
\$'000						
	Current	< 30 days	30 - 60 days	61 - 30 days	>91 days	Total
Expected credit loss rate	n/a	0%	0%	0%	0%	0%
Total gross carrying amount	842	91	117	-	94	1,144
Expected credit loss	-	-	-	-	-	-

30 June 2018						
\$'000						
	Current	< 30 days	30 - 60 days	61 - 30 days	>91 days	Total
Expected credit loss rate	n/a	0%	0%	0%	0%	0%
Total gross carrying amount	1,441	653	310	-	-	2,404
Expected credit loss	-	-	-	-	-	-

The Treasury

Notes to the Financial Statements
30 June 2019

19. Financial instruments (continued)

(c) Liquidity risk

Liquidity risk is the risk that Treasury will be unable to meet its payment obligations when they fall due. Treasury continuously manages risk through monitoring future cash flows and maturities planning to ensure adequate holding of high quality liquid assets. The objective is to maintain a balance between continuity of funding and flexibility using 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. Treasury's exposure to liquidity risk is deemed insignificant based on prior periods' data and current assessment of risk.

The liabilities are recognised for amounts due to be paid in the future for goods or services received, whether or not invoiced. Amounts owing to suppliers (which are unsecured) are settled in accordance with the policy set out in NSW TC11-12. If trade terms are not specified, payment is made no later than the end of the month following the month in which an invoice or a statement is received. Interest is awarded for late payment. No interest for late payment was made during the year (2018: \$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			
2019					
<i>Financial liabilities</i>					
Payables	-	6,241	6,241	-	-
2018					
<i>Financial liabilities</i>					
Payables	-	16,359	16,359	-	-

(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 rate risk 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 in risk variable has been determined after taking into account the economic environment in which Treasury operates and the time frame for the assessment (i.e. until the end of the next annual reporting period). The sensitivity analysis is based on risk exposures in existence at the Statement of Financial Position reporting date. The analysis is performed on the same basis as for 2018. The analysis assumes that all other variables remain constant.

Interest rate risk

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. A reasonably possible change of +/- 1 per cent is used, consistent with current trends in interest rates. The basis will be reviewed annually and amended where there is a structural change in the level of interest rate volatility. The following table demonstrates the sensitivity to a reasonably possible change in interest rates.

The Treasury

Notes to the Financial Statements
30 June 2019

19. Financial instruments (continued)

Interest rate risk					
	Carrying amount	-1% Net Result	Equity	+1% Net Result	Equity
	\$'000	\$'000	\$'000	\$'000	\$'000
2019					
Financial assets					
Cash and cash equivalents	9,689	(97)	(97)	97	97
Total Increase / (decrease)		(97)	(97)	97	97
2018					
Financial assets					
Cash and cash equivalents	13,595	(136)	(136)	136	136
Total Increase / (decrease)		(136)	(136)	136	136

(e) Fair value

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

20. Compensation of Key Management Personnel

	2019	2018
	\$'000	\$'000
Short-term employee benefits:		
Salaries	10,227	11,340
Other monetary allowances	14	-
Termination benefits	980	895
Non-monetary benefits	5	4
Total remuneration	11,226	12,239

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.

21. Related Party Disclosures

a) Ultimate parent

The NSW Government is the ultimate parent of Treasury.

(b) Key management personnel remuneration

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

(c) Transactions with related parties

Terms and conditions with related parties

All transactions with related parties are conducted in the normal course of business and on normal commercial terms and conditions. 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

This agency 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.

22. Events after the Reporting Period

On 1 July 2019 Treasury was affected by machinery of government changes set out in the *Administrative Arrangements (Administrative Changes—Public Service Agencies) Order 2019*. Under this Order, funding and staff which support various functions were transferred in and out from certain departments. Treasury will take the lead on the economy, jobs and investments.

Functions transferring out

Estimates of financial impact inclusive of the impacts of new Accounting Standards are as follows:

- DAC was transferred to the Department of Customer Service (DCS). It is estimated that there will be a reduction of assets of \$0.7 million and liabilities of \$0.1 million. The impact on the Statement of Comprehensive Income is expected to be an increase of \$5.3 million.
- The NSW Industrial Relations was transferred to the Department of Premiers and Cabinet (DPC). It is estimated that there will be a reduction of assets of \$0.7 million and liabilities of \$1.1 million. The impact on the Statement of Comprehensive Income is expected to be an increase of \$9.9 million.

Functions transferring in

Estimations for increases in assets, liabilities and the impact on the Statement of Comprehensive Income are not yet known for the following incoming functions:

- Jobs NSW, Office of Small Business Commissioner and part of Skills and Economic Development were transferred from the former Department of Industry
- Procurement NSW and part of Revenue NSW were transferred from DCS
- Office of Social Impact was transferred from DPC.

End of audited Financial Statements

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Performance measurement framework

Key performance measures	Target	2014-15	2015-16	2016-17	2017-18	2018-19
Employee engagement						
Engagement scores in PSC People Matter Employee Survey and Treasury Pulse surveys	57% ¹	62%	68%	67%	69%	68%
Advice on economic and fiscal strategies						
Treasury's tax revenue estimation variation compared with that of other Treasuries ^{2,3}	NSW ≤ Other States	NSW 2.2% Others 5.0%	NSW 4.2% Others 4.3%	NSW 3.3% Others 3.2%	NSW 0.7% Others 3.3%	NSW n/a Others n/a
Treasury's economic forecasting variation compared with that of other Treasuries ⁴	NSW ≤ Other States	NSW 0.3% Others 1.0%	NSW 1.4% Others 1.1%	NSW 0.3% Others 1.1%	NSW 0.7% Others 0.8%	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 94%	SOCs 100% All 79% ⁵	SOCs 100% All 100%	SOCs 100% All 100%	SOCs 100% All 96%
Deviation of actual Government business dividend and tax equivalent payments from budget estimate ³	≤ ±10%	3%	-17%	-6%	-7%	5%
Treasury financial performance						
Treasury's actual net cost of services to be less than or equal to its budget allocation	≤ 100%	137%	90.10%	98.27%	99.55%	98.5%
Improved efficiency and effectiveness of expenditure						
Maintain expense growth below long-term revenue growth	Growth below average revenue growth of 5.6%	3.1%	4.7%	3.8%	5.4%	5.5%
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	On track	On track	On track	On track	On track

¹ ORC Global Public Sector Benchmark for engagement.

² Historical changes are due to a change in methodology to better reflect variation in other States.

³ Data enabling the calculation of 2018-19 is available after the time of the publication of this table.

⁴ Historical changes are due to data revision.

⁵ Lower percentage driven by machinery of government changes, planned reforms and restructures.

Senior executive grades and remuneration

Senior Executives	2017-18		2018-19	
	Female	Male	Female	Male
Executive Band 4	-	1	-	1
Executive Band 3	1	3	3	3
Executive Band 2	9	14	11	10
Executive Band 1	31	39	36	41
Total	41	57	50	55
Combined Total	98		105	

Executive - Average Remuneration	2017-18	2018-19
Executive Band 4 (Secretary)	\$577,850	\$592,300
Executive Band 3 (Deputy Secretary)	\$420,743	\$432,184
Executive Band 2 (Executive Director)	\$294,333	\$312,477
Executive Band 1 (Director)	\$224,097	\$227,875

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

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

Human Resources statistics

On 27 June 2019 Treasury had 530.44 full-time equivalent (FTE) staff. This equates to a headcount of 561 staff.

NSW Treasury invites employees to provide employee EEO demographic information to enable progress towards Diversity targets. The following table shows the number of FTE staff who responded to the request by each EEO group. These staff numbers are from Treasury's Annual Workforce Profile and include all staff on the NSW Treasury payroll.

It excludes staff on unpaid leave or secondments within the NSW Public Sector.

Staff profile/respondents	2017-18	2018-19
Full-time equivalent (FTE)	517.95	530.44
Total EEO respondent to Ethnicity	335	313
Total EEO respondent to Language	297	275
Total EEO respondent to Disability	323	306
Total EEO respondent to Aboriginality	346	312

Full-time equivalent staff by Group	2017-18	2018-19
Full-time equivalent (FTE)	517.95	530.44
Fiscal and Economic Group	178.11	
- Evolved into 'Economic Strategy & Productivity' during the financial year		73.7
Agency Budget and Strategy	108.47	
- Evolved into 'Policy & Budget' during the financial year		158.4
Commercial	70.67	
- Evolved into 'Commercial, Commissioning & Procurements' during the financial year		77.97
Financial & Operations		93.48
Industrial Relations	56.49	
Human Resources	29.20	22.8
People Strategy		51.69
Corporate	70.01	
Information Technology		11
General Counsel		5
Office of the Secretary	3.00	33.4
Trade, Tourism, Investment & Precincts		3

Staff age	2017-18	2018-19
Age range		
20-24 years	22	20
25-29 years	103	91
30-34 years	98	109
35-39 years	86	86
40-44 years	59	65
45-49 years	54	65
50-54 years	57	49
55-59 years	33	39
60+ years	38	37

Non-executive full-time and part-time staff by classification and grade	Actual staff numbers	Full-time equivalent
Grade		
Clerk grade 1-2	1	0.71
Clerk grade 3-4	38	36.6
Clerk grade 5-6	64	63.49
Clerk grade 7-8	83	78.1
Clerk grade 9-10	115	108.8
Clerk grade 11-12	157	148.8

Trends in the workforce diversity groups

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

Table A				
EEO Group	Benchmark/ target	2017	2018	2019
Women	50%	54.4%	53.45%	55.8%
Aboriginal people and Torres Strait Islanders	2.6%	1.3%	1.45%	1.07%
People whose first language was not English	19%	26.3%	17.82%	16.8%
People with a disability	NA	2.4%	1.64%	1.43%
People with a disability/requiring work-related adjustment	1.5%	0.5%	0.36%	0.53%

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)

Trends in the representation of Workforce Diversity Groups				
EEO Group	Benchmark/ target	2017	2018	2019
Women	100	97	92	128
Aboriginal people and Torres Strait Islanders	100	NA	NA	NA
People whose first language was not English	100	95	95	90
People with a disability	100	NA	NA	NA
People with a disability/requiring work-related adjustment	100	NA	NA	NA

Please note that as part of the update to the Premiers Priority of Diversity to include disability, work is underway to improve reported information available across the sector and 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'.

Workforce diversity and inclusion

In 2018-19 financial year, we continued our journey to be recognised as world class globally and sought after for advice; we will achieve this through employing highly engaged and capable people.

Treasury acknowledges Diversity and Inclusion (D&I) as a key driver of engagement and a lever to ensuring Treasury achieves its strategy and goals. Greater inclusion of our diverse workforce allows us to provide better advice for our customers.

As a central agency, Treasury plays a leadership role in the public service in achieving the NSW Government's Diversity and Inclusion priorities.

Diversity and Inclusion is viewed through the lens of belonging and underpinned by flexibility, which supports the principles of multiculturalism. We recognise and value our culturally diverse workforce. It is through the unique cultural perspectives of our employees, and the deeper understanding they bring of their communities, we can deliver better outcomes for the people of NSW.

Our Treasury Diversity and Inclusion Strategy 2019-2025 will incorporate multicultural outcomes in line with the Multicultural NSW Act 2000.

Treasury is also committed to delivering The Premier's Priorities - 'World class public service' - senior leadership roles held by women, Aboriginal people in senior leadership roles, and roles held by people with a disability by 2025.

In 2018-19, we have successfully delivered a Women Leading at Treasury program, followed by a Women of Influence Career program 2018-2019, and commenced work on Male Champions of Change program 2019 and Executive Gender Equity review.

We celebrated International Women's Day with a joint Department of Premier and Cabinet (DPC) event at Parliament House, which saw 300 of our employees in attendance.

The team at Treasury has continued to support the Jawun secondment program, with two Senior Executives having taken part in executive visits during the financial year.

For NAIDOC week we held week-long events with DPC, including a smoking ceremony and raising of the Aboriginal flag as a permanent fixture on DPC's and Treasury shared floor. We also made a commitment to ensure a Welcome to Country Ceremony and/or Acknowledgement of Country takes place at all Treasury official events, meetings and functions.

We have endorsed work to commence on the development and delivery of a:

- Treasury Reconciliation Action Plan (RAP);
- Senior Executive Aboriginal & Indigenous Recruitment Program; and
- CareerTrackers Aboriginal Internships 2019.

This work is supported by Treasury's strong D&I Council and Diversity and Inclusion Network.

Disability inclusion action plan

Treasury remains committed to all aspects of diversity and inclusion.

Treasury and the Department of Premier and Cabinet (DPC) established a joint Diversity and Inclusion Council (the 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 Secretary DPC and Deputy Secretary Economic Strategy & Productivity from Treasury. 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.

With the Premier's Priority's (Diversity) being expanded to include a focus on increasing employment participation of people with a disability, Treasury is now reviewing its priorities to integrate key actions across its diversity strategy to support this focus.

Proactive work health and safety risk management

Treasury's commitment to Work Health and Safety in 2018/19 included the active participation in the NSW Government Work Health and Safety (WHS) Sector Plan implementation.

In 2018/2019 Treasury completed a self-assessment as part of the WHS Sector Plan and developed an action plan based on the outcomes of the assessment. The core actions include; a review, update and implementation of the Treasury WHS Management System, including increasing the Capability of the WHS Committee.

Treasury will now review the WHS Committee's representation to reflect the new workforce post the Machinery of Government changes.

Workplace health and safety incidents and assessments

A total of 19 work health and safety incidents and risks were reported in 2018-19. Seven (7) were caused by slip/trip/fall, two (2) were caused by a cut/burn, two (2) ergonomic, three (3) falling objects and five (5) others.

There was one (1) workers compensation claim made in 2018/19 due to a slip/trip/fall.

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 reviews its program to ensure the information, which is in the public's interest and assists people with access to services, is made publicly available via the Treasury websites.

In the 2018-19 reporting period, Treasury proactively released information and tools including:

- Budget data and visualisation tools to assist in information accessibility available from a dedicated website: <https://www.budget.nsw.gov.au/>
- economic reporting information relating to the NSW economy and Budget, triple A credit rating and the economic outlook
- the Finance Resource Hub
- 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 18 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*.

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	0	1	1	0	0
Members of Parliament	2	0	2	0	0	0	0	0
Private Sector Business	0	1	1	2	0	0	0	0
Not-for-profit organisations or community groups	0	1	0	0	1	0	0	0
Members of the public (application by legal representative)	0	0	0	1	0	0	0	0
Members of the public (other)	2	1	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*	0	0	0	0	0	0	0	0
Access applications (other than personal information applications)	3	4	4	3	2	1	0	0
Applications that are partly personal information applications and partly other	1	1	0	1	0	0	0	0

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

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

Table D: Conclusive presumption of overriding public interest against disclosure: Matters listed in Schedule 1 of the Act	
	Number of times consideration used*
Overriding secrecy laws	0
Cabinet information	7
Executive Council information	0
Contempt	0
Legal professional privilege	3
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	5
Law enforcement and security	0
Individual rights, judicial processes and natural justice	2
Business interests of agencies and other persons	3
Environment, culture, economy and general matters	0
Secrecy provisions	0
Exempt documents under interstate Freedom of Information legislation	1

Table F: Timelines	
Matters listed in table to Section 14 of the Act	Number of applications
Decided within the statutory timeframe (20 days plus any extensions)	16
Decided after 35 days (by agreement with applicant)	1
Not decided within time (deemed refusal)	1
Total	18

Table G: Number of applications reviewed under Part 5 of the Act (by type of review and outcome)			
	Decision varied	Decision upheld	Total
Internal review	0	0	0
Review by Information Commissioner	1	0	1
Internal review following recommendation under Section 93 of the Act	0	0	0
Review by NCAT (formerly ADT)	0	0	0
Total	1	0	1

Table H: Applications for review under Part 5 of the Act (by type of applicant)	
	Number of applications for review
Applications by access applicants	1
Applications by persons to whom information the subject of access application relates (see Section 54 of the Act)	0

Table I: Applications transferred to other agencies under Division 2 of Part 4 of the Act (by type of transfer)	
	Number of applications transferred
Agency-initiation transfers	1
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.

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'.

The PID Act, section 31, requires each public authority to prepare an annual report on its obligations under the Act. In accordance with Section 4 of the Public Interest Disclosures Regulation 2011, the following information is provided on public interest disclosures for the period 1 July 2018 to 30 June 2019:

Section 4 of the Public Interest Disclosures Regulation 2011	2018-19
Number of public officials who made public interest disclosures to NSW Treasury	0
Number of public interest disclosures received by NSW Treasury	0
Of public interest disclosures received, how many were primarily about:	
Corrupt conduct	0
Maladministration	0
Serious and substantial waste	0
Government information contravention	0
Local government pecuniary interest contravention	0
Number of public interest disclosures (received since 1 Jan 2012) that have been finalised in this reporting period	0

Protecting privacy and personal information

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

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

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

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

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

Internal reviews

- No internal reviews were conducted by or on behalf of Treasury under the PPIP Act or the HRIP Act during 2018–2019.

Government resources efficiency policy (GREP)

NSW Treasury supports the GREP through our Facilities Management team with a focus on efficiencies in waste, utilities and procurement.

This year Treasury has transitioned to a 100% recycled paper product which is also Australian made. In the past recycled paper has had a poor reputation when operating in bulk print situations – thorough testing was carried out to ensure this product met the required standards.

A new waste initiative, in conjunction with the building managers, is currently in planning stages which will further see a reduction in general waste, an increase in organic recycling. This will include container collection points, and new organic waste collection bins, and a waste awareness programme.

A Yammer Environmental group for Treasury has been formed with over 25% of the staff already taking part. This has been used to co-ordinate efforts in recycling and waste management as well as fielding suggestions for improving the general environmental footprint.

Funds granted to non-government community organisations

During 2018-19 financial year, NSW Treasury administered grants to:

- Australian Accounting Standards Board
- University of NSW

The Australian Accounting Standards Board (AASB)

The Heads of Treasuries Accounting and Reporting Advisory Committee has committed \$500,000 per annum from combined States and Territory treasuries for the period covering 1 July 2019 to 30 June 2022. NSW's contribution is \$169,100 per annum. The funding was provided on the condition the AASB continues to include acceptable coverage of public sector accounting issues in its work program and that all other States and Territories support the allocation.

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 2018-19

NSW Treasury outsources various services including financial services. During 2018-19, 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 2018-19 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).

Not all payments were made on time. Factors affecting the timing of payments include general errors in tax invoice information, tax invoices incorrectly redirected and part delivery of goods/services where it is necessary to wait for full delivery of procurement before payment can be made.

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 2018	1,642,512	731,120	492,150	79,089
December 2018	1,061,252	480,908	53,286	244,363
March 2019	2,613,755	577,460	138,181	144,637
June 2019	1,568,477	293,481	304,986	232,774

Quarter	Target by number %	Actual by number %	Value paid on time \$	Total amount paid \$
September 2018	88%	86%	17,689,185	20,634,057
December 2018	88%	87%	12,137,996	13,997,805
March 2019	88%	79%	13,149,356	16,623,389
June 2019	88%	87%	16,277,551	18,677,269

September Quarter

Outstanding Invoices by timeframe				
September 2018	1,642,512.43	731,120.32	492,150.33	79,088.89

Accounts paid on time at end of each quarter				
	Target by No. %	Actual by No. %	Value Paid on Time	Total Paid
September 2018	88%	86%	17,689,185.46	20,634,057.43

December Quarter

Outstanding Invoices by timeframe				
December 2018	1,061,252.39	480,907.96	53,286.22	244,362.57

Accounts paid on time at end of each quarter				
	Target by No. %	Actual by No. %	Value Paid on Time	Total Paid
December 2018	88%	87%	12,137,995.90	13,977,805.04

March Quarter

Outstanding Invoices by timeframe				
March 2019	2,613,755.31	577,459.56	138,180.92	144,636.97

Accounts paid on time at end of each quarter				
	Target by No. %	Actual by No. %	Value Paid on Time	Total Paid
March 2019	88%	79%	13,149,355.97	16,623,388.73

June Quarter

Outstanding Invoices by timeframe				
June 2019	1,568,476.63	293,480.50	304,985.83	232,774.35

Accounts paid on time at end of each quarter				
	Target by No. %	Actual by No. %	Value Paid on Time	Total Paid
June 2019	88%	87%	16,277,551.43	18,677,268.74

Expenditure on consultants

Consultant	Project Description	Amount (excl GST) \$
Consultants costing \$50K or more		
Finance and Accounting/Tax		
DELOITTE CONSULTING PTY LIMITED	Financial advice for the Strategic Optimisation project	83,000.00
TRACEY BRUNSTROM & HAMMOND P/L	Advice on implementation of the Government Sector Finance Act	71,252.00
Economic Services		
THE CUSTOMER EXPERIENCE COMPANY PTY	Research and advice for the Federal Financial review	113,374.06
THE CUSTOMER EXPERIENCE COMPANY PTY	Design of the NSW Budget dashboard	68,000.01
THE CUSTOMER EXPERIENCE COMPANY PTY	Design of the Fiscal Dashboard for NSW Government	122,000.00
MECONE PTY LTD	Economic advice supporting the NSW productivity discussion paper	121,925.00
Information technology		
DELOITTE CONSULTING PTY LIMITED	Information technology advice for Prime	265,119.00
JAMES & MONROE	Hyperion support and development services for Prime	319,062.50
CYBER SECURITY RESEARCH CENTRE LTD	Research and advice for cyber security advancements	100,000.00
EXPERTEQ IT SERVICES PTY LTD	Scoping and managing systems impact from the Machinery of Government changes	57,600.00
NOOK STUDIOS PTY LTD	Research and advice on building trust within the government and the community	67,560.00
VAGHJIANI KHIMJI	Information technology advice on maintaining client agency relationships	83,950.00
Organisational Review		
THE BOSTON CONSULTING GROUP PTY LTD	Support for the Treasury Strategic Enablement project and Machinery of Government changes	752,500.00
CORVIEW GROUP PTY LTD	Advisory services for funding and financing of special projects	61,810.00
KORN/FERRY INTERNATIONAL PTY LTD	Advisory on recruitment of executives	152,000.00
KPMG AUSTRALIA PTY LTD	Support for the Treasury Culture and Change review	207,027.23
NEWGATE AUSTRALIA	Delivery of Strategic Speaking, Thought Leadership program	50,000.00
NGS GLOBAL PTY LTD	Advisory on recruitment of executives	78,923.77
THINKPLACE AUSTRALIA PTY LTD	Support for human-centred design projects and capability building	74,224.92
Governance and Policy		
NOTHLING CONSULTING PTY LTD	Secretarial governance support to the State's retained interest entities	89,915.83
Subtotal		2,939,244.32

Consultants costing less than \$50K		
Finance and Accounting/Tax	6 projects	100,518.06
Economic Services	13 projects	359,795.47
Information technology	9 projects	225,254.94
Organisational Review	12 projects	68,614.06
Governance and Policy	2 projects	22,600.00
Legal	8 projects	226,910.98
Subtotal 51 projects		1,003,693.51
Total Expenditure on Consultants		3,942,937.83

Overseas visits

Reinforcing NSW's reputation

Michael Pratt, Secretary of NSW Treasury, and NSW Treasurer, the Hon Dominic Perrottet MP, travelled to Switzerland and the United Kingdom from 10-17 September 2018 to meet with government and business leaders to reinforce NSW's reputation as a strong, stable and ever-growing State. The trip also enabled the canvassing of current thinking on how to best address the global challenges facing governments in the coming years including, gaining a further understanding in the development of innovative productivity and regulatory reform agendas, best practice in long term and sustainable debt management, opportunities for reform of federation, and opportunities for digitisation across large governments.

The visit to Switzerland enabled them both to learn more about the Swiss experience in federal financial relations and reform of federation, including administration of the Swiss HFE system, and flow-on benefits for competition and economic growth.

In the United Kingdom both the Secretary and the Treasurer met with the Managing Director of Moody's and entities such as the Better Regulation Executive within the Department of Business, Energy and Industrial Strategy and the Regulatory Policy Committee, an independent advisory public body that reviews new regulatory proposals. They also met with key investment partners including panel bank members responsible for promoting Treasury bonds to investors.

Treasury Circulars 2018-19

Title	Circular Number	Date
Domestic and Family Violence Support	TC19-08	28/06/2019
National Salary 2019-20	TC19-09	28/06/2019
Financial Statements Disclosures for Machinery of Government Changes	TC19-06	27/06/2019
Revenue AASB 15 AASB 1058	TC19-07	27/06/2019
Agency guidelines for the 2018-19 Mandatory Annual Returns to Treasury	TC19-05	02/04/2019
Mandates of options and major policy decisions under Australian Accounting Standards	TC19-04	28/03/2019
Recurrent Expenditure Assurance Framework	TC19-03	12/02/2019
Guide to Better Regulation	TC19-02	25/01/2019
Agency Guidelines for the 2018-19 Mandatory Early Close	TC19-01	10/01/2019
Agency Recouping of Merchant Interchange Fees	TC18-18	20/12/2018
FY18-19 Timetable for Agency Asset Valuations	TC18-17	18/12/2018
Small Agency Exemption to TPP15-03	TC18-16	31/10/2018
Industrial Relations - Meal, Travelling and other Allowances for 2018-19	TC18-15	23/08/2018
Accounting for Long Service Leave and Annual Leave	TC18-13	09/08/2018

Treasurer's legislation – list of legislation

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

Treasurer's legislation – changes during 2018-19

New Acts

Government Sector Finance Act 2018

This Act promotes and supports sound financial management, budgeting, performance, financial risk management, transparency and accountability in the government sector by agencies and government officers. Assented on 24 October 2018

Government Sector Finance Legislation (Repeal and Amendment) Act 2018

This Act supports the repeal and amendment of: (a) Annual Reports (Departments) Act 1985; (b) Annual Reports (Statutory Bodies) Act 1984; (c) Public Authorities (Financial Arrangements) Act 1987; (c) Public Finance and Audit Act 1983; and (d) regulations under each of those Acts. Provisions of aforementioned legislations and regulations will be replaced by relevant provisions in the Government Sector Finance Act 2018, as they commence. Assented on 22 November 2018

New regulations

Public Finance and Audit Amendment (Financial Reporting and Auditing Exclusions) Regulation 2019

This Regulation excluded certain departments and statutory bodies from the operation of Public Finance and Audit Act 1983 provisions relating to the preparation and audit of separate financial reports.

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.

Financial and annual reporting legislation

Exemptions and variations from reporting requirements under acts and regulations

Agency	Applicable Financial Year(s)	Exemption/variation	Reason(s) for request
Roads Retained Interest Pty Limited	2018-19	Extended the Company's first financial year to cover a thirteen-month period from its incorporation on 1 June 2018 to 30 June 2019.	The Company did not enter any transactions between its incorporation on 1 June 2018 and 30 June 2018.
NSW Generations (Debt Retirement) Fund and NSW Generations (Community Services and Facilities Fund)	2018-19	Extended the Funds' first financial year to cover the period from their establishment on 27 June 2018 through to 30 June 2019.	The Funds made no transactions between their establishment on 27 June 2018 and 30 June 2018.
Sydney Talent Pty Limited	2018-19	Extended the Company's final financial year to cover the period commencing on 1 January 2018 and ended when the Company was deregistered in early 2019.	Relieve the Company from the requirement to prepare a separate financial report for a very short reporting period.
Sydney Learning Pty Limited	2018-19	Extended the Company's final financial year to cover the period commencing on 1 January 2018 and ended when the Company was deregistered in early 2019.	Relieve the Company from the requirement to prepare a separate financial report for a very short reporting period.
UOWGE Limited	2019	Extended the Company's first financial year to cover the period from its incorporation on 8 September 2018 through to 31 December 2019.	The Company made no transactions between its incorporation on 8 September 2018 and 31 December 2018.
UOWM Sdn Berhad	2019	Extended the Company's first financial year to cover the period from its incorporation on 14 November 2018 through to 31 December 2019.	The Company made only one transaction between its incorporation on 14 November 2018 and 31 December 2018.
University of Wollongong Recreation and Aquatic Centre Limited	2019	Relieved the Company from the requirement to prepare a final financial report for the period 1 January 2019 until its deregistration in early 2019.	The Company had no assets and liabilities and made no transactions in the two years before it was deregistered.

Exemptions and variations from reporting requirements under acts and regulations

Agency	Applicable Financial Year(s)	Exemption/variation	Reason(s) for request
To submit annual reports			
Dumaresq-Barwon Rivers Commission	2017-18	Extended the deadline for the Commission to submit its 2017-18 annual report by two months to 31 December 2018	Certain information including information on water quality was not available within the deadline specified in the Annual Reports (Statutory Bodies) Act 1984.

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
PEBU	Pre-Election Budget Update
PF&A	Public Finance and Audit Act 1983
PPIP	Privacy and Personal Information Protection Act 1998
PPP	Public-Private Partnership
PTE	Public Trading Enterprise
S&P	Standard and Poor's
SAP	Treasury's Corporate Accounting / HR System
SCI	Statement of Corporate Intent
SES	Senior Executive Service
SOC	State Owned Corporation
TCorp	NSW Treasury Corporation
WHS	Work Health and Safety

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Treasury