

Annual Report 2015–16



Government of **Western Australia**
Department of **State Development**



About this report

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Gorgon first cargo – Copyright Chevron Australia.

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Statement of compliance

In accordance with Section 61 of the *Financial Management Act 2006*, I hereby submit for your information and presentation to Parliament, the Annual Report of the Department of State Development for the financial year ended 30 June 2016.

This Annual Report has been prepared in accordance with the provisions of the *Financial Management Act 2006*.



Joe Ostojich
Acting Director General
DEPARTMENT OF STATE DEVELOPMENT

15 September 2016

Overview

Executive summary

This financial year has brought a number of significant changes for the department, most notably a new Minister, with the Honourable Bill Marmion MLA taking over the portfolio in March 2016.

This year saw the departure of two Deputy Directors General – Giles Nunis, who was appointed Western Australia's new Chief Information Officer in September; and Nicky Cusworth, who left at the end of the financial year to become chair of the Economic Regulation Authority. I thank Nicky and Giles for their important contributions to our agency, and wish them well in their new roles.

We also welcomed Rob Delane, the former Director General of the Department of Agriculture and Food following a decision by the Premier to establish an Agribusiness Expansion Unit within the department. The Unit's focus is to identify export market development opportunities, attract foreign investment and support major agribusiness projects.

Our focus on agribusiness also grew through the appointment of specialist officers in our Singapore, Mumbai and Jakarta international trade and investment offices.

This year has seen a number of the department's major projects reach significant milestones.

In December 2015, the 55 million tonne per annum Roy Hill mine sent its first shipment of iron ore to buyers in South Korea. In March 2016, the massive Gorgon LNG Project also commenced exports with the first LNG ship departing from Barrow Island.

In April 2016, Perth played host to the 18th International Conference & Exhibition on Liquefied Natural Gas, otherwise known as LNG 18. This prestigious global event drew more than 8,700 attendees, more than meeting its target despite tough economic conditions. Coming just weeks after the Gorgon project's first shipment, LNG 18 was an opportunity for Western Australia to showcase its LNG industry to the world at a time when the sector is reaching significant production levels.

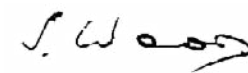
Considerable time and effort has been spent this year on ensuring the planning and development settings for the State's Strategic Industrial Areas are complete. Improvement schemes have been prepared for Anketell and Ashburton North and are progressing through the approval process in consultation with State and local planning bodies.

The department has continued to develop and improve policies which support economic

development, encourage international investment in Western Australia, and sustain the development and operation of major projects. Particular efforts have been made this year to assist companies in their efforts to restructure in order to cope with changes in the commodity cycle.

While economic conditions are more challenging, Western Australia is well-placed to capitalise on opportunities for future growth. The resources sector continues to be the mainstay of the State's economy. However, there remain strong prospects for growth in other sectors including agriculture, tourism and education.

I thank my staff, who continue to work diligently to secure the economic future of Western Australia, and congratulate them on their achievements in 2015-16.



Stephen Wood
Director General



About the department

The Department of State Development was established in 2009 under the *Public Sector Management Act 1994* and reports to the Minister for State Development, the Honourable Bill Marmion BE MBA MLA.

Who we are

Our department leads responsible economic development for Western Australia.

We work with industry, communities and governments to develop State-significant resource, industrial, agricultural and infrastructure projects.



LNG 18 WA Government booth. Photo: DSD.

The way we do business

Our key roles are:

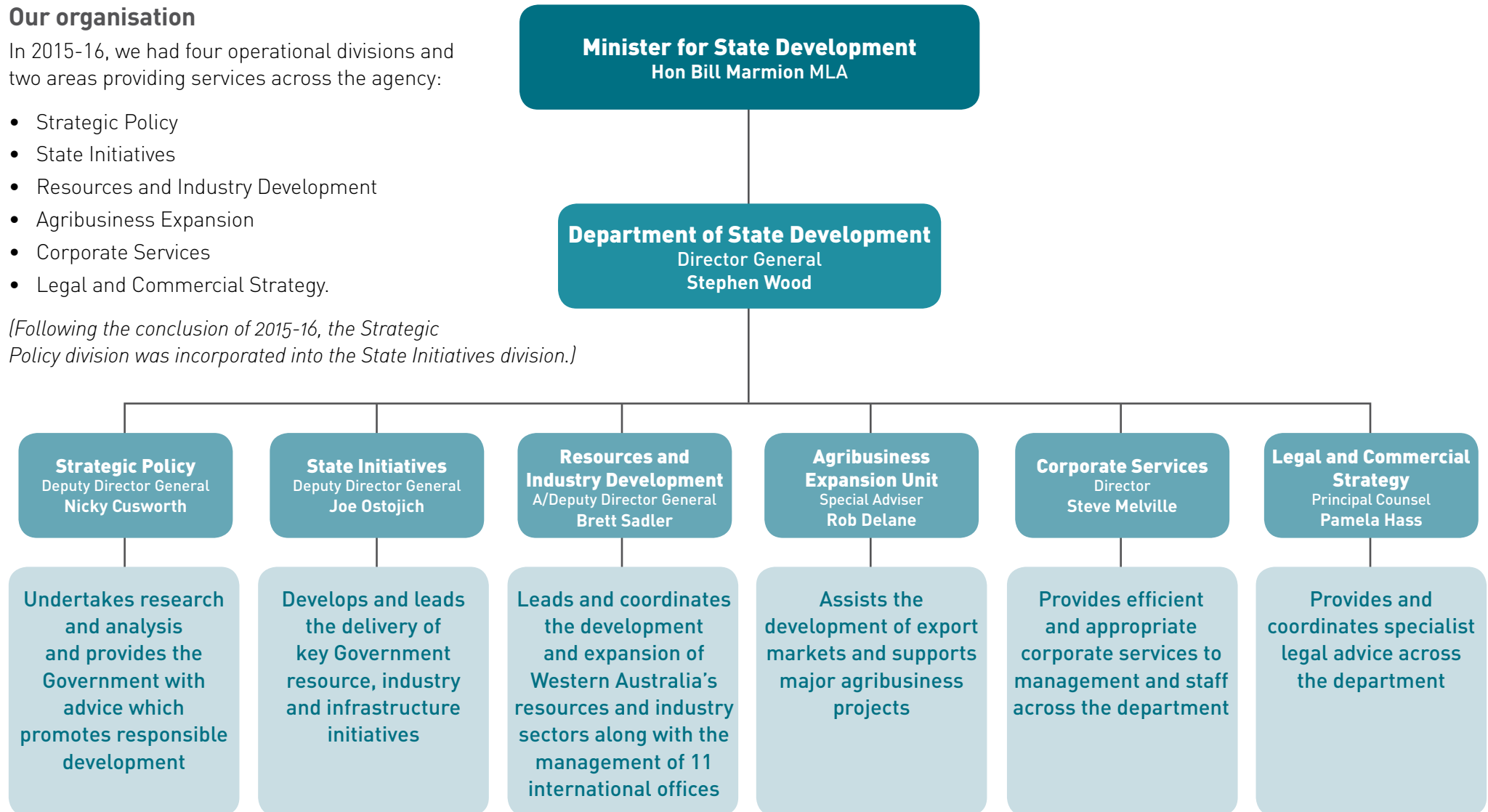
- Developing and coordinating State-significant projects
- Leading the coordination of approvals processes across government for major resources, infrastructure and agricultural projects
- Negotiating and managing agreements between development proponents and the Western Australian Government
- Enabling the development of strategic industrial land and infrastructure to meet industry needs
- Assisting the development of export markets
- Providing strategic policy advice on State development issues.

Our organisation

In 2015-16, we had four operational divisions and two areas providing services across the agency:

- Strategic Policy
- State Initiatives
- Resources and Industry Development
- Agribusiness Expansion
- Corporate Services
- Legal and Commercial Strategy.

(Following the conclusion of 2015-16, the Strategic Policy division was incorporated into the State Initiatives division.)



Our executive teams

Our strategic corporate executive includes our Director General and six corporate team leaders.



Our Strategic Corporate Executive June 2016:
back row (L-R): Rob Delane, Steve Melville, Brett Sadler,
front row (L-R): Nicky Cusworth, Steve Wood, Joe Ostojich
(Pamela Hass not pictured). Photo: DSD.

STEPHEN WOOD *B.Psych, MPub Ad* Director General

Steve joined the department as Director General in 2011. He has worked in three Commonwealth and three State public sector agencies and was a Commissioner of the Western Australian Industrial Relations Commission for 10 years.

NICKY CUSWORTH *BA (Hons), MA* Deputy Director General, Strategic Policy

Nicky joined the department in 2010. Her previous roles include the Director of Macro-Economic Policy for the Department of Treasury and Finance, and Chief Economist of the Chamber of Commerce and Industry of Western Australia.

(Nicky left the department at the end of 2015-16 to become the new chair of Western Australia's Economic Regulation Authority.)

JOE OSTOJICH Deputy Director General, State Initiatives

Joe has been with the department since 2006, and was appointed to his current position in 2014. Prior to joining the department, Joe worked for the Australian Government in the areas of international trade, finance and risk management.

BRETT SADLER *BEng (Hons), MA* A/Deputy Director General, Resources and Industry Development

Brett joined the department in 2008, and was appointed to his current position in March 2016. He previously worked for the State Government on energy policy for 11 years, and has also worked as an engineer and consultant.

ROB DELANE *BSc, MSc, GAICD* Special Adviser, Agribusiness Expansion

Rob's appointment was announced in March, 2016. Prior to joining the department he was Director General of the Department of Agriculture and Food for more than six years. Rob has also served as Deputy Secretary of the Federal Department of Agriculture, Fisheries and Forestry.

STEVE MELVILLE *BBus, FCPA, GAICD* Director, Corporate Services

Steve joined the department in 2011 from the Forest Products Commission of Western Australia. He has a range of financial, marketing and management experience in both government and the private sector.

PAMELA HASS *LLB (Hons), LLM, BA* Principal Counsel, Legal and Commercial Strategy

Joining the department in 2011, Pamela's previous positions include University Secretary and Special Legal Counsel at The University of Western Australia, and General Counsel at Curtin University.

Corporate executive

Our corporate executive includes our strategic corporate executive as well as the senior leadership of our department, major project directors and communications staff.



Our corporate executive team members.

Performance management framework

Strategic plan

Our Strategic Plan 2015-2017 outlines our responsibilities and priorities, and reflects changing circumstances for Western Australia's economy.

After supporting the rapid growth of the liquefied natural gas (LNG) and iron ore industries during the past few years, we are focused on attracting investment, accessing new markets and supporting the next wave of economic growth and development. Our strategic plan can be viewed on our website.

Shared responsibilities with other agencies

Operating under the lead agency framework, we strive to achieve better cooperation and greater efficiency across government for the delivery of projects that benefit Western Australia.

Agency performance

We work to support sustainable and responsible development for Western Australia, and to promote our State as a growing and dynamic economy in which to invest and operate.

As the Western Australian Government's lead economic development agency, we:

- Administer 65 State Agreements and two State Development Agreements
- Negotiate new agreements to support major resource and infrastructure developments
- Oversee and develop industrial areas in key locations across Western Australia to support heavy industry and major projects
- Operate, with the Department of the Premier and Cabinet, a network of overseas offices to promote Western Australia and encourage trade and investment
- Act as lead agency to coordinate the development of significant economic developments
- Develop key policies for the continued economic benefit of Western Australia.

In 2015-16, our department was given a greater role in supporting the Western Australian agribusiness sector, with a focus on facilitating major agricultural projects, export market development, and encouraging foreign investment.



Roy Hill iron ore project, first shipment. Photo: Roy Hill.

Lead agency overview

The lead agency framework was implemented by the Western Australian Government to support the approvals process for major projects.

Under the framework, our department manages projects by negotiating agreements with companies and coordinating planning, environmental, Aboriginal heritage, Native Title

and other relevant approval processes across government.

We are the lead agency for a number of significant projects, including developments for a range of mineral, oil and gas products, infrastructure projects including port and rail operations, industrial land and agribusiness projects.

Major resources projects

Anketell Port

The Western Australian Government remains committed to the development of a multi-user deep water port and industrial precinct at Anketell in the Pilbara.

The proposed port, to be located 30 kilometres east of Karratha, is expected to have an annual export capacity of at least 350 million tonnes once fully developed.

Our department is continuing to undertake commitments required by the Indigenous Land Use Agreement signed with the Traditional Owners in April 2014, including cultural management, heritage, legal and other associated work.

In December 2015, the joint venture partners of Australian Premium Iron (API Management Pty Ltd) announced a deferral of development of the West Pilbara Iron Ore Project – a proposed 40 million tonnes per annum mine, rail and port development at Anketell. However, API has assured the Government that it remains committed to Anketell as its preferred port solution.

Ashburton North Strategic Industrial Area

The Western Australian Government developed the Ashburton North Strategic Industrial Area near Onslow as a new precinct for hydrocarbon processing on the Pilbara coast.

It contains Chevron Australia's Wheatstone liquefied natural gas (LNG) project, which is still under construction, and BHP Billiton's Macedon domestic gas plant.



Wheatstone – aerial view of Ashburton North. Photo: Chevron.



The opening of the Onslow ring road, a key project in the development of the town's infrastructure. Photo: MainRoads.

A number of community and critical infrastructure projects are currently under development in Onslow, funded by the State Development Agreements (SDAs) for the Wheatstone and Macedon projects.

Infrastructure projects completed in 2015-16 as part of the Wheatstone SDA include the

landside facilities for the Onslow Airport, a wastewater treatment plant upgrade, and an all-weather Onslow ring road.

Construction is well advanced on the shire administration centre, housing for regional government officers, and conservation of Old Onslow.

Design work has been completed for the aquatic centre and new hospital, with construction on both projects scheduled to commence in 2016-17.

As part of the Macedon SDA, the Onslow multipurpose sporting courts were completed in June 2016. The tender process for a skate park was also finalised this year, with construction expected to be completed by the end of 2016.

Browse LNG Precinct

The Western Australian Government established the Browse LNG Precinct to provide a single location in the Kimberley for gas processing. The Precinct, located 60 kilometres north of Broome, is designed to accommodate at least two LNG processing facilities capable of producing up to 50 million tonnes per annum.

The initial environmental approval for the Precinct was overturned by the Supreme Court of Western Australia in 2013. An independent panel appointed under Environmental Protection Authority delegation released its report to the Minister for the Environment in October 2015, and it is currently with the Appeals Committee.

Cape Preston East Port

Cape Preston East is located approximately 60 kilometres south-west of Dampier and is adjacent to the Sino Iron magnetite project's export facilities.

Our department, in consultation with the Department of Lands, has finalised the necessary land acquisition process for the creation of reserved lands to enable the development of a multi-user port, including an infrastructure corridor, and common user access and service areas. The reserved lands are expected to be created before the end of 2016.

BC Iron Limited is assessing opportunities to fully utilise its potential Cape Preston East port capacity allocation of 20 million tonnes per annum as part of its proposed Buckland Project.

Gorgon Project

The Gorgon Project involves the construction of a three-train, 15.6 million tonnes per annum LNG facility and a 300 terajoule per day domestic gas plant.

The project reached major milestones in March 2016, with the commencement of LNG and condensate production from the first train and the first shipment of LNG to customers in Japan. The second and third trains are expected to be commissioned later in 2016.

More than \$34 billion has been invested within the State and Australia during construction of the Gorgon Project, and 455 contracts have been awarded to Western Australian companies for goods and services. The project is estimated to have created more than 10,000 jobs across the nation during construction – the majority in Western Australia.



The Minister for State Development Bill Marmion and others celebrate Gorgon's first shipment. Photo: Chevron Australia.

Oakajee Mid West Development Project

The Western Australian Government remains committed to using the Oakajee site, about 25 kilometres north of Geraldton, for a future port and industrial estate to support the continued development of the Mid West. While long-term planning continues, at this point in time there is insufficient demand and commercial interest for the project to progress.

During 2015-16, our department completed concept plans for the development of Oakajee port. This work identifies potential technical and design options and commercial arrangements for the development of the port in the future.

Our department continues to progress planning arrangements for the establishment of the Oakajee Narngulu Infrastructure Corridor (ONIC), which is needed for rail, road and services access to the Oakajee site.

In 2015-16, we also completed technical studies on the ONIC, including noise studies and an engineering review of the corridor alignment.

Roy Hill Project

The \$10 billion Roy Hill Project comprises an open pit mine, processing plant, 344 kilometres of heavy haul railway, export facilities at Port Hedland port, and a remote operations centre in Perth. It is the biggest single-pit iron ore mining project in Australia and will have a mine life of more than 20 years.

The project became fully operational in February 2016 and will have a capacity of 55 million tonnes per annum at full production.

The project has generated extensive economic benefits for the State, with a construction workforce peaking at 6,300 and ongoing operations employing almost 2,000 people. Three quarters of all project expenditure, or \$6.6 billion, was spent or committed within Western Australia during construction of the project.



The proposed Oakajee Narngulu infrastructure corridor. Copyright: DSD.

State Agreements

Project approvals

Iron ore

New mining areas were approved for development within existing mining hubs by:

- Rio Tinto (West Angelas Deposit F, Nammuldi Phase 3B and Yandi Oxbow deposits)
- BHP Billiton Iron Ore (Orebody 18 extension, Jimblebar, Eastern Ridge – Orebody 32 and Yandi Orebody W2)

These approvals, which sustain total mining production rates and ore quality, resulted in a capital expenditure of \$1.15 billion across the operations, 1,260 construction jobs and additional operational positions.

Nickel

BHP Billiton re-commenced underground mining at Leinster's Shoot 1A in December 2015, after mining ceased at the operations in 2013 due to a seismic event.



Premier Coal's Pit 3. Photo: Premier Coal.

Coal

An additional proposal was approved in May 2016 in relation to the Pit 3 North Cross Mining Boundary Area between Griffin Coal and Premier Coal's operation near Collie. This proposal allowed the safe extraction of coal from an area on the boundary of the two operations which would otherwise have been sterilised.

Bauxite

In July 2015, the Minister for State Development approved a trial by Alcoa of up to 500,000 tonnes of bauxite to be exported to China, under the *Alumina Refinery Agreement Act 1961*. The first shipment of 47,000 tonnes of bauxite left Kwinana's bulk terminal in June 2016.

Legislative program

In October 2015, Parliament ratified the termination of the *Alumina Refinery (Mitchell Plateau) Agreement 1971*. The termination allows more than 175,000 hectares of land on the Mitchell Plateau to be included in the proposed Kimberley National Park, which would extend over more than two million hectares across the Kimberley.

The State Agreement was originally intended to facilitate the development of an alumina refinery and bauxite mine, however economic conditions for refining have proven challenging.

In October 2015, Parliament ratified a variation to the *Cement Works (Cockburn Cement Limited) Agreement Act 1971* to remove Cockburn Cement's obligation to manufacture clinker (a component of cement) at its Munster site.

The cessation of clinker manufacturing at Munster has resulted in environmental benefits to the local community with the closure of limestone quarries in the area and a reduction in dust emissions. It also allowed the quarry land adjoining the plant site to be made available for future industrial development.

The *Natural Gas (Canning Basin Joint Venture) Agreement Amendment Bill 2015* received Royal Assent in February 2016.

This amendment extended a number of key dates within the State Agreement by a period of two years to provide extended certainty to the project and continued investment by the joint venturers.

Agreements in development

Our department has substantially advanced negotiations on a State Agreement for the Balla Balla Infrastructure Project.

The project is designed to service the Pilbara Iron Ore Project with the carriage of iron ore over a 160 kilometre rail to a proposed transshipment port at Balla Balla on the Pilbara coast.

In September 2015, the Minister for State Development granted approval for the department to commence the negotiation of a State Agreement with Mineral Resources Limited for its proposed Bulk Ore Transport System project.

International trade and investment activities

Our department, in conjunction with the Department of the Premier and Cabinet, operates a network of international trade and investment offices in Shanghai, Hangzhou, London, Dubai, Nairobi, Mumbai, Tokyo, Kobe, Seoul, Jakarta and Singapore.

Our International Trade and Investment division coordinated 156 international trade activities during 2015-16, with a focus on promoting, attracting and developing export markets and investment linkages for Western Australia.

Minister's mission

Premier (and then State Development Minister) Colin Barnett visited Indonesia in November 2015. The visit included meetings with government ministers and officials, universities, and representatives from the agriculture, education and tourism sectors.

The mission provided the Premier with the opportunity to visit the expanded Western Australian trade and investment office in Indonesia which now includes in-country business development managers for both agriculture and tourism.

Sister State relationships

Western Australia and East Java celebrated the 25th anniversary of their Sister State relationship in 2015. In November, the Governor of East Java Dr H Soekarwo visited Perth and signed an affirmation for ongoing and close relations with Western Australia. To mark the anniversary, the Western Australian Government committed \$106,000 towards disability services in East Java.

In October, the Premier officiated the 6th Western Australia-Zhejiang Exchange Committee meeting with senior representatives from the Zhejiang provincial government. Western Australia and China's Zhejiang Province have been Sister States since 1987.



Premier (and then Minister for State Development) Colin Barnett meets Garuda CEO Arif Wibowo in Indonesia: Photo: DSD.

Trade and investment leads

During 2015-16 we assisted 161 companies regarding investment in Western Australia. We also assisted 298 Western Australian companies with their enquiries regarding exporting to international markets.

LNG 18

The 18th International Conference & Exhibition on Liquefied Natural Gas (LNG 18) was held in Perth in April 2016. Our department was the Western Australian Government's lead agency for LNG 18 and coordinated 24 agencies to deliver a successful conference and exhibition.

Almost 2000 delegates attended the conference and 8,766 participants from 68 countries were part of the exhibition and conference in total. LNG 18 provided a significant boon to the local hospitality industry with the number of hotel bookings equivalent to 6,724 nights.

Our department hosted an investor forum on the eve of the conference that was attended by more than 180 people, and also hosted a careers forum for high school students.



Staff members from the Department of State Development at the WA Government booth at LNG 18. Photo: DSD.

The Australia-China Natural Gas Technology Partnership Fund

Known as the LNG Fund, this initiative was established in 2002 as part of a historic agreement to supply LNG to China. A joint initiative of the Western Australian Government, the Australian Government and the North West Shelf Joint Venture, the LNG Fund supports activities aimed at establishing genuine, long-term partnerships within the energy sector and enhancing the relationship between Australia and China.

During 2015-16, the LNG Fund provided training for 30 Chinese oil and gas managers and government officers in Perth. The LNG Fund also managed a delegation to China with 12 participants from the three founding parties, conducted a health, safety and environment seminar in China with the assistance of Woodside Energy, and awarded 15 top-up scholarships totalling \$112,000.

The LNG Fund was a finalist in the “Western Australia in Asia” category of the 2015 Premier’s Awards for Excellence in Public Sector Management.

Strategic Industrial Areas

Our department is the lead agency responsible for planning and managing Strategic Industrial Areas (SIAs) in key locations around Western Australia. SIAs are made available for strategic use, including heavy industry.

A strategic, rather than project-by-project, approach is needed to ensure a ready supply of industrial land across Western Australia to accommodate industrial activities now and well into the future.

We work to ensure SIAs are made project-ready by undertaking a range of technical investigations and ensuring appropriate zoning and development controls are in place. This provides proponents with greater certainty regarding development timeframes and required approvals, giving the State a competitive advantage in attracting new industry.



The Port of Ashburton at the Ashburton North Strategic Industrial Area. Photo: Chevron Australia.

Improvement plans and improvement schemes

A major part of our department's strategic approach to SIAs is the preparation of improvement plans and schemes. An improvement plan identifies an area requiring special planning, such as an SIA, and provides the head of power for an improvement scheme to be prepared. An improvement scheme then allows the State to lead the planning and development of the SIA and streamlines the planning process.

In keeping with our department's lead agency role, improvement plans and schemes have been introduced to provide uniform requirements across Western Australia.

Anketell SIA

An amendment to the Anketell SIA improvement plan was gazetted in June 2016. We are preparing an improvement scheme over the Anketell SIA in consultation with relevant planning bodies. This is expected to be gazetted during the first half of 2017 following public advertising.

Ashburton North SIA

The Ashburton North SIA improvement scheme has been advertised for public comment and is expected to be gazetted before the end of 2016.

Boodarie SIA

Following approval by the Town of Port Hedland in June 2015, the Boodarie SIA amendment to the local planning scheme was approved by the Minister for Planning in June 2016. The Western Australian Planning Commission (WAPC) is expected to determine the development plan during the second half of 2016. The development plan and amended town planning scheme will ensure the planning framework is ready to facilitate the development of the Boodarie SIA for strategic and heavy industry.

Kemerton SIA

In 2015-16, our department lodged an amendment to the Greater Bunbury Region Scheme, following on from work in 2014-15 finalising the Kemerton SIA Structure Plan and amendment to the local planning scheme. The Shire of Harvey has recommended the WAPC approve the structure plan and amendment to the local planning scheme. This is expected to occur in 2016.

Maitland SIA

An improvement plan for the Maitland SIA was gazetted in 2016. Our department is also undertaking investigations to help inform the improvement scheme for the Maitland SIA, which is expected to be prepared during 2016-17.

Western Trade Coast

In October 2015, draft legislation to establish the Western Trade Coast Protection Area was tabled in State Parliament to commence a six week public comment period.

Together with the Department of Planning, we received 175 submissions during the public comment period and provided Government with a summary of the views expressed by the community, companies, councils and other interested parties.

The Western Trade Coast encompasses the Kwinana Industrial Area, Rockingham Industry Zone, Latitude 32 Industry Area and the Australian Marine Complex. The purpose of the Protection Area is to ensure that new residential populations surrounding the Western Trade Coast are adequately separated from industrial activities, both now and in decades to come.

In June 2016, the Minister for State Development requested that the Minister for Environment seek the advice of the Environmental Protection Authority regarding the area of Mandogalup. The legislation will not be introduced until after this advice has been received and considered.

Policy

Local government rating of resource projects

In September 2015, our department completed the review of a three-year trial policy for the application of gross rental valuation for the rating of mining, petroleum and resource processing projects. The review was conducted in conjunction with the Department of Local Government and Communities.

The trial policy standardised the application of gross rental value to these projects for rating purposes by identifying the capital improvements to which a local government could apply gross rental value.

The Chamber of Minerals and Energy, Association of Mining and Exploration Companies and Western Australian Local Government Association provided feedback on the trial and agreed to a revised policy which took effect on October 1, 2015.

Changes made following the review include:

- agreement that the policy will apply to State Agreement projects either through mutual agreement between proponents, local government and the Minister for State

Development, or through variation to State Agreements; and

- a new clause which requires the policy to be considered in conjunction with other policies and guidelines about rating, rateable land, and valuation of land.

Port Hedland dust management

Our department chairs the Port Hedland Dust Management Taskforce, which is made up of industry, State, and local government representatives.

On the recommendation of the Taskforce, the Department of Health undertook an evaluation of health risks associated with dust in Port Hedland and published the *Port Hedland Air Quality Health Risk Assessment for Particulate Matter* in February 2016.

The Taskforce met in March to discuss the health risk assessment, and agreed to prepare a report for Government with recommendations for managing dust in Port Hedland covering land-use planning, industry initiatives and regulation, and local government and community.

Our department is drafting the report to Government on behalf of the Taskforce and expects to complete this work in the first quarter of 2016-17.

Agribusiness

The Premier (and then State Development Minister) Colin Barnett announced an Agribusiness Expansion Unit to be established within our department in March 2016. Rob Delane, former Director General of the Department of Agriculture and Food, joined us as Special Adviser, Agribusiness Expansion, to lead the new Unit. The Unit is the State's lead agency for export market development, foreign investment attraction and major project support in the agribusiness sector.

Working with Western Australia's overseas trade offices, our department aims to develop stronger supply chains from the State to expand new and existing markets. During the year, three agriculture-focussed officers were placed in Western Australia's trade and investment offices in Indonesia, Singapore and India. The officers work with businesses and conduct market analysis to identify potential value-adding opportunities for Western Australia's agriculture and food businesses.

These activities support the Government's aim to enhance investment and employment in the State's agriculture and food sector.

Project Sea Dragon

Project Sea Dragon is the development of a large scale, integrated, land-based aquaculture project to produce black tiger prawns for export markets in Asia. The project requires a proposed investment of \$150 million for Stage 1, rising to a total of US\$1.45 billion at full operation. The project's aquaculture component is to be located in the Northern Territory, with Western Australia's East Kimberley region the preferred location for processing and export facilities.

Project Sea Dragon has been granted major project status by the Western Australian, Northern Territory and Commonwealth Governments, and our department was appointed lead agency for the project in September 2015.

We have been working in collaboration with State, Northern Territory and Commonwealth agencies to facilitate the identification and progression of required approvals and licenses, site identification and tenure arrangements, and access and provision of infrastructure including roads, worker accommodation and export facilities.



The first stage of a billion dollar aquaculture project to export black tiger prawns (pictured) is planned for Western Australia.
Photo: Project Sea Dragon.

Ord Expansion Project

The State-funded expansion of the Ord Irrigation Area aims to stimulate economic growth in the Kimberley region. The Western Australian Government has invested \$322 million to double the size of the Ord irrigation from 14,000 to about 28,000 hectares.

Stage 2 proponent Kimberley Agricultural Investment (KAI) celebrated its first harvest of chia in September 2015. Our department is currently the environmental proponent for the Ord Expansion Project, but expects to transfer this responsibility to KAI by the end of 2016.

Performance overview

Our goal of driving responsible development makes a major contribution to the Government's strategic objective State Building – Major Projects. We also make contributions to other State Government goals, particularly a stronger focus on the regions, and social and environmental responsibility.

State Government's strategic goal: State Building – Major Projects

Build strategic infrastructure that will create jobs and underpin Western Australia's long-term economic growth

Agency-desired outcomes

Responsible industry development and resources investment

Service

Industry development and investment facilitation

Key Performance Indicators

Under the outcome based management framework our department measures its performance through agreed key performance indicators (KPIs).

These KPIs have been used to measure our performance since 2009 and help evaluate the work we do towards achieving desired outcomes.

The following is a summary of our performance against those KPIs for 2015-16.

Audited KPI effectiveness indicators

These provide information about how effective we are at achieving our objectives. We have two effectiveness indicators:

Effectiveness KPI #1	Target	Actual 2015-16	Actual 2014-15	Actual 2013-14
Extent to which agreed milestones for projects where the department is the lead agency are achieved within the reporting period	85%	74%	75%	81%

This indicator measures the extent to which agreed milestones across major projects where our department is the lead agency were achieved. In 2015-16, we achieved 74 per cent of these milestones against a target of 85 per cent and the Department works closely with the project proponents to facilitate the development of the various projects. External variables impacting the projects such as market conditions, timing of investment decisions and obtaining necessary approvals impacts the achievement of milestones.

Effectiveness KPI #2	Target	Actual 2015-16	Actual 2014-15	Actual 2013-14
Extent to which State Agreement proponents comply with their reporting obligations and meet the agreement objectives	95%	98%	95%	99%

This indicator measures the extent to which companies subject to State Agreement Act reporting requirements met their annual reporting obligations in 2015-16. The result of 98 per cent meets our target and indicates that the department has ensured companies perform against their reporting obligations under the various State Agreement Acts.

Audited KPI efficiency indicators

The efficiency indicators measure the cost efficiency of our department in delivering the projects where we are the lead agency. We have two efficiency indicators:

Efficiency KPI #1	Target 2015-16	Actual 2015-16	Actual 2014-15	Actual 2013-14
Average cost per project facilitated	\$497,153	\$465,000	\$458,000	\$499,000

The first indicator measures the average cost incurred by our department in facilitating major resource projects proposed by industry and State-promoted resource development projects.

The actual cost per project facilitated was 8 per cent favourable to budget for the year. This result is consistent with the lower than budgeted expenditure throughout 2015-16.



Gantheaume Point Broome. Photo: DSD.

Efficiency KPI #2	Target 2015-16	Actual 2015-16	Actual 2014-15	Actual 2013-14
Average cost per major State initiative	\$5,227,200	\$2,168,000	\$3,531,800	\$2,243,200

The second indicator measures the average cost incurred by our department in facilitating the development of five major resource development initiatives where the State, through our department, is the proponent for the projects. The five projects are:

1. Browse LNG Precinct
2. Oakajee Mid West Development
3. Bunbury to Albany Gas Pipeline
4. Anketell Port and Strategic Industrial Area
5. Ashburton North Strategic Industrial Area.

The original target for average cost per major State initiative included the spending of \$7 million for the Bunbury to Albany Gas Pipeline, which was subsequently moved to later years consistent with project timelines. Spending of \$1.7 million (net of carry-over) for the Ashburton North Strategic Industrial Area was moved to 2016-17, along with \$1.5 million in planned spending for three other major projects.

Financial performance

Our department ended 2015-16 with a total cost of services outcome of \$37.82 million against an original budget of \$55.47 million, and a revised estimated outcome of \$43.50 million.

The decrease between the original budget (\$55.47 million) and the revised estimated outcome (\$43.50 million) included re-scheduling use of the Royalties for Regions funding allocated to the Bunbury to Albany Gas Pipeline from 2015-16 to the three years 2016-17 to 2018-19.

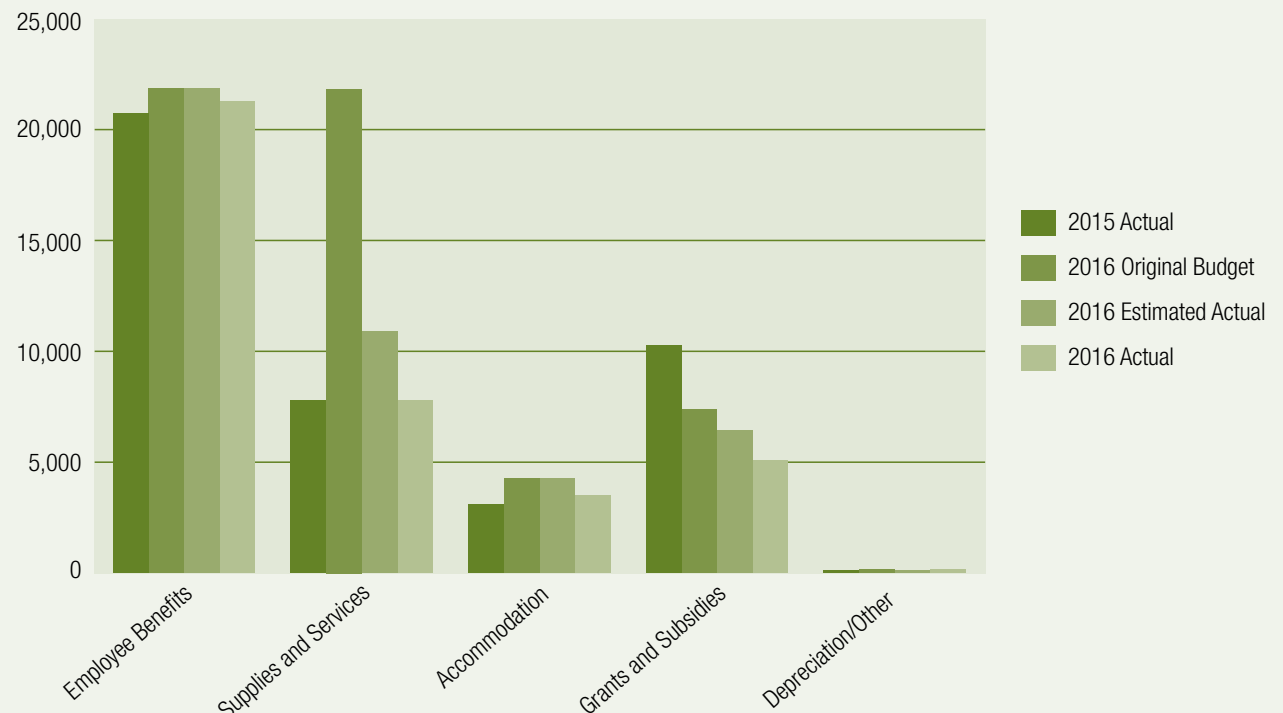
Repositioning of other project related budgets to later years, including the Wheatstone and Macedon Community Development Funds for Onslow (\$0.98 million), Burrup heritage studies (\$1.44 million) and other project funds (\$2.55 million) accounted for the remainder of the budget movement.

The variance between the revised estimated outcome (\$43.50 million) and the actual outcome (\$37.82 million) resulted in a saving of \$5.68 million. The prime drivers of the result were a \$0.74 million saving in accommodation expenses achieved through the renegotiation of the agency's office lease in East Perth, and \$1.35 million deferred due to timing revisions in relation to project milestones for grants and subsidies expenses.

Our salary costs and staffing levels were held at lower than approved levels in order to position our agency for further budget reductions resulting from the Government's workplace reform program, further contributing to the savings.

General spending in discretionary areas including travel, consumables, equipment replacement and professional services were held to low levels during the year.

Cost of Services by Expense Category \$'000



Our people

Senior staff changes

In September 2015 Giles Nunis, Deputy Director General, Resources and Industry Development, resigned to take up an appointment as the Government Chief Information Officer.

In March 2016, Rob Delane commenced with our department in the role of Special Adviser, Agribusiness Expansion.

At the end of 2015-16, Deputy Director General, Strategic Policy, Nicky Cusworth left the department to become the new Chair of Western Australia's Economic Regulation Authority.

Workforce planning

We support staff development through a range of workforce planning and diversity initiatives that during 2015-16 have included:

- Providing capability enhancing sessions for managers on coaching and negotiations
- A panel session on cultural awareness, organised and hosted by our staff who shared their cultural insights with almost 70 attendees
- Our successful internal mentoring program, with more than 20 participants

- Supporting five of our potential future leaders to participate in various leadership development programs
- An International Women's Day event with two prominent Western Australian female speakers.

Career development

Career development assistance is identified and provided through our performance management system (known as employee development plans). Emphasis is placed on ensuring individual development and training that aligns with our training and development framework and our leadership development strategy.

Financial assistance and support is also available through our career development support scheme. This scheme provides a subsidy to staff to undertake higher education or attend professional conferences and other learning programs.

We also continued to provide our staff with access to information sessions on relevant topics, including:

- Heritage and Native Title (incorporating a site visit)
- Capturing the value of land
- The state of the iron ore market
- Financial modelling.



2016 graduates Charlotte Teckenoff and Ben Laidler. Photo: DSD.

Our staff have been offered other targeted training on a range of topics including job application and interview skills, writing in plain English, grammar, Parliamentary processes, and critical thinking.

Employee performance and review

We are committed to managing and developing our people through a performance management system, known as employee development plans. The plans underpin our approach to individual learning, career development and succession planning which is aligned with our strategic and operational objectives.

Comparative FTE allocation by category

We managed our resourcing requirements within the constraints of our approved salary budget for 2015-16.

Employment status	2015-16	2014-15	2013-14
Permanent full-time	118.06	128.34	127.74
Contract full-time	15	13.7	17
Part-time permanent and contract	13.46	13.8	12.1
Seconded in	0	0	2
Seconded out	3	3	2
Total	149.52	158.84	160.84

Industrial relations

Most of our staff are employed under the *Public Sector and Government Officers General Agreement 2014*, with four staff members employed under the *Salaries and Allowances Tribunal Act 1975*.

Our payroll services are delivered by the Department of Mines and Petroleum under a service level agreement.

There were no significant industrial relations issues in 2015-16.

Youth employment initiatives

In January 2016, two graduates commenced with our department through an initiative undertaken with the Departments of Regional Development, and Mines and Petroleum.

This is an 18 month program offering graduates an opportunity to work across the agencies to build their skills and knowledge, and establish networks and relationships that are vital for a successful public service career.

This year's graduates are also participating in the Graduate Future Leaders Program coordinated by the Public Sector Commission which provides further learning and networking opportunities.

Significant issues impacting the agency

Economic conditions

The Western Australian economy is returning to more historically typical conditions after a decade of extraordinary investment in the resources sector. While resources will remain a mainstay of the Western Australian economy, activity is broadening into other sectors.

The lower exchange rate, increased availability of workers, slower wage growth, and demand for goods and services from China and south-east Asia should benefit other sectors of the economy.

As major projects such as Chevron's Gorgon and Wheatstone projects are completed, business investment and resource-related employment will fall further. New projects and expansions of existing projects are fewer in number and smaller in value than the large LNG and iron ore investments of the past decade.

The annual average unemployment rate has risen from 4 per cent in 2012 to 5.9 per cent in 2015. The value of Western Australia's merchandise exports fell from \$124.5 billion in 2013 to \$102.8 billion in 2015 due to lower commodity prices across



LNG loading jetty at Woodside's Pluto project. Photo: Woodside.

most of Western Australia's major mineral and petroleum exports such as iron ore, gold, crude oil and LNG.

However, merchandise export volumes are continuing to grow, as production increases from the new capacity created by the investments of the past few years. Increases in merchandise export volumes are likely to continue in the near term as newly constructed LNG projects ramp up to full production capacity.

Energy security

The Western Australian Government is committed to securing the State's long-term energy needs by ensuring LNG exporters also make gas available in the domestic market.

LNG exporters comply with the Government's domestic gas policy as a condition of project approval by reserving gas, maintaining supply infrastructure and marketing gas to domestic consumers. In 2015-16, our department progressed negotiations on domestic gas commitments with a number of LNG exporters and project developers.

The Gorgon LNG Project commissioned its new domestic gas plant in June 2016 and the Wheatstone domestic gas plant is under construction. Gas from these two projects, along with the revised domestic gas supply commitments from the North West Shelf LNG project, will contribute to Western Australian energy supplies over the coming decade.

Disclosures and legal compliance



Auditor General

INDEPENDENT AUDITOR'S REPORT

To the Parliament of Western Australia

DEPARTMENT OF STATE DEVELOPMENT

Report on the Financial Statements

I have audited the accounts and financial statements of the Department of State Development.

The financial statements comprise the Statement of Financial Position as at 30 June 2016, the Statement of Comprehensive Income, Statement of Changes in Equity, Statement of Cash Flows, Schedule of Income and Expenses by Service, Schedule of Assets and Liabilities by Service, and Summary of Consolidated Account Appropriations and Income Estimates for the year then ended, and Notes comprising a summary of significant accounting policies and other explanatory information, including Administered transactions and balances.

Opinion

In my opinion, the financial statements are based on proper accounts and present fairly, in all material respects, the financial position of the Department of State Development at 30 June 2016 and its financial performance and cash flows for the year then ended. They are in accordance with Australian Accounting Standards and the Treasurer's Instructions.

Director General's Responsibility for the Financial Statements

The Director General is responsible for keeping proper accounts, and the preparation and fair presentation of the financial statements in accordance with Australian Accounting Standards and the Treasurer's Instructions, and for such internal control as the Director General determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility for the Audit of the Financial Statements

As required by the Auditor General Act 2006, my responsibility is to express an opinion on the financial statements based on my audit. The audit was conducted in accordance with Australian Auditing Standards. Those Standards require compliance with relevant ethical requirements relating to audit engagements and that the audit be planned and performed to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the Department's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances. An audit also includes evaluating the appropriateness of the accounting policies used and the reasonableness of accounting estimates made by the Director General, as well as evaluating the overall presentation of the financial statements.

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

Report on Controls

I have audited the controls exercised by the Department of State Development during the year ended 30 June 2016.

Controls exercised by the Department of State Development are those policies and procedures established by the Director General to ensure that the receipt, expenditure and investment of money, the acquisition and disposal of property, and the incurring of liabilities have been in accordance with legislative provisions.

Opinion

In my opinion, in all material respects, the controls exercised by the Department of State Development are sufficiently adequate to provide reasonable assurance that the receipt, expenditure and investment of money, the acquisition and disposal of property, and the incurring of liabilities have been in accordance with legislative provisions during the year ended 30 June 2016.

Director General's Responsibility for Controls

The Director General is responsible for maintaining an adequate system of internal control to ensure that the receipt, expenditure and investment of money, the acquisition and disposal of public and other property, and the incurring of liabilities are in accordance with the Financial Management Act 2006 and the Treasurer's Instructions, and other relevant written law.

Auditor's Responsibility for the Audit of Controls

As required by the Auditor General Act 2006, my responsibility is to express an opinion on the controls exercised by the Department of State Development based on my audit conducted in accordance with Australian Auditing and Assurance Standards.

An audit involves performing procedures to obtain audit evidence about the adequacy of controls to ensure that the Department complies with the legislative provisions. The procedures selected depend on the auditor's judgement and include an evaluation of the design and implementation of relevant controls.

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

Report on the Key Performance Indicators

I have audited the key performance indicators of the Department of State Development for the year ended 30 June 2016.

The key performance indicators are the key effectiveness indicators and the key efficiency indicators that provide information on outcome achievement and service provision.

Opinion

In my opinion, in all material respects, the key performance indicators of the Department of State Development are relevant and appropriate to assist users to assess the Department's performance and fairly represent indicated performance for the year ended 30 June 2016.

Director General's Responsibility for the Key Performance Indicators

The Director General is responsible for the preparation and fair presentation of the key performance indicators in accordance with the Financial Management Act 2006 and the Treasurer's Instructions and for such controls as the Director General determines necessary to ensure that the key performance indicators fairly represent indicated performance.

Auditor's Responsibility for the Audit of Key Performance Indicators

As required by the Auditor General Act 2006, my responsibility is to express an opinion on the key performance indicators based on my audit conducted in accordance with Australian Auditing and Assurance Standards.

An audit involves performing procedures to obtain audit evidence about the key performance indicators. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the key performance indicators. In making these risk assessments the auditor considers internal control relevant to the Director General's preparation and fair presentation of the key performance indicators in order to design audit procedures that are appropriate in the circumstances. An audit also includes evaluating the relevance and appropriateness of the key performance indicators for measuring the extent of outcome achievement and service provision.

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

Independence

In conducting the above audits, I have complied with the independence requirements of the Auditor General Act 2006 and Australian Auditing and Assurance Standards, and other relevant ethical requirements.

Matters Relating to the Electronic Publication of the Audited Financial Statements and Key Performance Indicators

This auditor's report relates to the financial statements and key performance indicators of the Department of State Development for the year ended 30 June 2016 included on the Department's website. The Department's management is responsible for the integrity of the Department's website. This audit does not provide assurance on the integrity of the Department's website. The auditor's report refers only to the financial statements and key performance indicators described above. It does not provide an opinion on any other information which may have been hyperlinked to/from these financial statements or key performance indicators. If users of the financial statements and key performance indicators are concerned with the inherent risks arising from publication on a website, they are advised to refer to the hard copy of the audited financial statements and key performance indicators to confirm the information contained in this website version of the financial statements and key performance indicators.



COLIN MURPHY
AUDITOR GENERAL
FOR WESTERN AUSTRALIA
Perth, Western Australia
14 September 2016

**Department of State Development
Certification of Financial Statements
For the Year Ended 30 June 2016**

The accompanying financial statements of the Department of State Development have been prepared in compliance with the provisions of the *Financial Management Act 2006* from proper accounts and records to present fairly the financial transactions for the financial year ended 30 June 2016 and the financial position as at 30 June 2016.

At the date of signing, we are not aware of any circumstances which would render the particulars included in the financial statements misleading or inaccurate.



Peter Carden
Chief Finance Officer
Date: 8 September 2016



Rob Delane
Accountable Authority
Acting Director General
Date: 8 September 2016

**Department of State Development
Statement of Comprehensive Income
For the year ended 30 June 2016**

	Note	2016 \$'000	2015 \$'000
COST OF SERVICES			
Expenses			
Employee benefits expense	7	21,265	20,709
Supplies and services	8	7,795	7,767
Depreciation	9	103	94
Finance Costs	10	-	-
Accommodation expenses	11	3,516	3,102
Grants and subsidies	12	5,082	10,254
Other expenses	13	59	20
Total cost of services		37,820	41,946
Income			
Revenue			
Commonwealth grants and contributions	14	-	750
Other revenue	15	1,746	1,518
Total revenue		1,746	2,268
Gains			
Gain on disposal of non-current assets	16	-	-
Total Gains		-	-
Total income other than income from State Government		1,746	2,268
NET COST OF SERVICES		36,074	39,678
Income from State Government	17		
Service appropriation		33,981	35,252
Services received free of charge		569	685
Royalties for Regions Fund		150	-
Total income from State Government		34,700	35,937
DEFICIT / TOTAL COMPREHENSIVE INCOME FOR THE PERIOD		(1,374)	(3,741)

As the Department provides a single service, the above Statement of Comprehensive Income represents the schedule of income and expenses for Service 1.
The Statement of Comprehensive Income should be read in conjunction with the accompanying notes.

**Department of State Development
Statement of Financial Position
As At 30 June 2016**

	Note	2016	2015
ASSETS			
Current Assets			
Cash and cash equivalents	26	14,486	10,302
Restricted cash and cash equivalents	18	8,936	14,995
Receivables	19	477	949
Other current assets	21	895	687
Total Current Assets		24,794	26,933
Non-Current Assets			
Restricted cash and cash equivalents - held in trust at Treasury	18	-	-
Amounts receivable for services	20	864	743
Property, plant, equipment and vehicles	22	121	222
Total Non-Current Assets		985	965
TOTAL ASSETS		25,779	27,898
LIABILITIES			
Current Liabilities			
Payables	23	945	1,539
Provisions	24	4,082	4,223
Total Current Liabilities		5,027	5,762
Non-Current Liabilities			
Provisions	24	914	924
Bonds Repayable	23	104	104
Total Non-Current Liabilities		1,018	1,028
TOTAL LIABILITIES		6,045	6,790
NET ASSETS		19,734	21,108
EQUITY	25		
Contributed equity		109,851	109,851
Accumulated deficit		(90,117)	(88,743)
TOTAL EQUITY		19,734	21,108

As the Department provides a single service, the above Statement of Financial Position represents the schedule of assets and liabilities for service 1.
The Statement of Financial Position should be read in conjunction with the accompanying notes.

**Department of State Development
Statement of Changes in Equity
For the year ended 30 June 2016**

	Note	Contributed equity \$'000	Accumulated deficit \$'000	Total equity \$'000
Balance of equity at 1 July 2014		296,477	(66,243)	230,234
Total comprehensive income / (deficit) for the year			(3,741)	(3,741)
Transactions with the owners in their capacity as owners:				
Capital appropriations		-	-	-
Transfer of Ord Irrigation Assets		(186,626)		(186,626)
Royalties for Regions Capital Appropriations		-	-	-
Distributions to owners		-	(18,759)	(18,759)
Movement for the period		(186,626)	(22,500)	(209,126)
Balance of equity at 30 June 2015		109,851	(88,743)	21,108
 Balance of equity at 1 July 2015		 109,851	 (88,743)	 21,108
Total comprehensive income / (deficit) for the year			(1,374)	(1,374)
Transactions with the owners in their capacity as owners:				
Capital appropriations		-	-	-
Transfer of Ord Irrigation Assets		-		-
Royalties for Regions Capital Appropriations		-	-	-
Distributions to owners		-	-	-
Movement for the period		-	(1,374)	(1,374)
Balance of Equity at 30 June 2016		109,851	(90,117)	19,734

The Statement of Changes in Equity should be read in conjunction with the accompanying notes.

**Department of State Development
Statement of Cash Flows
For the year ended 30 June 2016**

	Note	2016 \$'000	2015 \$'000
CASH FLOWS FROM STATE GOVERNMENT			
Service appropriations		33,860	35,127
Holding account drawdowns		-	220
Prior year service appropriations returned to owner		-	(18,759)
Royalties for Regions Fund - Recurrent		150	-
Net cash provided by State Government		34,010	16,588

Utilised as follows:

CASH FLOWS FROM OPERATING ACTIVITIES

Payments

Employee benefits	(22,063)	(20,802)
Supplies and services	(7,411)	(8,624)
Accommodation	(3,516)	(3,102)
Grants and subsidies	(5,082)	(10,254)
GST payments on purchases	(1,204)	(2,786)
GST Payments to taxation authority	-	(391)
Other payments	(35)	(91)
Total Payments used in Operating Activities	(39,311)	(46,050)

Receipts

Other grants and contributions	897	1,050
GST receipts on sales	183	1,440
GST receipts from taxation authority	1,061	2,076
Other receipts	704	468
Total Receipts used in Operating Activities	2,845	5,034
Net cash provided by/(used in) operating activities	26	(36,466)

CASH FLOWS FROM INVESTING ACTIVITIES

Purchase of non-current physical assets	(2)	(69)
Proceeds from sale of non-current assets	-	-
Net cash provided by/(used in) investing activities	(2)	(69)

CASH FLOWS FROM LENDING ACTIVITIES

Loan issued from Special Purpose Account	-	-
Loan repayments received into Special Purpose Account	583	1,165
Net cash provided by/(used in) lending activities	583	1,165

Net increase/(decrease) in cash and cash equivalents	(1,875)	(23,332)
Cash and cash equivalents at the beginning of the period	25,297	48,629
Cash and cash equivalents at the end of the period	26	23,422

The Statement of Cash Flows should be read in conjunction with the accompanying notes.

Department of State Development
Summary of Consolidated Account Appropriations and Income Estimates
For the Year Ended 30 June 2016

	2016 Original Budget ^(a)	2016 Revised Estimate ^(b)	2016 Actual	Variance to Original Budget \$'000	Variance to Revised Estimate \$'000	2015 Actual \$'000	2015-16 Variance to prior year \$'000
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
Delivery of Services							
Net amount appropriated to deliver services	36,773	33,072	33,072	(3,701)	-	34,582	(1,510)
Royalties for Regions Fund - recurrent ^(d)	7,000	150	150	(6,850)	-	-	150
Amount authorised by Other Statutes - <i>Salaries and Allowances Act 1975</i>	909	909	909	-	-	670	239
Total appropriations provided to deliver services	44,682	34,131	34,131	(10,551)	-	35,252	(1,121)
Administered Transactions							
Administered grants, subsidies and other transfer payments	20,961	17,575	17,435	(3,526)	(140)	17,299	136
Total Administered transactions	20,961	17,575	17,435	(3,526)	(140)	17,299	136
GRAND TOTAL	65,643	51,706	51,566	(14,077)	(140)	52,551	(985)

The Summary of Consolidated Account Appropriations and Income Estimates should be read in conjunction with the accompanying notes.

Department of State Development
Summary of Consolidated Account Appropriations and Income Estimates
For the Year Ended 30 June 2016

	2016 Original Budget ^(a)	2016 Revised Estimate ^(b)	2016 Actual	Variance to Original Budget \$'000	Variance to Revised Estimate \$'000	2015 Actual \$'000	2015-16 Variance to prior year \$'000
	\$'000	\$'000	\$'000				
Details of Expenses by Service							
Industry Development and Investment Facilitation	55,468	43,540	37,820	(17,648)	(5,720)	41,946	(4,126)
Less total income	1,246	1,786	1,746	500	(40)	2,268	(522)
Net Cost of Services	54,222	41,754	36,074	(18,148)	(5,680)	39,678	(3,604)
Adjustment for movement in cash balances & other accrual items ^(c)	(9,540)	(7,623)	(1,943)	7,597	5,680	(4,426)	2,483
Total appropriations provided to deliver services	44,682	34,131	34,131	(10,551)	-	35,252	(1,121)
Capital Expenditure							
Purchase of non-current physical assets	140	140	2	(138)	(138)	69	(67)
Capital appropriation from State Government	140	140	2	(138)	(138)	69	(67)
Details of Income Estimates - Administered							
Administered income from the consolidated account	20,961	17,575	17,575	(3,386)	-	17,299	276
Administered Income from sources other than the consolidated fund	38,283	37,858	33,174	(5,109)	(4,684)	13,199	19,975
Total Income disclosed as administered income	59,244	55,433	50,749	(8,495)	(4,684)	30,498	20,251

^(a) "Original Budget" refers to original budget estimate published in the 2015-16 budget papers. A portion of the original budget was subsequently deferred to future years, which along with other approved spending adjustments, resulted in a revised Net Appropriation of \$33,072,000 (\$36,773,000 original budget) representing the Department's controlled "Estimated Actual" for the period as published in the 2016-17 budget papers.

^(b) "Revised Estimate" refers to original budget, plus/minus subsequent adjustments approved by Government, including repositioning of funds between years, based on project milestones. Refer 2016-17 official budget papers. See also note ^(a).

^(c) Adjustments comprise movements in cash balances and other accrual items such as receivables, payables and superannuation. The adjustment also includes outgoings of funds domiciled in Special Purpose Accounts where those funds were originally received in prior years, thus not requiring a current year appropriation.

^(d) Royalties for Regions in 2015-16 budget comprises \$7,000,000 for the Bunbury to Albany Gas Pipeline. Revised Estimate for 2015-16 was \$ Nil for the Bunbury to Albany Gas Pipeline and \$150,000 for the Brand WA project. Actual for the year was \$ 150,000.

Note 33, "Explanatory Statement" and note 41, "Explanatory Statement - Administered Funds" provide details of any significant variations between estimates (budget) and actual results for 2016 and the actual results for 2015 and 2016.

The Summary of Consolidated Account Appropriations and Income Estimates should be read in conjunction with the accompanying notes.

Department of State Development
Notes to the Financial Statements
For the year ended 30 June 2016

Note 1. The Department

The Department of State Development was established on 1st January 2009, and is responsible for Industry Development and Investment Facilitation and a major portion of the State Economic Development Policy function.

Note 2. Australian Accounting Standards

General

The Department's financial statements for the year ended 30 June 2016 have been prepared in accordance with Australian Accounting Standards. The term 'Australian Accounting Standards' refers to Standards and Interpretations issued by the Australian Accounting Standard Board (AASB).

The Department has adopted any applicable new and revised Australian Accounting Standards from their operative dates.

Early adoption of standards

The Department cannot early adopt an Australian Accounting Standard unless specifically permitted by TI 1101 *Application of Australian Accounting Standards and Other Pronouncements*. Partial exemption permitting early adoption of AASB 2015-7 *Amendments to Australian Accounting Standards - Fair Value Disclosures of Not-for-Profit Public Sector Entities* has been granted. Aside from AASB 2015-7, there has been no early adoption of Australian Accounting Standards that have been issued or amended (but not operative) by the Department for the annual reporting period ended 30 June 2016.

Note 3. Summary of significant accounting policies

(a) General Statement

The Department is a not-for-profit reporting entity that prepares general purpose financial statements in accordance with Australian Accounting Standards, the Framework, Statements of Accounting Concepts and other authoritative pronouncements of the AASB as applied by the Treasurer's instructions. Several of these are modified by the Treasurer's instructions to vary application, disclosure, format and wording.

The Financial Management Act 2006 and the Treasurer's instructions impose legislative provisions that govern the preparation of financial statements and take precedence over Australian Accounting Standards, the Framework, Statements of Accounting Concepts and other authoritative pronouncements of the AASB.

Where modification is required and has a material or significant financial effect upon the reported results, details of that modification and the resulting financial effect are disclosed in the notes to the financial statements.

**Department of State Development
Notes to the Financial Statements
For the year ended 30 June 2016**

(b) Basis of Preparation

The financial statements have been prepared on the accrual basis of accounting using the historical cost convention.

The accounting policies adopted in the preparation of the financial statements have been consistently applied throughout all periods presented unless otherwise stated.

The financial statements are presented in Australian dollars and all values are rounded to the nearest thousand dollars (\$'000), unless otherwise stated.

Note 4 'Judgements made by management in applying accounting policies', discloses judgements that have been made in the process of applying the Department's accounting policies resulting in the most significant effect on the amounts recognised in the financial statements.

Note 5 'Key sources of estimation uncertainty' discloses key assumptions made concerning the future, and other key sources of estimation uncertainty at the end of the reporting period, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year.

(c) Reporting Entity

The reporting entity comprises the Department.

Mission

The Department of State Development's mission is to provide leadership to drive responsible development for Western Australia's future.

The Department works with industry, communities and Government agencies to:-

- deliver significant State development initiatives
- facilitate major private sector resource and industry projects
- enable the development of strategic industrial land and infrastructure
- attract investment to Western Australia and assist the development of export markets
- develop a business and regulatory environment that supports the State's economic growth.

The Department is predominantly funded by Parliamentary appropriations. A net appropriation agreement between the Treasurer and the Accountable Authority is in place to allow the Department to retain its operating revenue. The Department also acts as Lead Agency for certain programs under the State Government's Royalties for Regions Program, and, when relevant, as Lead Agency for certain projects under the Commonwealth Government's Nation Building Program. Specific funding, when applicable, is received for each of these programs. Certain projects include agreements which may result in the Department receiving and redistributing funding provided by parties external to Government.

**Department of State Development
Notes to the Financial Statements
For the year ended 30 June 2016**

Services

The Department provides a single service: "Industry Development and Investment Facilitation".

Administered Transactions

The Department administers assets, liabilities, income and expenses on behalf of Government and external project proponents which are not controlled by, nor integral to the function of the Department. These administered balances and transactions are not recognised in the principal financial statements of the Department but schedules are prepared using the same basis as the financial statements and are presented at note 39 'Disclosure of Administered Income and Expenses by Service' and note 40 'Administered assets and liabilities'.

(d) Contributed Equity

AASB Interpretation 1038 *Contributions by Owners Made to Wholly-Owned Public Sector Entities* requires transfers in the nature of equity contributions, other than as a result of a restructure of administrative arrangements, to be designated by the Government (the owner) as contributions by owners (at the time of, or prior to transfer) before such transfers can be recognised as equity contributions. Capital appropriations have been designated as contributions by owners by TI 955 *Contributions by Owners made to Wholly Owned Public Sector Entities* and have been credited directly to Contributed equity.

The transfers of net assets to/from other agencies, other than as a result of a restructure of administrative arrangements, are designated as contributions by owners where the transfers are non-discretionary and non-reciprocal. See note 25 'Equity'.

The transfer of net assets to/from other agencies as a result of a restructure of administrative arrangements, are designated as distributions to owners and contributions by owners respectively. Refer to note 25 'Equity'.

(e) Income

Revenue recognition

Revenue is recognised and measured at the fair value of consideration received or receivable. Revenue is recognised for the major business activities as follows:

**Department of State Development
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Service Appropriations

Service Appropriations are recognised as revenues at fair value in the period in which the Department gains control of the appropriated funds. The Department gains control of appropriated funds at the time those funds are deposited to the bank account or credited to the 'Amounts receivable for services' (holding account) held at Treasury. See Note 17 'Income from State Government' for further information.

Net Appropriation Determination

The Treasurer may make a determination providing for prescribed receipts to be retained for services under the control of the Department. In accordance with the determination as quantified in the 2015-2016 Budget Statements, the Department retained control of receipts from the following:

- Contributions from private sector project proponents
- Sale of goods / services
- Commonwealth specific purpose grants and contributions; and
- Other departmental revenue

Grants and other non-reciprocal contributions

Revenue is recognised at fair value when the Department obtains control over the assets comprising the contributions. Control is normally obtained upon receipt, when a legitimate claim is made or when the funds are disbursable.

Other non-reciprocal contributions that are not contributions by owners are recognised at fair value. Contributions of services are only recognised when a fair value can be reliably determined and the services would be purchased if not donated.

Royalties for Regions funds are recognised as revenue at fair value in the period in which the Department obtains control over the funds. The Department obtains control of the funds at the time the funds are deposited into the Department's bank account.

Interest

Revenue is recognised as the interest accrues.

Discount unwound on loan

Revenue is of a non-cash nature and is recognised on an accrual basis.

Gains

Realised or unrealised gains are usually recognised on a net basis. These include gains arising on the disposal of non-current assets.

Department of State Development
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Translation of foreign currency transactions

Foreign currency transactions are translated at the exchange rate applicable on the date the transactions occur. Exchange gains and losses are brought to account in determining the result for the year. Foreign currency assets and liabilities are converted to Australian dollars using exchange rates prevailing at balance date.

(f) Property, Plant and Equipment and Infrastructure

Capitalisation/Expensing of assets

Items of property, plant and equipment costing \$5,000 or more are recognised as assets and the cost of utilising assets is expensed (depreciated) over their useful lives. Items of property, plant and equipment and infrastructure costing less than \$5,000 are immediately expensed direct to the Statement of Comprehensive Income *[other than where they form part of a group of similar items which are significant in total]*. Royalties for Regions infrastructure assets are recognised as assets in the books of the Department when the funds to pay for those assets are transferred to recipient agencies.

Initial recognition and measurement

Property, plant and equipment and infrastructure are initially recognised at cost.

For items of property, plant and equipment and infrastructure acquired at no cost or for nominal cost, the cost is their fair value at the date of acquisition.

Subsequent measurement

At the end of the financial year, the department has no assets that fall into a category requiring revaluation. Infrastructure works in progress is carried at cost until transferred to its eventual custodians on completion, in a manner approved by State Cabinet. All other items of property, plant and equipment are stated at historical cost less accumulated depreciation and accumulated impairment losses. The Department has no land and buildings assets recorded on the Statement of Financial Position at balance date.

The Department's Infrastructure Works In Progress assets relate to Royalties for Regions projects in the East Kimberley area. Costs were capitalised as Infrastructure Works in Progress when funds were transferred from the Department to other Government departments and authorities who undertook the actual construction work. The value of the assets was maintained at historical cost. On completion, the assets were divested by the Department and handed over to responsible departments or authorities on either a free of charge basis or as equity transfers between general wholly owned Government entities. Transfer of all assets was finalised in 2014-15.

Derecognition

Upon disposal or derecognition of an item of property, plant and equipment and infrastructure, the cost and accumulated depreciation are transferred out. The Department does not hold any assets subject to revaluation.

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Notes to the Financial Statements
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Depreciation

All non-current assets having a limited useful life are systematically depreciated over their estimated useful lives in a manner that reflects the consumption of their future economic benefits.

Depreciation is calculated using the straight line method, using rates which are reviewed annually. Estimated useful lives for each class of depreciable asset are:

Computer hardware and software ^(a)	3	years
Motor vehicles	5	years
Furniture, plant and equipment	5	years

^(a) Software that is integral to the operation of related hardware.

(g) Intangible Assets

Capitalisation/Expensing of assets

Acquisitions of intangible assets costing \$5,000 or more and internally generated intangible assets costing \$50,000 or more are capitalised. The cost of utilising the assets is expensed (amortised) over their useful life. Costs incurred below these thresholds are immediately expensed directly to the Statement of Comprehensive Income. At balance date, the department has no intangible assets on its Statement of Financial Position.

Computer Software

Software that is an integral part of the related hardware is treated as property, plant and equipment. Software that is not an integral part of the related hardware is treated as an intangible asset. Software costing less than \$5,000 is expensed in the year of acquisition.

Proprietary computer software, for which the Department pays a user licence fee, is not capitalised.

Website costs

Website costs are charged as expenses when they are incurred unless they relate to the acquisition or development of an asset when they may be capitalised and amortised to the extent they represent possible future economic benefits. Generally, costs in relation to feasibility studies during the planning phase of a website, and ongoing costs of maintenance during the operating phase are expensed. Costs incurred in building or enhancing a website, to the extent that they represent probable future economic benefits that can reliably be measured, are capitalised. The Department's website is not linked to the delivery of services of the agency and the Department has no capitalised website costs in its Statement of Financial Position at balance date.

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Notes to the Financial Statements
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(h) Impairment of Assets

Property, plant & equipment are tested for any indication of impairment at the end of each reporting period. Where there is an indication of impairment, the recoverable amount is estimated. Where the recoverable amount is less than the carrying amount, the asset is considered impaired and is written down to the recoverable amount and an impairment loss is recognised. Where an asset measured at cost is written down to recoverable amount, an impairment loss is recognised in the Statement of Comprehensive Income. As the Department is a not-for-profit entity, unless a specialised asset has been identified as a surplus asset, the recoverable amount is the higher of an asset's fair value less costs to sell and depreciated replacement cost. The Department holds no revalued assets at balance date.

The risk of impairment is generally limited to circumstances where an asset's depreciation is materially understated, where the replacement cost is falling or where there is a significant change in useful life. Each relevant class of assets is reviewed annually to verify that the accumulated depreciation/amortisation reflects the level of consumption or expiration of asset's future economic benefits and to evaluate any impairment risk from falling replacement costs.

The recoverable amount of assets identified as surplus assets is the higher of fair value less costs to sell and the present value of future cash flows expected to be derived from the asset. Surplus assets carried at fair value have no risk of material impairment where fair value is determined by reference to market-based evidence. Where fair value is determined by reference to depreciated replacement cost, surplus assets are at risk of impairment and the recoverable amount is measured. Surplus assets at cost are tested for indications of impairment at the end of each reporting period.

See note 22 'Property Plant and Equipment', 'Impairment of assets' for the outcome of impairment reviews and testing.

See note 3(o) 'Receivables' and note 19 'Receivables' for impairment of receivables.

(i) Leases

The Department has entered into a number of operating lease arrangements for the rent of office buildings and motor vehicles. Lease payments are expensed on a straight line basis over the lease term as this represents the pattern of benefits derived from the leased properties and vehicles. The Department has not entered into any finance leases.

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(j) Financial Instruments

In addition to cash, the Department has two categories of financial instrument:

- Loans and receivables; and
- Financial liabilities measured at amortised cost.

Financial instruments have been disaggregated into the following classes:

Financial Assets

- Cash and cash equivalents
- Restricted cash and cash equivalents
- Receivables
- Amounts receivable for services
- Loans and Advances

Financial Liabilities

- Payables
- Bonds Repayable

Initial recognition and measurement of financial instruments is at fair value which normally equates to the transaction cost or the face value. Subsequent measurement is at amortised cost using the effective interest method.

The fair value of short-term receivables and payables is the transaction cost or the face value because there is no interest rate applicable and subsequent measurement is not required as the effect of discounting is not material.

(k) Cash and Cash Equivalents

For the purpose of the Statement of Cash Flows, cash and cash equivalent (and restricted cash and cash equivalent) assets comprise cash on hand and short-term deposits with original maturities of three months or less that are readily convertible to a known amount of cash and which are subject to insignificant risk of changes in value. The Department has no bank overdraft at balance date.

(l) Amounts Receivable for Services (Holding Account)

The Department receives funding on an accrual basis. The appropriations are paid partly in cash and partly as an asset (Holding Account receivable). The accrued amount receivable is accessible on the emergence of the cash funding requirement to cover leave entitlements and asset replacement.

See also note 17 'Income from State Government' and note 20 'Amounts receivable for services'.

(m) Provisions

Provisions are liabilities of uncertain timing and amount and are recognised where there is a present legal, equitable or constructive obligation as a result of a past event and when the outflow of resources embodying economic benefits is probable and a reliable estimate can be made of the amount of the obligation. Provisions are reviewed at the end of each reporting period. See note 24 'Provisions'.

Department of State Development
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(i) Provisions - Employee Benefits

All annual leave and long service leave provisions are in respect of employees' services up to the end of the reporting period.

Annual Leave

Annual leave is not expected to be settled wholly within 12 months after the end of the reporting period and is therefore considered to be 'other long-term employee benefits'. The annual leave liability is recognised and measured at the present value of amounts expected to be paid when the liabilities are settled using the remuneration rate expected to apply at the time of settlement.

When assessing expected future payments consideration is given to expected future wage and salary levels including non-salary components such as employer superannuation contributions, as well as the experience of employee departures and periods of service. The expected future payments are discounted using market yields at the end of the reporting period on national government bonds with terms to maturity that match, as closely as possible, the estimated future cash outflows.

The provision for annual leave is classified as a current liability as the Department does not have an unconditional right to defer settlement of the liability for at least 12 months after the reporting period.

Long Service Leave

A liability for long service leave is recognised after an employee has completed three years of service based on remuneration rates current as at the end of the reporting period.

An actuarial assessment of long service leave undertaken by PriceWaterhouseCoopers Securities Limited, Actuaries, at 30 June 2016 determined that the liability measured using the short-hand measurement technique above was not materially different from the liability determined using the present value of expected future payments. This calculation is consistent with the Department's experience of employee retention and leave taken.

Unconditional long service leave provisions are classified as current liabilities as the Department does not have an unconditional right to defer the settlement of the liability for at least 12 months after the end of the reporting period. Pre-conditional and conditional long service leave provisions are classified as non-current liabilities because the Department has an unconditional right to defer the settlement of the liability until the employee has completed the requisite years of service

Sick Leave

Liabilities for sick leave are recognised when it is probable that sick leave paid in the future will be greater than the entitlement that will accrue in the future.

Past history indicates that on average, sick leave taken each reporting period is less than the entitlement accrued. This is expected to continue in future periods. Accordingly, it is unlikely that existing accumulated entitlements will be used by employees and no liability for unused sick leave entitlements is recognised. As sick leave is non-vesting, an expense is recognised in the Statement of Comprehensive Income for this leave as it is taken.

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Notes to the Financial Statements
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Deferred Leave

The provision for deferred leave relates to Public Service employees who have entered into an agreement to self-fund an additional twelve months leave in the fifth year of the agreement. The provision recognises the value of salary set aside for employees to be used in the fifth year. This liability is measured on the same basis as annual leave. Deferred leave is reported as a current provision as employees can leave the scheme at their discretion at any time.

Purchased Leave

The provision for purchased leave, when applicable, relates to Public Service employees who have entered into an agreement to self-fund up to an additional 10 weeks leave per calendar year. The provision recognises the value of salary set aside for employees and is measured at undiscounted amounts expected to be paid when the liabilities are settled.

Superannuation

The Government Employees Superannuation Board (GESB) and other fund providers administer public sector superannuation arrangements in Western Australia in accordance with legislative requirements. Eligibility criteria for membership in particular schemes for public sector employees vary according to commencement and implementation dates.

Eligible employees contribute to the Pension Scheme, a defined benefit pension scheme closed to new members since 1987, or the Gold State Superannuation Scheme (GSS), a defined benefit lump sum scheme closed to new members since 1995.

Employees commencing employment prior to 16 April 2007 who were not members of either the Pension Scheme or the GSS became non-contributory members of the West State Superannuation Scheme (WSS). Employees commencing employment on or after 16 April 2007 became members of the GESB Super Scheme (GESBS). From 30 March 2012, existing members of the WSS or GESBS and new employees have been able to choose their preferred superannuation fund provider. The Department makes contributions to GESB or other fund providers on behalf of employees in compliance with the *Commonwealth Government's Superannuation Guarantee (Administration) Act 1992*. Contributions to these accumulation schemes extinguish the Department's liability for superannuation charges in respect of employees who are not members of the Pension Scheme or GSS.

The GSS is a defined benefit scheme for the purposes of employees and whole-of-government reporting. However, it is a defined contribution plan for agency purposes because the concurrent contributions (defined contributions) made by the Department to GESB extinguishes the agency's obligations to the related superannuation liability.

The Department has no liabilities under the Pension Scheme or the GSS. The liabilities for the unfunded Pension Scheme and the unfunded GSS transfer benefits attributable to members who transferred from the Pension Scheme, are assumed by the Treasurer. All other GSS obligations are funded by concurrent contributions made by the Department to the GESB.

The GESB makes all benefit payments in respect of the pension Scheme and GSS and is recouped by the Treasurer for the employer's share.

Department of State Development
Notes to the Financial Statements
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(ii) Provisions - Other

Employment On-Costs

Employment on-costs, including workers' compensation insurance, are not employee benefits and are recognised separately as liabilities and expenses when the employment to which they relate has occurred. Employment on-costs are included as part of 'Other Expenses' and are not included as part of the Department's 'Employee benefits expense'. The related liability is included in 'Employment on-costs provision'. See note 13 'Other Expenses' and note 24 'Provisions'.

(n) Superannuation Expense

Superannuation expense is recognised in the profit or loss of the Statement of Comprehensive Income and comprises employer contributions paid to the GSS (concurrent contributions), the WSS, the GESBS, or other superannuation funds. The employer contribution paid to the GESB in respect of the GSS is paid back into the Consolidated Account by the GESB.

(o) Receivables

Receivables are recognised at original invoice amount less an allowance for uncollectible amounts (i.e. impairment). The collectability of receivables is reviewed on an ongoing basis and any receivables identified as uncollectible are written-off against the allowance account. The allowance for uncollectible amounts (doubtful debts) is raised when there is objective evidence that the Department will not be able to collect the debts. The carrying amount is equivalent to fair value as it is due for settlement within 30 days. See note 3(j) 'Financial Instruments' and note 19 'Receivables'.

(p) Accrued salaries

Accrued salaries (refer note 23 'Payables') represent the amount due to staff but unpaid at the end of the financial year as the end of the last pay period for the financial year does not always coincide with the end of the financial year. Accrued salaries are settled within a fortnight of the financial year end. The Department considers the carrying amount of accrued salaries to be equivalent to its net fair value.

The accrued salaries suspense account (refer note 18 'Restricted cash and cash equivalent') consists of amounts paid annually into a suspense account over a period of 10 financial years to largely meet the additional cash outflow in each 11th year when 27 pay days occur in that year instead of the normal 26. No interest is received on this account.

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(q) Payables

Payables are recognised at the amounts payable when the Department becomes obliged to make future payments as a result of a purchase of assets or services. The carrying amount is equivalent to fair value as settlement is generally within 30 days.

(r) Assets and Services received free of charge or for nominal cost

Assets or services received free of charge or for nominal cost that the Department would otherwise purchase if not donated, are recognised as income at the fair value of the assets or services where they can be reliably measured. A corresponding expense is recognised for services received. Receipts of assets are recognised in the Statement of Financial Position.

Assets or services received from other State Government agencies are separately disclosed under Income from State Government in the Statement of Comprehensive Income.

(s) Comparative figures

Comparative figures are, where appropriate, reclassified to be comparable with the figures presented in the current financial year.

Note 4: Judgements made by management in applying accounting policies

The preparation of financial statements requires management to make judgements about the application of accounting policies that have a significant effect on the amounts recognised in the financial statements. The Department evaluates these judgements regularly.

Operating lease commitments. The Department has entered into a number of leases for buildings for branch office accommodation. Some of these leases relate to buildings of a temporary nature and it has been determined that the lessor retains substantially all the risks and rewards incidental to ownership. Accordingly, these leases have been classified as operating leases.

Note 5: Key sources of estimation uncertainty

Key estimates and assumptions concerning the future are based on historical experience and various other factors that have a significant risk of causing a material adjustment to the carrying amount of assets and liabilities within the next financial year.

Long Service Leave

Several estimations and assumptions used in calculating the Department's long service leave provision include expected future salary rates, discount rates, employee retention rates and expected future payments. Changes in these estimations and assumptions may impact on the carrying amount of the long service leave provision.

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Notes to the Financial Statements
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Note 6: Disclosure of changes in accounting policy and estimates

Initial application of an Australian Accounting Standard

The Department has applied the following Australian Accounting Standards effective, or adopted, for annual reporting periods beginning on or after 1 July 2015 that impacted on the Department.

AASB 2013-9

Amendments to Australian Accounting Standards – Conceptual Framework, Materiality and Financial Instruments

Part C of this Standard defers the application of AASB 9 to 1 January 2017. The application date of AASB 9 was subsequently deferred to 1 January 2018 by AASB 2014-1. The Department has not yet determined the application or the potential impact of AASB 9.

AASB 2014-8

Amendments to Australian Accounting Standards arising from AASB 9 (December 2014) – Application of AASB 9 (December 2009) and AASB 9 (December 2010) [AASB 9 (2009 & 2010)]

This Standard makes amendments to AASB 9 *Financial Instruments* (December 2009) and AASB 9 *Financial Instruments* (December 2010), arising from the issuance of AASB 9 *Financial Instruments* in December 2014. The Department has not yet determined the application or the potential impact of AASB 9.

AASB 2015-3

Amendments to Australian Accounting Standards arising from the Withdrawal of AASB 1031 Materiality

This Standard completes the withdrawal of references to AASB 1031 in all Australian Accounting Standards and Interpretations, allowing that Standard to effectively be withdrawn. There is no financial impact.

AASB 2015-7

Amendments to Australian Accounting Standards - Fair Value Disclosures of Not-for-Profit Public Sector Entities [AASB 13]

This Standard relieves not-for-profit public sector entities from the reporting burden associated with various disclosures required by AASB 13 for assets within the scope of AASB 116 that are held primarily for their current service potential rather than to generate future net cash inflows. It has no financial impact.

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Future impact of Australian Accounting Standards not yet operative

The Department cannot early adopt an Australian Accounting Standard unless specifically permitted by TI 1101 *Application of Australian Accounting Standards and Other Pronouncements or by an exemption from TI 1101*. By virtue of a limited exemption, the Department has early adopted AASB 2015-7 *Amendments to Australian Accounting Standards - Fair Value Disclosures of Not-for-Profit Public Sector Entities*. Where applicable, the Department plans to apply the following Australian Accounting Standards from their application date.

Title	Operative for reporting periods beginning on/after
AASB 9	<p><i>Financial Instruments</i></p> <p>1 Jan 2018</p> <p>This Standard supersedes AASB 139 <i>Financial Instruments: Recognition and Measurement</i>, introducing a number of changes to accounting treatments.</p> <p>The mandatory application date of this Standard is currently 1 January 2018 after being amended by AASB 2012-6, AASB 2013-9 and AASB 2014-1 <i>Amendments to Australian Accounting Standards</i>. The Department has not yet determined the application or the potential impact of the Standard.</p>
AASB 15	<p><i>Revenue from Contracts with Customers</i></p> <p>1 Jan 2018</p> <p>This Standard establishes the principles that the Department shall apply to report useful information to users of financial statements about the nature, amount, timing and uncertainty of revenue and cash flows arising from a contract with a customer. The Department has not yet determined the application or the potential impact of the Standard.</p>

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AASB 16	<i>Leases</i>	1 Jan 2019
	<p>This Standard introduces a single lessee accounting model and requires a lessee to recognise assets and liabilities for all leases with a term of more than 12 months, unless the underlying asset is of low value. The Department has not yet determined the application or the potential impact of the Standard.</p>	
AASB 1057	<i>Application of Australian Accounting Standards</i>	1 Jan 2016
	<p>This Standard lists the application paragraphs for each other Standard (and Interpretation), grouped where they are the same. There is no financial impact.</p>	
AASB 2010-7	<i>Amendments to Australian Accounting Standards arising from AASB 9 (December 2010) [AASB 1, 3, 4, 5, 7, 101, 102, 108, 112, 118, 120, 121, 127, 128, 131, 132, 136, 137, 139, 1023 & 1038 and Int 2, 5, 10, 12, 19 & 127]</i>	1 Jan 2018
	<p>This Standard makes consequential amendments to other Australian Accounting Standards and Interpretations as a result of issuing AASB 9 in December 2010.</p>	
	<p>The mandatory application date of this Standard has been amended by AASB 2012-6 and AASB 2014-1 to 1 January 2018. The Department has not yet determined the application or the potential impact of the Standard.</p>	
AASB 2014-1	<i>Amendments to Australian Accounting Standards</i>	1 Jan 2018
	<p>Part E of this Standard makes amendments to AASB 9 and consequential amendments to other Standards. It has not yet been assessed by the Department to determine the application or potential impact of the Standard.</p>	

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AASB 2014-3	<i>Amendments to Australian Accounting Standards – Accounting for Acquisitions of Interests in Joint Operations [AASB 1 & 11]</i>	1 Jan 2016
	The Department establishes Joint Operations in pursuit of its objectives and does not routinely acquire interests in Joint Operations. Therefore, there is no financial impact on application of the Standard.	
AASB 2014-4	<i>Amendments to Australian Accounting Standards – Clarification of Acceptable Methods of Depreciation and Amortisation [AASB 116 & 138]</i>	1 Jan 2016
	The adoption of this Standard has no financial impact for the Model Department as depreciation and amortisation is not determined by reference to revenue generation, but by reference to consumption of future economic benefits.	
AASB 2014-5	<i>Amendments to Australian Accounting Standards arising from AASB 15</i>	1 Jan 2018
	This Standard gives effect to the consequential amendments to Australian Accounting Standards (including Interpretations) arising from the issuance of AASB 15. The mandatory application date of this Standard has been amended by AASB 2015-8 to 1 January 2018. The Department has not yet determined the application or the potential impact of the Standard.	
AASB 2014-7	<i>Amendments to Australian Accounting Standards arising from AASB 9 (December 2014)</i>	1 Jul 2018
	This Standard gives effect to the consequential amendments to Australian Accounting Standards (including Interpretations) arising from the issuance of AASB 9 (December 2014). The Department has not yet determined the application or the potential impact of the Standard.	
AASB 2014-9	<i>Amendments to Australian Accounting Standards – Equity Method in Separate Financial Statements [AASB 1, 127 & 128]</i>	1 Jan 2016
	This Standard amends AASB 127, and consequentially amends AASB 1 and AASB 128, to allow entities to use the equity method of accounting for investments in subsidiaries, joint ventures and associates in their separate financial statements. The Department has not yet determined the application or the potential impact of the Standard.	

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AASB 2014-10	<p><i>Amendments to Australian Accounting Standards – Sale or Contribution of Assets between an Investor and its Associate or Joint Venture [AASB 10 & 128]</i></p> <p>This Standard amends AASB 10 and AASB 128 to address an inconsistency between the requirements in AASB 10 and those in AASB 128 (August 2011), in dealing with the sale or contribution of assets between an investor and its associate or joint venture. The Department has not yet determined the application or the potential impact of the Standard.</p>	1 Jan 2016
AASB 2015-1	<p><i>Amendments to Australian Accounting Standards – Annual Improvements to Australian Accounting Standards 2012–2014 Cycle [AASB 1, 2, 3, 5, 7, 11, 110, 119, 121, 133, 134, 137 & 140]</i></p> <p>These amendments arise from the issuance of International Financial Reporting Standard Annual Improvements to IFRSs 2012–2014 Cycle in September 2014, and editorial corrections. The Department has not yet determined the application or the potential impact of the Standard.</p>	1 Jan 2016
AASB 2015-2	<p><i>Amendments to Australian Accounting Standards – Disclosure Initiative: Amendments to AASB 101 [AASB 7, 101, 134 & 1049]</i></p> <p>This Standard amends AASB 101 to provide clarification regarding the disclosure requirements in AASB 101. Specifically, the Standard proposes narrow-focus amendments to address some of the concerns expressed about existing presentation and disclosure requirements and to ensure entities are able to use judgement when applying a Standard in determining what information to disclose in their financial statements. There is no financial impact.</p>	1 Jan 2016

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AASB 2015-6	<i>Amendments to Australian Accounting Standards – Extending Related Party Disclosures to Not-for-Profit Public Sector Entities [AASB 10, 124 & 1049]</i>	1 Jul 2016
	The amendments extend the scope of AASB 124 to include application by not-for-profit public sector entities. Implementation guidance is included to assist application of the Standard by not-for-profit public sector entities. The Department has not yet determined the application of the Standard, though there is no financial impact.	
AASB 2015-8	<i>Amendments to Australian Accounting Standards - Effective Date of AASB 15</i>	1 Jan 2017
	This Standard amends the mandatory effective date (application date) of AASB 15 Revenue from Contracts with Customers so that AASB 15 is required to be applied for annual reporting periods beginning on or after 1 January 2018 instead of 1 January 2017. The Department has not yet determined the application or the potential impact of AASB 15.	
AASB 2015-10	<i>Amendments to Australian Accounting Standards – Effective Date of Amendments to AASB 10 & 128</i>	1 Jan 2016
	This Standard defers the mandatory effective date (application date) of amendments to AASB 10 & 128 that were originally made in AASB 2014-10 so that the amendments are required to be applied for annual reporting periods beginning on or after 1 January 2018 instead of 1 January 2016. The Department has not yet determined the application or the potential impact of AASB 2014-10.	
AASB 2016-2	<i>Amendments to Australian Accounting Standards – Disclosure Initiative: Amendments to AASB 107</i>	1 Jan 2017
	This Standard amends AASB 107 Statement of Cash Flows (August 2015) to require disclosures that enable users of financial statements to evaluate changes in liabilities arising from financing activities, including both changes arising from cash flows and non-cash changes. There is no financial impact.	
AASB 2016-3	<i>Amendments to Australian Accounting Standards – Clarifications to AASB 15</i>	1 Jan 2018
	This Standard clarifies identifying performance obligations, principal versus agent considerations, timing of recognising revenue from granting a licence, and, provides further transitional provisions to AASB 15. The Department has not yet determined the application or the potential impact.	

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AASB 2016-4

Amendments to Australian Accounting Standards – Recoverable Amount of Non-Cash-Generating Specialised Assets of Not-for-Profit Entities. 1 Jan 2017

This Standard clarifies the recoverable amount of primarily non-cash-generating assets of not-for-profit entities, which are typically specialised in nature and held for continuing use of their service capacity, is expected to be materially the same as fair value determined under AASB 13 *Fair Value Measurement*. The Department has not yet determined the application or potential impact.

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	2016 \$'000	2015 \$'000
Note 7: Employee benefits expense		
Wages and salaries ^(a)	17,015	16,480
Superannuation - defined contribution plans ^(b)	1,953	2,042
Long service leave ^(c)	569	643
Annual leave ^(c)	1,728	1,544
	<u>21,265</u>	<u>20,709</u>

^(a) Includes the value of the fringe benefit to the employee plus the fringe benefits tax component.

^(b) Defined contribution plans include West State, Gold State and GESB and other eligible funds.

^(c) Includes a superannuation contribution component.

Employment on-costs such as workers' compensation insurance are included at note 13 'Other Expenses'. The employment on-costs liability is included at note 24 'Provisions'.

Note 8: Supplies and services ^(a)

Consultants and contractors (includes resources received free of charge)	5,097	5,417
Advertising and promotion	142	113
Travel	380	417
Communication	258	236
Consumables	691	501
Maintenance	78	105
Lease payments	3	16
Insurance	48	57
Printing	81	64
Other staff costs	828	704
Legal Fees	189	137
	<u>7,795</u>	<u>7,767</u>

^(a) Certain expense sub-classifications within Supplies and Services were changed in 2015-16. 2015 comparative figures have been restated to be consistent with the 2016 classification.

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	2016 \$'000	2015 \$'000
Note 9: Depreciation expense		
Depreciation		
Computer hardware and software	48	39
Vehicles	55	55
Total depreciation	<u>103</u>	<u>94</u>
Note 10: Finance Costs		
Discounting of Non-Interest Bearing Loan	-	-
	<u>-</u>	<u>-</u>
Note 11: Accommodation expenses		
Lease rentals	3,274	2,889
Repairs and maintenance	5	25
Cleaning	14	13
Electricity	128	109
Other accommodation expenses	95	66
	<u>3,516</u>	<u>3,102</u>
Note 12: Grants and subsidies expense		
Special Purpose Funds		
Australia China Natural Gas Technology Partnership Fund		
Private training providers	145	649
Ashburton North Social Infrastructure Fund (Onslow Community Development Fund)		
Grants to local government authorities	1,819	9,060
Macedon Social Infrastructure Fund (Onslow Community Development Fund)		
Grants to local government authorities	3,005	-
Grants relating to other departmental initiatives		
Grants to Public Non-Financial Corporations	-	237
Grants to organisations external to the public sector	113	308
	<u>5,082</u>	<u>10,254</u>

**Department of State Development
Notes to the Financial Statements
For the year ended 30 June 2016**

	2016 \$'000	2015 \$'000
Note 13: Other expenses		
Net loss on foreign currency exchange	34	20
Employment on-costs ^(a)	25	-
	59	20

^(a) Includes increments to provisions for workers' compensation insurance and other employment on-costs. The on-costs liability associated with the recognition of annual and long service leave liability is included at note 24 'Provisions'. Superannuation contributions accrued as part of the provision for leave are employee benefits and are not included in employment on-costs.

Note 14: Commonwealth grants and contributions

Commonwealth grants received for recurrent purposes ^(c)

-	750
-	750

^(c) 2014-15 represents recognition of \$750,000 funding received from the Commonwealth Government for the special purpose fund "Australia China Natural Gas Technology Partnership Trust Fund". See note 37 "Special Purpose Accounts".

**Department of State Development
Notes to the Financial Statements
For the year ended 30 June 2016**

	2016 \$'000	2015 \$'000
Note 15: Other revenue		
Australia China Natural Gas Technology Partnership Fund	1,042	1,050
Miscellaneous revenue ^(b)	704	468
	<u>1,746</u>	<u>1,518</u>
(a) See also Note 37 "Special Purpose Accounts".		
(b) Includes funding received from industry project proponents \$100,000 (\$100,000 in 2014-15); funding transferred from the Department of Planning \$540,000 (Nil in 2014-15) and other miscellaneous items.		
Note 16: Net gain/(loss) on disposal of non-current assets		
<u>Proceeds from Disposal of Non-Current Assets</u>		
Plant equipment and vehicles	-	-
<u>Carrying amount of non-current assets disposed</u>		
Plant equipment and vehicles	-	-
Net gain / (loss)	<u>-</u>	<u>-</u>

**Department of State Development
Notes to the Financial Statements
For the year ended 30 June 2016**

	2016 \$'000	2015 \$'000
Note 17: Income from State Government		
Appropriation received during the period:		
Service appropriations ^(a)	33,981	35,252
	<u>33,981</u>	<u>35,252</u>
Royalties for Regions Fund - Brand WA initiative ^(b)	150	-
Total Royalties for Regions	<u>150</u>	<u>-</u>
Services received free of charge from other State government agencies. ^(c)		
State Solicitors Office		
- legal services	560	676
Department of Finance		
- accommodation lease services	9	9
Total Services Received Free of Charge	<u>569</u>	<u>685</u>
Total Income from State Government	<u>34,700</u>	<u>35,937</u>

No assets or liabilities were assumed by or transferred to other State government agencies during the period.

- ^(a) Service appropriations fund the net cost of services delivered. Appropriation revenue comprises a cash component and a receivable (asset). The receivable (holding account) comprises the depreciation expense for the year and any agreed increase in leave liability during the year.
- ^(b) This is a sub-fund within the over-arching 'Royalties for Regions Fund'. Funding budgeted for the Bunbury to Albany Gas Pipeline was deferred until 2016-17.
- ^(c) Where assets or services have been received free of charge or for nominal cost, the agency recognises revenue (and assets or expenses) equivalent to the fair value of the assets and/or the fair value of those services that can be reliably determined and which would have been purchased if not donated.

**Department of State Development
Notes to the Financial Statements
For the year ended 30 June 2016**

	2016 \$'000	2015 \$'000
Note 18: Restricted cash and cash equivalents		
<u>Current - in operating account</u>		
Australia China Natural Gas Technology Partnership Trust Fund ^(a)	2,447	3,532
Ashburton North Social Infrastructure Fund (Onslow Community Development Fund) ^(b) (see note 37)	3,913	5,150
Onslow Macedon Social Infrastructure Fund ^(b) (see note 37)	1,950	4,955
DSD Special Projects Trust Fund ^(c)	628	628
Royalties for Regions Fund - Brand WA Initiative	(2)	-
	8,936	14,265
<u>Current - held in suspense at Department of Treasury & Finance</u>		
Accrued salaries suspense account ^(d)	-	730
	-	730

^(a) The trust holds funds for the purpose of training Chinese managers from the natural gas industry in China, as well as joint Australia/China research programs. Training is conducted in both countries.

^(b) The Onslow Community Development Fund is part of the Ashburton North - Wheatstone project. Initial contributions for the fund were \$10,000,000 from the State Government Royalties for Regions Fund, and \$5,000,000 from industry proponent, Chevron Australia Pty Ltd. A loan to the Shire of Ashburton was approved from contributed funds in 2012-13 and 2013-14 (see note 19 'Receivables') and was fully repaid in the year ended 30 June 2016. The Macedon Onslow Social Infrastructure Fund was created from contributions received from the BHP Billiton Petroleum (Australia) Pty Ltd / Quadrant Energy joint venture.

^(c) The Special Projects Fund was created to hold funds for the purpose of participating in significant projects with other countries, the Commonwealth and the private sector to the mutual benefit of other participants and the State of Western Australia.

^(d) Funds held in this suspense account for the purpose of meeting the 27th pay in a financial year that occurs every 11th year. The last 27th pay year occurred in 2016-17. Consequently the restricted cash was returned to the Department in June 2016 and utilised for the 27th pay.

**Department of State Development
Notes to the Financial Statements
For the year ended 30 June 2016**

	2016 \$'000	2015 \$'000
Note 19: Receivables		
<u>Current</u>		
Receivables ^{(a) (b)}	373	228
GST receivable	104	144
	<u>477</u>	<u>372</u>
Loans and Advances		
Loans ^(c)	-	583
Less: Loan Discounting	-	(6)
Net Loan Receivable - Current	<u>-</u>	<u>577</u>
Total Current	<u>477</u>	<u>949</u>
Total Receivables	<u>477</u>	<u>949</u>

(a) The Department does not hold any collateral as security or other credit enhancements relating to receivables.

(b) The Department does not consider any of its receivables materially impaired and has not recorded an allowance for impairment of receivables at the end of the reporting period.

(c) Relates to a non-interest bearing loan issued to the Shire of Ashburton, from the Special Purpose Account, for the purpose of building a workers camp to accommodate workers for the Wheatstone project (Onslow). The loan was fully repaid in the year ended 30 June 2016.

**Department of State Development
Notes to the Financial Statements
For the year ended 30 June 2016**

	2016 \$'000	2015 \$'000
Note 20: Amounts receivable for services (Holding Account)		
Non-current	864	743
	<u>864</u>	<u>743</u>
Represents the non-cash component of service appropriations. See note 3 (l) 'Amounts receivable for services (Holding Account)'. It is restricted in that it can only be used for asset replacement or payment of leave liability.		
Note 21: Other assets		
Current		
Refundable rental bonds on overseas and local accommodation	182	152
Prepayments	713	535
	<u>895</u>	<u>687</u>
Note 22: Property, plant and equipment		
Furniture, plant and equipment - at cost	16	35
Accumulated depreciation	(16)	(35)
	<u>-</u>	<u>-</u>
Computer hardware and software - at cost	293	312
Accumulated depreciation	(241)	(214)
	<u>52</u>	<u>98</u>
Vehicles - at cost	276	276
Accumulated depreciation	(207)	(152)
	<u>69</u>	<u>124</u>
Total Property, plant equipment and vehicles	<u>121</u>	<u>222</u>

Reconciliations of the carrying amounts (Written Down Value) of property, plant and equipment and vehicles at the beginning of the reporting period are set out in the table below.

**Department of State Development
Notes to the Financial Statements
For the year ended 30 June 2016**

Note 22 Property, plant and equipment (continued).

Reconciliations of the carrying amounts of property, plant and equipment at the beginning and end of the reporting period are set out in the table below.

	Furniture, Plant and Equipment \$ 000	Computer Hardware and Software \$ 000	Vehicles \$ 000	Infrastructure Works in Progress \$ 000	Total \$ 000
2016					
Carrying amount at start of period	-	98	124	-	222
Additions	-	2	-	-	2
Transfers	-	-	-	-	-
Disposals	-	-	-	-	-
Depreciation	-	(48)	(55)	-	(103)
Carrying amount at end of period	-	52	69	-	121

	Furniture, Plant and Equipment \$ 000	Computer Hardware and Software \$ 000	Vehicles \$ 000	Infrastructure Works in Progress ^(a) \$ 000	Total \$ 000
2015					
Carrying amount at start of period	-	68	179	186,626	186,873
Additions	-	69	-	-	69
Transfers ^(b)	-	-	-	(186,626)	(186,626)
Disposals	-	-	-	-	-
Depreciation	-	(39)	(55)	-	(94)
Carrying amount at end of period	-	98	124	-	222

(a) Infrastructure Works in Progress comprises Ord River Expansion project development costs - this is a sub-fund within the over-arching 'Royalties for Regions Fund', and was carried at cost in the accounts of the Department until transfer to other entities was completed in 2014-15.

(b) The transfer of Infrastructure Works in Progress to other Government agencies or enterprises in 2014-15 was transacted through equity, completing the asset transfer process at June 30 2015.

Impairment of assets

There were no indications of impairment of property, plant and equipment and infrastructure at the end of the reporting period.

The Department held no goodwill or intangible assets with an indefinite useful life during the reporting period and at the end of the reporting period there were no intangible assets not yet available for use.

**Department of State Development
Notes to the Financial Statements
For the year ended 30 June 2016**

	2016 \$'000	2015 \$'000
Note 23: Payables		
<u>Current</u>		
Trade payables	86	555
Accrued salaries ^(a)	-	618
Accrued expenses	859	366
Total current	<u>945</u>	<u>1,539</u>
<u>Non Current</u>		
Bonds held and repayable	104	104
Total non-current	<u>104</u>	<u>104</u>
(a) The final salary in 2015-16 was paid on, and including entitlements up to, June 30, resulting in no accrual being required.		
Note 24: Provisions		
<u>Current</u>		
Employee benefits provisions		
Annual leave ^(a)	1,400	1,451
Long service leave ^(b)	2,675	2,739
Deferred Salary Scheme ^(d)	-	11
	<u>4,075</u>	<u>4,201</u>
Other provisions		
Employment on-costs ^(c)	7	22
	<u>7</u>	<u>22</u>
Total Current	<u>4,082</u>	<u>4,223</u>
<u>Non-current</u>		
Employee benefits provisions		
Long service leave ^(b)	870	919
Deferred Salary Scheme ^(d)	40	-
	<u>910</u>	<u>919</u>
Other provisions		
Employment on-costs ^(c)	4	5
Total non-current	<u>914</u>	<u>924</u>

**Department of State Development
Notes to the Financial Statements
For the year ended 30 June 2016**

	2016 \$'000	2015 \$'000
Note 24: Provisions (continued)		
(a) Annual leave liabilities have been classified as current as there is no unconditional right to defer settlement for at least 12 months after the end of the reporting period. Assessments indicate that actual settlement of the liabilities is expected to occur as follows:		
Within 12 months of the end of the reporting period	1,094	1,077
More than 12 months after the end of the reporting period	306	374
	1,400	1,451
(b) Long service leave liabilities have been classified as current where there is no unconditional right to defer settlement for at least 12 months after the end of the reporting period. Assessments indicate that actual settlement of the liabilities is expected to occur as follows (including on-costs, which are shown separately above):		
Within 12 months of the end of the reporting period	863	976
More than 12 months after the end of the reporting period	2,682	2,682
	3,545	3,658
(c) The settlement of annual and long service leave liabilities gives rise to the payment of employment on-costs including workers compensation insurance. The provision is the present value of expected future payments. The associated expense, apart from the unwinding of the discount (finance cost), is disclosed at note 13 'Other expenses'.		

**Department of State Development
Notes to the Financial Statements
For the year ended 30 June 2016**

	2016 \$'000	2015 \$'000
Note 24: Provisions (continued)		
(d) Deferred salary scheme liabilities have been classified as current where there is no unconditional right to defer settlement for at least 12 months after the end of the reporting period. Actual settlement of the liabilities is expected to occur as follows:		
Within 12 months of the end of the reporting period	-	-
More than 12 months after the end of the reporting period	40	11
	<u>40</u>	<u>11</u>
<u>Movements in employment on-cost provision</u>		
Carrying amount at start of period	27	27
Amount transferred in		
Additional/(reversals of) provisions recognised	(16)	-
Payments/other sacrifices of economic benefits	-	-
Carrying amount at end of period	<u>11</u>	<u>27</u>

**Department of State Development
Notes to the Financial Statements
For the year ended 30 June 2016**

	2016 \$'000	2015 \$'000
Note 25: Equity		
The Government holds the equity interest in the Department on behalf of the community. Equity represents the residual interest in the net assets of the Department.		
Contributed equity		
Balance at the start of the period	109,851	296,477
Contributions by owners		
<u>Other contributions by owners:</u>		
Transfer of Ord irrigation assets to other Government entities	-	(186,626)
Total contributions by owners	-	(186,626)
Balance at end of the period	109,851	109,851
Accumulated deficit		
Balance at the start of period	(88,743)	(66,243)
Result for the period	(1,374)	(3,741)
Distribution to Owners - return of cash surplus	-	(18,759)
Balance at the end of period	(90,117)	(88,743)
Total equity at end of period	19,734	21,108

**Department of State Development
Notes to the Financial Statements
For the year ended 30 June 2016**

	2016 \$'000	2015 \$'000
Note 26: Notes to the Statement of Cash Flows		
Reconciliation of cash		
Cash at the end of the financial year as shown in the Statement of Cash Flows is reconciled to the related items in the Statement of Financial Position as follows:		
Cash and Cash Equivalents	14,486	10,302
Cash In operating account - restricted (note 18 'Restricted Cash and Cash Equivalents')	8,936	14,265
Total available cash and cash equivalents	23,422	24,567
Restricted cash held in suspense at Department of Treasury (note 18 "Restricted Cash and Cash Equivalents")	-	730
Total cash	23,422	25,297
Reconciliation of net cost of services to net cash flows provided by/(used in) operating activities		
Net cost of services	(36,074)	(39,678)
<u>Non-cash items:</u>		
Depreciation expense (note 9 'Depreciation and amortisation expense')	103	94
Loan Discounting	(6)	33
Services received free of charge (note 17 'Income from State Government')	569	685
Written down value of non-current asset disposals (note 16 'Net gain/(loss) on disposal of non-current assets')	-	-
<u>(Increase)/Decrease in assets:</u>		
Receivables ^(a)	(145)	(164)
Other assets	(208)	(190)
<u>Increase/(Decrease) in liabilities</u>		
Payables	(594)	(1,954)
Provisions - Employee benefits	(151)	(181)
Net GST payments ^(b)	-	-
Change in GST in receivables/payables ^(c)	40	339
Net cash provided by/(used in) operating activities per Statement of Cash Flows	(36,466)	(41,016)

(a) Note that the Australian Taxation Office (ATO) receivable/payable in respect of GST and the receivable/payable in respect of the sale/purchase of non-current assets are not included in these items as they do not form part of the reconciling items.

(b) This is the net GST paid/received, i.e.. cash transactions.

(c) This reverses out the GST in receivables and payables.

**Department of State Development
Notes to the Financial Statements
For the year ended 30 June 2016**

	2016 \$'000	2015 \$'000
<i>Note 27: Services provided free of charge</i>		
During the period no services were provided to other agencies free of charge for functions outside the normal operations of the Department.	-	-
<i>Note 28: Commitments</i>		
<u>Capital expenditure commitments</u>		
Capital expenditure commitments, being contracted capital expenditure additional to the amounts reported in the financial statements, are payable as follows:		
Within 1 year	-	-
Later than 1 year and not later than 5 years	-	-
Later than 5 years	-	-
	<u>-</u>	<u>-</u>
	<u>-</u>	<u>-</u>

The Department has no finance leases in place at the end of the reporting period.

**Department of State Development
Notes to the Financial Statements
For the year ended 30 June 2016**

	2016 \$'000	2015 \$'000
Note 28: Commitments (continued)		
<u>Non-cancellable operating lease commitments</u>		
The Department has a number of property leases for its operations both within the State and for overseas representative offices. The leases have various terms and conditions and expiry dates including rent reviews. The Department also has lease commitments in respect to motor vehicles.		
Commitments in relation to leases contracted for at the end of the reporting period but not recognised in the financial statements are payable as follows:		
Within 1 year	3,732	3,372
Later than 1 year and not later than 5 years	5,688	7,744
Later than 5 years	-	-
	<u>9,420</u>	<u>11,116</u>
Representing:		
Non-cancellable operating leases	<u>9,420</u>	<u>11,116</u>

These commitments are inclusive of GST, where applicable. Prior year comparative figures have been restated to include GST.

Note 29: Contingent liabilities and contingent assets

Contingent liabilities:

Following arbitration it is possible that damages may be claimed by a party to a State Agreement. The Department is unable to quantify the potential liability, if any.

There are no other known contingent liabilities.

Contingent assets:

There are no known contingent assets.

Note 30: Events occurring after the end of the reporting period

No known event occurred after the end of the reporting period which materially affects the results reflected in these financial statements.

**Department of State Development
Notes to the Financial Statements
For the year ended 30 June 2016**

	2016 \$'000	2015 \$'000
Note 31: Remuneration of senior officers		
<u>Remuneration</u>		
The number of senior officers whose total fees, salaries, superannuation, non-monetary benefits and other benefits for the financial year fall within the following bands are:		
Remuneration Band \$	2016	2015
\$ 70 001 to \$ 80 000	-	1
\$ 80 001 to \$ 90 000	1	-
\$100 001 to \$110 000	1	-
\$140 001 to \$150 000	-	1
\$150 001 to \$160 000	1	-
\$160 001 to \$170 000	-	1
\$170 001 to \$180 000	1	2
\$180 001 to \$190 000	2	5
\$190 001 to \$200 000	4	1
\$200 001 to \$210 000	1	-
\$210 001 to \$220 000	2	1
\$220 001 to \$230 000	-	1
\$240 001 to \$250 000	1	1
\$260 001 to \$270 000	-	1
\$270 001 to \$280 000	1	-
\$320 001 to \$330 000	1	-
\$360 001 to \$370 000	-	1
\$440 001 to \$450 000	1	-
\$450 001 to \$460 000	-	1
The total remuneration of senior officers is:	3,611	3,616
Base remuneration and superannuation	3,582	3,516
Annual leave and long service leave accruals (vested entitlements)	(113)	(38)
Other Benefits	142	138
Total Remuneration of Senior Officers	3,611	3,616
Total remuneration includes the superannuation expense incurred by the Department in respect of senior officers.		
Note 32: Remuneration of Auditor		
Remuneration paid or payable to the Auditor General in respect of the audit for the current financial year is as follows:		
Auditing the accounts, financial statements and key performance indicators.	56	54
Note 33: Explanatory Statement		
All variances between estimates (original budget) and actual results 2016, and between actual results for 2015 and 2016 for controlled funds, are shown below. Major variances are considered to be those greater than 2% of the lower of estimated total cost of services or prior year total cost of services. This equates to \$0.839 million for Statement of Comprehensive Income and Statement of Cash Flow, and \$0.253 million for Statement of Financial Position. Explanatory statement for Administered funds appears in note 41.		

**Department of State Development
Notes to the Financial Statements
For the year ended 30 June 2016**

Note 33: Explanatory Statement (continued)

Statement of Comprehensive Income

	Variance Note ^(a)	Estimate ^(b) 2016 \$'000	Actual 2016 \$'000	Actual 2015 \$'000	Variance between estimate and actual for 2016 \$'000	Variance between actual results for 2016 and 2015 \$'000
COST OF SERVICES						
Expenses						
Employee benefits expense		21,836	21,265	20,709	(571)	556
Supplies and services	1	21,828	7,795	7,767	(14,033)	28
Depreciation		152	103	94	(49)	9
Finance Costs		-	-	-	-	-
Accommodation expenses		4,260	3,516	3,102	(744)	414
Grants and subsidies	2, 5	7,392	5,082	10,254	(2,310)	(5,172)
Other expenses		-	59	20	59	39
Total cost of services		55,468	37,820	41,946	(17,648)	(4,126)
Income						
Revenue						
Commonwealth grants and contributions		-	-	750	-	(750)
Other revenue		1,246	1,746	1,518	500	228
Total Revenue		1,246	1,746	2,268	500	(522)
Gains						
Gain on disposal of non-current assets		-	-	-	-	-
Total Gains		-	-	-	-	-
Total income other than income from State Government		1,246	1,746	2,268	500	(522)
NET COST OF SERVICES		54,222	36,074	39,678	(18,148)	(3,604)
Income from State Government						
Service appropriation	3, 6	37,682	33,981	35,252	(3,701)	(1,271)
Services received free of charge		1,116	569	685	(547)	(116)
Royalties for Regions Fund	4, 7	7,000	150	-	(6,850)	150
Total income from State Government		45,798	34,700	35,937	(11,098)	(1,237)
TOTAL COMPREHENSIVE INCOME FOR THE PERIOD		(8,424)	(1,374)	(3,741)	7,050	2,367

^(a) Notes to the variances are shown on the following page

^(b) Where applicable, budget amounts have been reclassified to match financial statement classification.

**Department of State Development
Notes to the Financial Statements
For the year ended 30 June 2016**

Note 33: Explanatory Statement (continued)

Statement of Comprehensive Income - Narratives for major variances

Variances between actual and estimate for 2016

- 1 **Supplies and Services.** A number of projects depend on parties external to the Department to achieve certain milestones before the next stage of the project can proceed. Consequently \$11,613,000 in project funding was deferred from the 2015-16 estimates and transferred to the 2016-17 or later estimates (Anketell, Browse, Ashburton North, Bunbury to Albany Gas Pipeline, Burrup Heritage Studies, Australia China Natural Gas Technology Partnership Fund). The Department's core budget underspend, across most expense categories including a significant under-utilisation of *Resources Received Free of Charge*, accounted for the remainder of the variance.
- 2 **Grants and Subsidies.** The primary driver of Grants and Subsidies is expenditure through the Community Development Funds established for Onslow in relation to the Wheatstone project and the Macedon Project (special purpose accounts). The Wheatstone project was impacted by the addition of carryover from 2014-15 (\$2,940,000) and subsequent reflow of \$2,400,000 of 2015-16 expenditure to later years, based on adjustments to project milestone planning. The Macedon project was impacted by the addition of carryover from 2014-15 (\$455,000) and subsequent reflow of \$1,955,000 to 2016-17. The balance of the underspend results from milestone adjustments later in the year.
- 3 **Service Appropriation.** Budget reflows of \$3,655,000 from 2015-16 to later years, in relation to projects that are funded by appropriation, resulted in service appropriations being lower than the original budget estimate.
- 4 **Royalties for Regions Fund.** Funding of \$7,000,000 in the 2016 estimates related to the Bunbury to Albany Gas Pipeline. The project was progressed using internal Department resources in 2015-16 and consequently the Royalties for Regions funding was moved to 2016-17 and later years when spending on external services is expected to commence.

Variances between actual results for 2016 and 2015

- 5 **Grants and Subsidies.** The primary driver of Grants and Subsidies is expenditure through the Community Development Funds established for Onslow in relation to the Wheatstone project and the Macedon Project (special purpose accounts). The prior year included significant payments on behalf of the Wheatstone project in respect to the Onslow airstrip upgrade (\$9,060,000). 2015-16 returned the project to a normal expenditure profile. Expenditures are made from substantially externally funded Special Purpose Accounts and may vary from year to year depending on project milestones.
- 6 **Service Appropriation.** The difference between the 2015 appropriation and the 2016 appropriation is a result of reduced levels of funding for the Onslow, Browse, Ashburton North and Anketell projects. Project funding is typically driven by project maturity and milestones and is not expected to be consistent from year to year.
- 7 **Royalties for Regions Fund.** \$150,000 was received in relation to the Brand WA Project. The project was a new initiative in 2015-16.

**Department of State Development
Notes to the Financial Statements
As At 30 June 2016**

Note 33: Explanatory Statement (continued)

Statement of Financial Position	Variance Note ^(a)	Estimate ^(b) 2016 \$'000	Actual 2016 \$'000	Actual 2015 \$'000	Variance between estimate and actual for 2016 \$'000	Variance between actual results for 2016 and 2015 \$'000
ASSETS						
Current Assets						
Cash and cash equivalents	1, 8	6,502	14,486	10,302	7,984	4,184
Restricted cash and cash equivalents	2, 9	2,897	8,936	14,995	6,039	(6,059)
Receivables	10	547	477	949	(70)	(472)
Other current assets	3	622	895	687	273	208
Infrastructure Works in Progress		-	-	-	-	-
Total Current Assets		10,568	24,794	26,933	14,226	(2,139)
Non-Current Assets						
Restricted cash and cash equivalents	4	730	-	-	(730)	-
Receivables	5	273	-	-	(273)	-
Amounts receivable for services		770	864	743	94	121
Property, plant, equipment and vehicles		345	121	222	(224)	(101)
Total Non-Current Assets		2,118	985	965	(1,133)	20
TOTAL ASSETS		12,686	25,779	27,898	13,093	(2,119)
LIABILITIES						
Current Liabilities						
Payables	6, 11	3,745	945	1,539	(2,800)	(594)
Provisions		4,205	4,082	4,223	(123)	(141)
Total Current Liabilities		7,950	5,027	5,762	(2,923)	(735)
Non-Current Liabilities						
Provisions		936	914	924	(22)	(10)
Bonds Repayable		104	104	104	-	-
Total Non-Current Liabilities		1,040	1,018	1,028	(22)	(10)
TOTAL LIABILITIES		8,990	6,045	6,790	(2,945)	(745)
NET ASSETS		3,696	19,734	21,108	16,038	(1,374)
EQUITY						
Contributed equity	7	82,368	109,851	109,851	27,483	-
Accumulated surplus / (deficit)	7	(78,672)	(90,117)	(88,743)	(11,445)	(1,374)
TOTAL EQUITY		3,696	19,734	21,108	16,038	(1,374)

^(a) Notes to the variances are shown on the following page

^(b) Where applicable, budget amounts have been reclassified to match financial statement classification.

**Department of State Development
Notes to the Financial Statements
As At 30 June 2016**

Note 33: Explanatory Statement (continued)

Statement of Financial Position - Narratives for major variances

Variances between actual and estimate

- 1 **Cash and Cash Equivalents.** The Department's underspend against its cost of services budget, balance sheet movements (receivables and payables) and the adjustment of budgeted opening cash balances to prior year ending balances accounts for the variance in cash and cash equivalents. The underspend, compared to estimate, is in the Department's discretionary expenditure covering categories of employee benefits, accommodation and supplies and services. See note 33 Explanatory Statement to the Statement of Comprehensive Income.
- 2 **Restricted Cash and Cash Equivalents.** Restricted Cash and Cash Equivalents represents cash held predominately in special purpose accounts in relation to the Onslow Community Development Funds for the Wheatstone and Macedon Projects, The Australia China Natural Gas Technology Partnership Fund, the agency's Special Projects Fund and any applicable Royalties for Regions Funding. The variation represents timing differences only, as over time, the full value of the funds will be expended for their designated purposes.
- 3 **Other Current Assets.** The variance represents the impact of timing of transactions, and is spread evenly across GST Receivables, prepayments and accounts receivable.
- 4 **Non-Current Restricted Cash and Cash Equivalents.** The variation represents the return of agency cash held in reserve at Treasury to fund the 27th pay which occurred in 2015-16. The return of cash was not profiled in the budget papers.
- 5 **Non-Current Receivables.** The reduction in non-current receivables represents a loan to the Shire of Ashburton which was fully repaid in the 2015-16 year.
- 6 **Payables.** The timing of the payment cycle in relation to payables, combined with the Department's project milestones results in payables balances that do not show consistency from period to period. The timing of major payments out of Special Purpose Accounts can have a significant impact on payables balances.
- 7 **Accumulated Surplus and Contributed Equity.** Accumulated surplus reflects the accumulation of period surpluses over the life of the agency. The discrepancy between outlook and actual is a classification issue in the budget between contributed equity and accumulated surplus, and the adjustment to prior year actual results.

Variances between actual results for 2016 and 2015

- 8 **Cash and Cash Equivalents.** Increase in cash reflects the underspend, compared to prior year, in the Department's discretionary expenditure covering categories of employee benefits, accommodation and supplies and services. See note 33 *Explanatory Statement to the Statement of Comprehensive Income*.
- 9 **Restricted Cash and Cash Equivalents.** Restricted cash includes cash reserves held for the Australia China Natural Gas Technology Fund, the Onslow Community Development Fund (Wheatstone Project) and the Onslow Community Development Fund (Macedon Project). Use of those funds for the purpose of the projects results in reduction in cash balances over time. Prior year also includes cash held at Treasury for the purpose of the 27th pay which occurs every 11 years. See also, Notes to the Financial Statements, note 18.
- 10 **Receivables.** The reduction in receivables represents the current portion of a loan to the Shire of Ashburton which was fully repaid in the 2015-16 year.
- 11 **Payables.** The key driver of the differential in payables between 2015 and 2016 is the accrual for salaries. The 2016 year ended on June 30 and therefore no accrual for earned but unpaid salaries was required, contrasting with 2015 when 8 days of salaries was accrued.

**Department of State Development
Notes to the Financial Statements
For the year ended 30 June 2016**

Note 33: Explanatory Statement (continued)

Statement of Cash Flows

	Variance Note ^(a)	Estimate 2016 ^(b)	Actual 2016	Actual 2015	Variance between estimate and actual for 2016	Variance between actual results and for 2016		Variance Note ^(a)	Estimate 2016 ^(b)	Actual 2016	Actual 2015	Variance between estimate and actual for 2016	Variance between actual results and for 2016
CASH FLOWS FROM STATE GOVERNMENT							Receipts						
Service appropriations	1, 7	37,515	33,860	35,127	(3,655)	(1,267)	Other grants and contributions	6	-	897	1,050	897	(153)
Holding account drawdowns		140	-	220	(140)	(220)	GST receipts on sales	5, 10	-	183	1,440	183	(1,257)
Prior year service appropriations returned to owner	8		-	(18,759)	-	18,759	GST receipts from taxation authority	5, 10	-	1,061	2,076	1,061	(1,015)
Royalties for Regions Fund: Recurrent	2	7,000	150	-	(6,850)	150	Other receipts		1,246	704	468	(542)	236
Net cash provided by State Government		44,655	34,010	16,588	(10,645)	17,422	Total Receipts used in Operating Activities		1,246	2,845	5,034	1,599	(2,189)
Utilised as follows:							Net cash provided by/(used in) operating activities		(52,951)	(36,466)	(41,016)	16,485	4,550
CASH FLOWS FROM OPERATING ACTIVITIES							CASH FLOWS FROM INVESTING ACTIVITIES						
Payments							Purchase of non-current physical assets		(140)	(2)	(69)	138	67
Employee benefits		(21,833)	(22,063)	(20,802)	(230)	(1,261)	Proceeds from sale of non-current assets		-	-	-	-	-
Supplies and services	3	(20,732)	(7,411)	(8,624)	13,321	1,213	Net cash provided by/(used in) investing activities		(140)	(2)	(69)	138	67
Accommodation		(4,240)	(3,516)	(3,102)	724	(414)	CASH FLOWS FROM LENDING ACTIVITIES						
Grants and subsidies	4, 9	(7,392)	(5,082)	(10,254)	2,310	5,172	Repayments received: Special Purpose		270	583	1,165	313	(582)
GST payments on purchases	5, 10	-	(1,204)	(2,786)	(1,204)	1,582	Net cash provided by lending activities		270	583	1,165	313	(582)
GST Payments to taxation authority	5, 10	-	-	(391)	-	391	Net increase/(decrease) in cash and		(8,166)	(1,875)	(23,332)	6,291	21,457
Other payments		-	(35)	(91)	(35)	56	Cash and cash equivalents at the beginning of the period		18,295	25,297	48,629	7,002	(23,332)
Total Payments used in Operating Activities		(54,197)	(39,311)	(46,050)	14,886	6,739	Cash and cash equivalents at the end of the period		10,129	23,422	25,297	13,293	(1,875)

^(a) Notes to the variances are shown on the following page

^(b) Where applicable, budget amounts have been reclassified to match financial statement classification.

**Department of State Development
Notes to the Financial Statements
For the year ended 30 June 2016**

Note 33: Explanatory Statement (continued)
Statement of Cash Flows - Narratives for major variances

Variances between actual and estimate

- 1 **Service Appropriation.** Includes deferral of drawdowns in respect to certain project expenditure amounting to \$3,655,000 (Browse LNG Precinct, Anketell Rail and Port, Ashburton North Industrial Precinct and Burrup heritage studies).
- 2 **Royalties for Regions Fund.** Funding of \$7,000,000 in the 2016 estimates related to the Bunbury to Albany Gas Pipeline. The project was progressed using internal Department resources in 2015-16 and consequently the Royalties for Regions funding was moved to 2016-17 and later years when spending on external services is expected to commence.
- 3 **Supplies and Services.** A number of projects depend on parties external to the Department to achieve certain milestones before the next stage of the project can proceed. Consequently \$11,613,000 in project funding was deferred from the 2015-16 estimates and transferred to the 2016-17 or later estimates (Anketell, Browse, Ashburton North, Bunbury to Albany Gas Pipeline, Burrup Heritage Studies, Australia China Natural Gas Technology Partnership Fund). The Department's core budget underspend, across most expense categories, accounted for the remainder of the variance.
- 4 **Grants and Subsidies.** The primary driver of Grants and Subsidies is expenditure through the Community Development Funds established for Onslow in relation to the Wheatstone project and the Macedon Project (special purpose accounts). The Wheatstone project was impacted by the addition of carryover from 2014-15 (\$2,940,000) and subsequent reflow of \$2,400,000 of 2015-16 profiled expenditure to later years, based on adjustments to project milestone planning. The Macedon project was impacted by the addition of carryover from 2014-15 (\$455,000) and subsequent reflow of \$1,955,000 to 2016-17. The balance of the underspend results from milestone adjustments later in the year.
- 5 **GST payments and receipts.** Except for significant individual transactions, GST receipts and payments are not profiled in the Department's budget papers.
- 6 **Other Grants and Contributions.** The major variance between estimate and actual is the receipt of funds transferred from another State Government agency in respect to the Oakajee infrastructure corridor project.

Variances between actual results for 2016 and 2015

- 7 **Service Appropriation.** Drawdowns for project expenditure in 2015-16 (Browse LNG Precinct, Oakajee Rail and Port, Anketell Rail and Port, Ashburton North) amounted to \$195,000 compared with \$3,608,000 for the same projects in 2014-15. Inflation incorporated into the estimates and core agency operations account for the difference.
- 8 **Prior Year Service Appropriations Returned to Owner.** In the 2014-15 year the application of the Treasury Cash Management Policy resulted in \$18,759,000 surplus cash being returned to the consolidated fund. This was no equivalent transaction in 2015-16.
- 9 **Grants and Subsidies.** The primary driver of Grants and Subsidies is expenditure through the Community Development Funds established for Onslow in relation to the Wheatstone project and the Macedon Project (special purpose accounts). The prior year included significant payments on behalf of the Wheatstone project in respect to the Onslow airstrip upgrade (\$9,060,000). 2015-16 returned the project to a normal expenditure profile. Expenditures are made from substantially externally funded Special Purpose Accounts and may vary from year to year depending on project milestones.
- 10 **GST payments and receipts.** Variance between the years represents the quantum of project related transactions that attract GST. Project related expenditure will not necessarily display a consistent pattern from year to year.

**Department of State Development
Notes to the Financial Statements
For the year ending 30 June 2016**

Note 34: Financial Instruments

(a) Financial Risk Management Objectives and Policies

Financial instruments held by the Department are (where applicable) cash and cash equivalents, restricted cash and cash equivalents, loans and receivables, and payables. The Department has limited exposure to financial risks. The Department's overall risk management program focuses on managing the risks identified below.

Credit risk

Credit risk arises when there is the possibility of the Department's receivables defaulting on their contractual obligations resulting in financial loss to the Department.

The maximum exposure to credit risk at the end of the reporting period in relation to each class of recognised financial assets is the gross carrying amount of these assets inclusive of any allowance for impairment, as shown in the table at note 34(c) 'Financial instruments disclosures' and note 19 'Receivables'.

Credit risk associated with the Department's financial assets is minimal. For receivables other than government, the Department trades only with recognised, creditworthy third parties. The department has policies in place to ensure that sales of products and services are made to customers with an appropriate credit history. In addition, receivable balances are monitored on an ongoing basis with the result that the Department's exposure to bad debts is minimal. At the end of the reporting period there were no significant concentrations of credit risk.

Allowance for impairment of financial assets is calculated based on objective evidence such as observable data indicating changes in client credit ratings. For financial assets that are either past due or impaired, refer to Note 34(c) Financial Instruments Disclosures.

Liquidity risk

Liquidity risk arises when the Department is unable to meet its financial obligations as they fall due.

The Department is exposed to liquidity risk through its trading in the normal course of business.

The Department has appropriate procedures to manage cash flows including drawdowns of appropriations by monitoring forecast cash flows to ensure that sufficient funds are available to meet its commitments.

**Department of State Development
Notes to the Financial Statements
For the year ending 30 June 2016**

Note 34: Financial Instruments (continued)

Market risk

Market risk is the risk that changes in market prices such as foreign exchange rates and interest rates will affect the Department's income or the value of its holdings of financial instruments. The Department has limited exposure to foreign currency risk as it holds funds overseas for the operations of its overseas representative trade offices. The Department trades in foreign currencies using rates of exchange prevailing at the time the transaction is undertaken, as the level of materiality and frequency of transactions is within levels of risk deemed to be acceptable. It is not materially exposed to other price risks. Other than as detailed in the interest rate sensitivity analysis table at Note 34(c), the Department is not exposed to interest rate risk because apart from minor amounts of restricted cash, all other cash and cash equivalents and restricted cash are non-interest bearing.

(b) Categories of Financial Instruments

The carrying amounts of each of the following categories of financial assets and financial liabilities at the end of the reporting period are:

	2016 \$'000	2015 \$'000
Financial Assets		
Cash and cash equivalents	14,486	10,302
Restricted cash and cash equivalents - Salaries Suspense Account	-	730
Restricted cash and cash equivalents	8,936	14,265
Total cash assets	23,422	25,297
Loans and receivables ^{(a) (b)}	1,237	1,548
Financial Liabilities		
Financial liabilities measured at amortised cost	1,049	1,643

^(a) Excludes GST recoverable from the ATO (statutory receivable)

^(b) 2015 Includes balance of non-interest bearing loan to the Shire of Ashburton (see note 19 'Receivables')

**Department of State Development
Notes to the Financial Statements
For the year ending 30 June 2016**

Note 34(c): Financial Instrument disclosures

Credit Risk

The following table details the Department's maximum exposure to credit risk and the ageing analysis of financial assets. The Department's maximum exposure to credit risk at the end of the reporting period is the carrying amount of financial assets as shown below. The table discloses the ageing of financial assets that are past due but not impaired and impaired financial assets. The table is based on information provided to senior management of the Department.

The Department does not hold any collateral as security or other credit enhancement relating to the financial assets it holds.

Ageing analysis of financial assets ^(a)

	Carrying Amount	Not past due and not impaired	Past due but not impaired					Impaired financial assets
			Up to 1 Month	1 to 3 months	3 months to 1 year	1- 5 years	More than 5 years	
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
2016								
Cash and cash equivalents	14,486	14,486	-	-	-	-	-	-
Restricted cash and cash equivalents	8,936	8,936	-	-	-	-	-	-
Receivables (a)	373	162	19	192	-	-	-	-
Loans and Advances	-	-	-	-	-	-	-	-
Amounts receivable for services	864	864	-	-	-	-	-	-
	24,659	24,448	19	192	-	-	-	-
2015								
Cash and cash equivalents	10,302	10,302	-	-	-	-	-	-
Restricted cash and cash equivalents	14,995	14,995	-	-	-	-	-	-
Receivables (a)	228	228	-	-	-	-	-	-
Loans and Advances	583	583	-	-	-	-	-	-
Amounts receivable for services	743	743	-	-	-	-	-	-
	26,851	26,851	-	-	-	-	-	-

^(a) The amount of receivables excludes GST recoverable from the ATO (statutory receivable).

**Department of State Development
Notes to the Financial Statements
For the year ending 30 June 2016**

Note 34(c): Financial Instrument disclosures (continued)

Liquidity Risk and interest rate exposure

The following table details the Department's interest rate exposure and the contractual maturity analysis of financial assets and financial liabilities. The maturity analysis section includes interest and principal cash flows. The interest rate exposure section analyses only the carrying amounts of each item.

Interest rate exposures and maturity analysis of financial assets and financial liabilities ^(a)

	Interest Rate Exposure					Maturity Dates					
	Weighted Average Effective Interest Rate	Carrying Amount	Fixed Interest rate	Variable Interest Rate	Non- interest Bearing	Nominal Amount	Up to 1 month	1-3 months	3 months to 1 year	1-5 years	More than 5 years
	%	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
2016											
<u>Financial Assets</u>											
Cash and Cash Equivalents	-	14,486	-	-	14,486	14,486	14,486	-	-	-	-
Restricted cash and cash equivalents	-	8,936	-	-	8,936	8,936	8,936	-	-	-	-
Receivables ^(a)	-	373	-	-	373	373	373	-	-	-	-
Loans and Advances	-	-	-	-	-	-	-	-	-	-	-
Amounts receivable for services	-	864	-	-	864	864	-	-	-	864	-
		24,659		-	24,659	24,659	23,795	-	-	864	-
2016											
<u>Financial Liabilities</u>											
Payables	-	945	-	-	945	945	945	-	-	-	-
Bonds Repayable	-	104	-	-	104	104	-	-	-	-	104
Amounts due to the Treasurer	-	-	-	-	-	-	-	-	-	-	-
		1,049		-	1,049	1,049	945	-	-	-	104

^(a) The amount of receivables excludes the GST recoverable from the ATO (statutory receivable)

**Department of State Development
Notes to the Financial Statements
For the year ending 30 June 2016**

Note 34(c): Financial Instrument disclosures (continued)

	Weighted Average Effective Interest Rate %	Carrying Amount \$'000	Interest Rate Exposure			Nominal Amount \$'000	Maturity Dates				
			Fixed Interest rate \$'000	Variable Interest Rate \$'000	Non- interest Bearing \$'000		Up to 1 month \$'000	1-3 months \$'000	3 months to 1 year \$'000	1-5 years \$'000	More than 5 years \$'000
2015											
<u>Financial Assets</u>											
Cash and Cash Equivalents	-	10,302	-	-	10,302	10,302	10,302	-	-	-	-
Restricted cash and cash equivalents	-	14,995	-	-	14,995	14,995	14,265	-	730	-	-
Receivables ^(a)	-	228	-	-	228	228	228	-	-	-	-
Loans and Advances	-	583	-	-	583	583	-	291	292	-	-
Amounts receivable for services	-	743	-	-	743	743	-	-	-	743	-
		<u>26,851</u>		-	<u>26,851</u>	<u>26,851</u>	<u>24,795</u>	<u>291</u>	<u>1,022</u>	<u>743</u>	<u>-</u>
2015											
<u>Financial Liabilities</u>											
Payables	-	1,539	-	-	1,539	1,539	1,539	-	-	-	-
Bonds Repayable	-	104	-	-	104	104	-	-	-	-	104
Amounts due to the Treasurer	-	-	-	-	-	-	-	-	-	-	-
		<u>1,643</u>		-	<u>1,643</u>	<u>1,643</u>	<u>1,539</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>104</u>

^(a) The amount of receivables excludes the GST recoverable from the ATO (statutory receivable)

**Department of State Development
Notes to the Financial Statements
For the year ending 30 June 2016**

Note 34(c): Financial Instrument disclosures (continued)

Interest rate sensitivity analysis

The Department has no material interest rate exposure.

Fair Values

All financial assets and liabilities recognised in the Statement of Financial Position, whether they are carried at cost or fair value, are recognised at amounts that represent a reasonable approximation of fair value unless otherwise stated in the applicable notes. The loan to the Shire of Ashburton is non-interest bearing and has been discounted to net present value at balance date (see note 19 'Receivables')

Note 35: Related Bodies

The Department had no related bodies as defined in the Financial Management Act 2006 and Treasurer's Instruction 951.

Note 36: Affiliated Bodies

The Department had no affiliated bodies.

**Department of State Development
Notes to the Financial Statements
For the year ending 30 June 2016**

	2016 \$'000	2015 \$'000
Note 37: Special Purpose Accounts		
Special Purpose Account - section 16 (1) of the Financial Management Act 2006		
Special Projects Fund:		
The account was created to hold funds for the purpose of participating in significant projects with other countries, the Commonwealth and the private sector to the mutual benefit of the other participants and the State of Western Australia.		
This is a controlled fund and figures are incorporated into the Department's general Financial Statements.		
Balance at start of the period	628	628
<u>Add</u> receipts	-	-
<u>Less</u> payments	-	-
Balance at end of the period	<u>628</u>	<u>628</u>
Australia China Natural Gas Technology Partnership Trust Fund		
The account holds funds for the purpose of training Chinese managers from the natural gas industry in China, as well as joint Australia/China research programs. Training is conducted in both countries.		
Balance at start of the period	3,532	3,966
<u>Add</u> receipts		
Contribution from State Government	300	450
Contribution from Industry	848	1,050
Total Receipts	<u>1,148</u>	<u>1,500</u>
<u>Less</u> payments		
Salaries	289	191
Consultants	409	939
Accommodation	112	102
Grants - Training	334	501
Other Services - Training Related	849	-
Allowances	94	108
Other payments	146	93
Total Payments	<u>2,233</u>	<u>1,934</u>
Balance at end of the period	<u>2,447</u>	<u>3,532</u>

This is a controlled fund and figures are incorporated into the Department's general Financial Statements.

**Department of State Development
Notes to the Financial Statements
For the year ending 30 June 2016**

	2016 \$'000	2015 \$'000
Note 37: Special Purpose Accounts (continued)		
Ashburton North Social Infrastructure Fund (Onslow Community Development Fund - Controlled)		
The purpose of the special purpose account is to quarantine funds received and paid in respect to social infrastructure under the Ashburton North State Development Agreement (Wheatstone Project) in the township of Onslow.		
There shall be credited to the account such moneys as are received from Chevron Australia Pty Ltd and the State of Western Australia for the purposes of developing social infrastructure for the township of Onslow in terms of the agreement entered into between the State of Western Australia and Chevron Australia Pty Ltd.		
Moneys standing to the credit of the Account may be applied for the purpose of the fund as agreed between the parties, subject to the terms of the Ashburton North State Development Agreement (Wheatstone Project).		
The fund is separated into Controlled and Administered sections.		
Balance at start of the period	5,150	13,044
<u>Add</u> receipts		
Repayment of Loan from Shire of Ashburton	582	1,165
Total Receipts	582	1,165
<u>Less</u> payments		
Shire of Ashburton:-		
Project expenditures	1,819	9,059
Total Payments	1,819	9,059
Balance at end of the period	3,913	5,150

^(a) Loan discounting is not included in the Special Purpose Account statement as it is a non-cash transaction

This is a controlled fund and figures are incorporated into the Department's general Financial Statements.

**Department of State Development
Notes to the Financial Statements
For the year ending 30 June 2016**

	2016 \$'000	2015 \$'000
Note 37: Special Purpose Accounts (continued)		
Ashburton North Social Infrastructure Fund (Administered)		
The purpose of the special purpose account is to quarantine funds received and paid in respect to social infrastructure under the Ashburton North State Development Agreement (Wheatstone Project) in the township of Onslow.		
There shall be credited to the account such moneys as are received from Chevron Australia Pty Ltd and the State of Western Australia for the purposes of developing social infrastructure for the township of Onslow in terms of the agreement entered into between the State of Western Australia and Chevron Australia Pty Ltd.		
Moneys standing to the credit of the Account may be applied for the purpose of the fund as agreed between the parties, subject to the terms of the Ashburton North State Development Agreement (Wheatstone Project).		
Funds are generally received from Chevron Australia Pty Ltd and applied to the project within the same financial year.		
The fund is separated into Controlled and Administered sections.		
Balance at start of the period	44	(601)
<u>Add</u> receipts		
Chevron Australia Pty Ltd	5,607	421
Net GST Receipts (includes prior year balance)	(235)	563
	5,372	984
<u>Less</u> payments		
Shire of Ashburton	5,688	339
	5,688	339
Balance at end of the period ^(a)	(272)	44
This is an administered fund and is incorporated into the Department's administered Financial Statements which appear in notes 39-40.		
(a) The cash balance includes the cash flow impact of GST payments & receipts and movement in receivables and payables. All cash balances reflect the timing of GST and receivables and payables balances and do not indicate that the fund has overdrawn its account. The bank account will return to zero when all GST transactions have finalised. The GST Receivable at June 30 2016 was \$272,000.		

**Department of State Development
Notes to the Financial Statements
For the year ending 30 June 2016**

	2016 \$'000	2015 \$'000
Note 37: Special Purpose Accounts (continued)		
Ashburton North Critical Services Infrastructure Fund (Administered)		
The purpose of the special purpose account is to quarantine funds received and paid in respect to critical services infrastructure under the Ashburton North State Development Agreement (Wheatstone Project) in the township of Onslow.		
There shall be credited to the account such moneys as are received from Chevron Australia Pty Ltd and the State of Western Australia for the purposes of developing critical services infrastructure for the township of Onslow in terms of the agreement entered into between the State of Western Australia and Chevron Australia Pty Ltd.		
Moneys standing to the credit of the Account may be applied for the purpose of the fund as agreed between the parties, subject to the terms of the Ashburton North State Development Agreement (Wheatstone Project).		
Funds are generally received from Chevron Australia Pty Ltd and applied to the project within the same financial year.		
Balance at start of the period	(407)	-
<u>Add</u> receipts		
Chevron Australia Pty Ltd	27,556	12,412
	<u>27,556</u>	<u>12,412</u>
<u>Less</u> payments		
Shire of Ashburton	27,378	12,010
Net GST Receipts (includes prior year balance)	1,615	809
	<u>28,993</u>	<u>12,819</u>
Balance at end of the period ^(a)	<u>(1,844)</u>	<u>(407)</u>

This is an administered fund and is incorporated into the Department's administered Financial Statements which appear in notes 39-40.

(a) The cash balance includes the cash flow impact of GST payments & receipts and movement in receivables and payables. All cash balances reflect the timing of GST and receivables and payables balances and do not indicate that the fund has overdrawn its account. The bank account will return to zero when all GST transactions have finalised. The GST Receivable at June 30 2016 was \$1,844,000.

**Department of State Development
Notes to the Financial Statements
For the year ending 30 June 2016**

	2016 \$'000	2015 \$'000
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Note 37: Special Purpose Accounts (continued)

Onslow Macedon Social Infrastructure Fund - (Controlled)

The purpose of the special purpose account is to quarantine funds received and paid in respect to social infrastructure under the Macedon State Development Agreement (Domestic Gas) in the township of Onslow.

There shall be credited to the account such moneys as are received from the Macedon Joint Venturers - BHP Billiton Petroleum (Australia) Pty Ltd and Apache PVG Pty Ltd for the purposes of developing social infrastructure in and around the township of Onslow in terms of the agreement entered into between the State of Western Australia and the Macedon Joint Venturers.

Moneys standing to the credit of the Account may be applied for the purpose of the fund as agreed by the Onslow Macedon Social Infrastructure Working Group, subject to the terms of the Macedon State Development Agreement.

Balance at start of the period		4,955	5,000
<u>Add</u> receipts			
	Macedon Joint Venturers	-	-
		-	-
<u>Less</u> payments			
	Shire of Ashburton	3,005	45
		3,005	45
Balance at end of the period		1,950	4,955

This is a controlled fund and figures are incorporated into the Department's general Financial Statements.

**Department of State Development
Notes to the Financial Statements
For the year ending 30 June 2016**

	2016	2015
	\$'000	\$'000

Note 38: Supplementary financial information

(a) Losses Through Theft, Defaults and Other Causes

Losses of public moneys and public or other property through theft or default

Amount recovered

	-	-
--	---	---

	-	-
--	---	---

(b) Write Offs

During the financial year, Nil (2013: \$2) was written off the Department's asset register under the authority of:

The Accountable Authority

	-	-
--	---	---

The Minister

	-	-
--	---	---

Executive Council

	-	-
--	---	---

	-	-
--	---	---

(c) Gifts of Public Property

Gifts of public property provided by the Department

	-	-
--	---	---

**Department of State Development
Notes to the Financial Statements
For the year ending 30 June 2016**

Note 39: Disclosure of Administered Income and Expenses by Service ^(a)

	2016 \$'000	2015 \$'000
COST OF SERVICES		
<u>Expenses</u>		
Grants and subsidies - State Programs ^(b)	17,435	17,564
Grants and subsidies - Onslow Social and Critical Infrastructure ^(c)	32,985	13,010
Total administered expenses	<u>50,420</u>	<u>30,574</u>
INCOME AND APPROPRIATION		
Service Appropriation	<u>17,575</u>	<u>17,299</u>
Total Income from State Government	<u>17,575</u>	<u>17,299</u>
<u>Income</u>		
Income from external project proponents ^(d)	32,985	13,010
Other income (unwinding of discount on loan receivable)	189	189
Total administered revenue	<u>33,174</u>	<u>13,199</u>
Total Administered Income and Appropriation	<u>50,749</u>	<u>30,498</u>
Administered Surplus/(Deficit) for the year ^(e)	<u>329</u>	<u>(76)</u>

- (a) The Department provides a single service, "Industry Development and Investment Facilitation"
- (b) 2015-16 includes Burrup Seawater Pipeline Subsidy \$9.6 million (2014-15 \$9.4 million), Dampier Port Authority Bulk Liquids Berth Subsidy \$7.8 million (2014-15 \$8.2 million). \$0.14 million of the appropriation was not spent in 2015-16 and will be carried forward to be used against the 2016-17 subsidy payment.
- (c) Grants paid out from income received from Chevron Australia in respect to the Wheatstone critical and social infrastructure programs in respect to the township of Onslow.
- (d) Income received from Chevron Australia in respect to the Wheatstone critical and social infrastructure programs in respect to the township of Onslow.
- (e) Surplus for the year represents loan discount unwinding (non-cash transaction of \$0.189 million) and \$0.14 million appropriation not distributed as expense (see note (b), above).

**Department of State Development
Notes to the Financial Statements
For the year ending 30 June 2016**

Note 40: Administered assets and liabilities

	2016 \$'000	2015 \$'000
<u>Current Assets</u>		
Cash and cash equivalents	1,913	3,525
Receivables	-	178
GST Receivable	2,116	847
Total Administered Current Assets	4,029	4,550
<u>Non-Current Assets</u>		
Loan Receivable ^(a)	6,255	6,066
Total Administered Non-Current Assets	6,255	6,066
TOTAL ADMINISTERED ASSETS	10,284	10,616
<u>Current Liabilities</u>		
Accounts payable	-	661
Total Administered Current Liabilities	-	661
TOTAL ADMINISTERED LIABILITIES	-	661
NET ASSETS	10,284	9,955
<u>Equity</u>		
Contributed equity	18,222	18,222
Surplus/(deficit) for the period	329	(76)
Accumulated surplus/(deficit)	(8,267)	(8,191)
TOTAL EQUITY	10,284	9,955

^(a) This represents the discounted value of a non-interest bearing loan receivable from a company due in 2016 and renewable for five year terms until 2026. 2011-12 was the start of a new five year term and movement from 2014-15 to 2015-16 consists of discount unwinding only. Face value of the loan is \$6.35 million.

Administered Contingent Liabilities and Assets

There are no known administered contingent assets and liabilities.

**Department of State Development
Notes to the Financial Statements
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Note 41: Explanatory Statement - Administered Funds

	Variance Note	Estimate 2016 (a)	Actual 2016	Actual 2015	Variance between estimate and actual for 2016 and 2015		Variance Note	Estimate 2016 (a)	Actual 2016	Actual 2015	Variance between estimate and actual for 2016 and 2015	
Administered Income and Expense						Administered Assets and Liabilities						
COST OF SERVICES						Current Assets						
Expenses												
Loan Discounting		-	-	-	-			3,288	1,913	3,525	(1,375)	(1,612)
Grants and subsidies - State Programs	1	20,961	17,435	17,564	(3,526)			-	-	178	-	(178)
Grants and subsidies - Onslow Infrastructure	2	38,283	32,985	13,010	(5,298)			601	2,116	847	1,515	1,269
Total administered expenses		59,244	50,420	30,574	(8,824)			3,889	4,029	4,550	140	(521)
INCOME AND APPROPRIATION						Non-Current Assets						
Service Appropriation	1	20,961	17,575	17,299	(3,386)			6,336	6,255	6,066	(81)	189
Total Income from State Government		20,961	17,575	17,299	(3,386)			6,336	6,255	6,066	(81)	189
Income						TOTAL ADMINISTERED ASSETS						
Income from external project proponents	2	38,283	32,985	13,010	(5,298)			10,225	10,284	10,616	59	(332)
Unwinding of discount on loan receivable		234	189	189	(45)							
Total administered revenue		38,517	33,174	13,199	(5,343)							
Total Administered Income and Appropriation		59,478	50,749	30,498	(8,729)							
Administered Surplus/(Deficit) for the year		234	329	(76)	95							
						Liabilities						
						Current Liabilities						
						Total Administered Non-Current Assets						
						NET ASSETS						
						Equity						
						Contributed equity						
						Surplus/(deficit) for the period						
						Accumulated surplus/(deficit)						
						TOTAL EQUITY						

^(b) Where applicable, budget amounts have been reclassified to match financial statement classification.

Narratives for major variances

- Grants and Subsidies - State Programs and Service Appropriation.** The difference between estimate and 2015-16 actual is the annual Dampier Port subsidy budgeted at \$11,225,000 compared with actual subsidy of \$7,839,000.
- Grants and Subsidies and Income from External Proponents.** Grants relate to the Wheatstone project for social and critical infrastructure in the township of Onslow. The timing of project funds is dependent upon milestones being met prior to moving to the next stage of funding. The budget is based on the most up to date timing estimates available. Funding is deferred or brought forward regularly in line with the latest project timelines although the outlook for total expenditure over the life of the project, in terms of budget and actual expenditure, remains consistent with original project approvals. Projects for Onslow include electricity upgrades, waste water, housing and health services. The interaction of payments and milestones results in an expenditure profile that will not show a consistent pattern from year to year, although the outlook for total project expenditure, over the full life of the project, remains unchanged. Funds passing through the Department are externally funded, through the project proponent, resulting in receipts and expenditure remaining balanced in each year of the project. Consequently, all differences, budget to actual or current year to prior year, are timing differences only.
- GST Receivable.** GST receivable is dependent on outstanding transactions at year end. The Department has an irregular volume of administered transactions, and GST is wholly dependent on the timing of those transactions.

Department of State Development Certification of Key Performance Indicators

I hereby certify that the performance indicators are based on proper records, are relevant and appropriate for assisting users to assess the Department of State Development's performance and fairly represent the performance of the Department of State Development for the financial year ending 30 June 2016.



Rob Delane
Acting Director General

8 September 2016

Ministerial directives

Treasurer's instruction 903(12) required the department to disclose information on any Ministerial directives relevant to the setting and achievement of desired outcomes or operational objectives, investment activities and financing activities. There were no directives issued by the responsible Ministers in 2015-16.

Other financial disclosures

Capital projects

The department currently administers no capital projects.

Pricing policies

The department does not provide any goods and services for which fees are charged.

Governance disclosures

Contracts with senior officers

During 2015-16, other than normal contracts of employment or services, no senior officers or firms of which senior officers are members, or entities in which senior officers have substantial interest, had any interests in existing or proposed contracts with the department.

Other legal requirements

Advertising

Our department incurred the following expenditure in advertising, market research, polling, direct mail and media advertising (see table).

Type of spend	Amount (\$)
Advertising agencies	
Rare (Brand WA)	98,630*
303 MullenLowe Group (Brand WA)	19,950*
Block Branding (Brand WA)	20,000*
Key2Creative	1,820
Adcorp (recruitment)	806
Media advertising and promotion	
InFocus Media	30,000
Vanguard Press	5,515
PK Print	2,556
India trade promotion	4,108
Indonesia trade promotion	2,767
Market research	
Metrix Consulting (Brand WA)	47,766*
Direct mail	NIL
Total expenditure	233,918

* All Brand WA spending was funded through Royalties for Regions rather than general departmental expenditure.

Unauthorised use of credit cards

Officers of our department hold corporate credit cards where their functions warrant use of this facility. All cardholders are advised of their credit card use obligations when issued with their card. Five individual events of inadvertent personal use of the credit card occurred during 2015-16 and in each case repayment was made by the officer involved as soon as they were aware of the error. In all cases the error was worth \$50 or less.

The matters were not referred for disciplinary action as the Chief Finance Officer noted prompt advice and settlement of the personal use amount, and that the nature of the expenditure was immaterial and characteristic of an honest mistake.

2015-16	\$
Aggregate amount of personal use expenditure for the reporting period	145
Aggregate amount of personal use expenditure settled by the due date (within five working days)	86
Aggregate amount of personal use expenditure settled after the period (after five working days)	59
Aggregate amount of personal use expenditure outstanding at balance date	NIL

Compliance with public sector standards and ethical codes

Ethical standards

We are committed to fostering a culture of ethical behaviour and ensuring the highest standards of integrity and transparency in all interactions. We

actively discourage corrupt acts and deal promptly and fairly with instances of misconduct.

All new staff receive a comprehensive induction with a strong focus on our expectation of highly ethical behaviour, declaration of conflicts of interest and responsibility for reporting suspected unethical behaviours or actions.



Our departmental wellness program includes corporate challenge team sports. Pictured are members of our "Woody's Warriors" croquet team, with Director General Steve Wood (centre). Photo: DSD.

Departmental policies are available to all employees, including the code of conduct and conflict of interest policy. Staff are aware there is an obligation to disclose interests that could reasonably create a perception of bias, or an actual conflict of interest.

Trained peer support officers and grievance officers are appointed under our grievance resolution policy to support the resolution of interpersonal and grievance issues in the workplace.

Our employee development plans encourage open and honest discussion between managers and staff relating to our agency values, including integrity.

During 2015-16, we continued to review our human resources management policies and procedures to ensure they met legislative and governance responsibilities in regards to managing people.

In accordance with the *Public Interest Disclosure Act 2003*, have duly appointed public interest disclosure officers and have published and promoted internal policies and procedures related to our obligations.

During 2015-16 there were:

- No public interest disclosures
- No formal grievances
- No disciplinary matters
- No breach of standard claims.

Recordkeeping

We have completed a review of our recordkeeping plan and published the updated content.

We introduced an improved version of our document management system, OurDocs, in December 2015. All staff were trained to use the new system and apply information management principles and practices.

Inward mail is now scanned and distributed electronically resulting in improved delivery.

Freedom of information

Corporate Services manages the processes for the department under the *Freedom of Information Act 1992*. The department's Information Statement 2015-16 was updated during the year and made available online. The Information Statement describes the functions of the department, the nature of the information held by the department and the type of information which is made available to the public.

The department received three applications for access to information under the *Freedom of Information Act 1992*, all of which were non-personal. The average time taken to process

each application was 29 days. An application from the previous financial year is still the subject of external review.

Following on from a decision by the Information Commissioner on another external review matter, the department lodged an appeal with the Supreme Court (General Division) of Western Australia in May 2015. The appeal was upheld and the Commissioner's decision set aside with an order that the matter be remitted to the Commissioner for rehearing.

Government policy requirements

Substantive equality

Our department is committed to principles of substantive equality. Although we do not deliver services directly to Indigenous or minority groups in our community, we interact with indigenous people through consultation and forums, where community members are invited to give feedback on proposed and existing State projects.

Occupational Safety and Health

We report information on Occupational Safety and Health (OSH) in accordance with the Public Sector Commissioner's Circular 2012-01: Annual Reporting and the Annual Reporting Framework 2011-12; the Code of Practice: Occupational

Safety and Health in the Western Australian Public Sector, and in support of the Western Australian Government commitment to the goals of the National Occupational Health and Safety Strategy 2002-2012.

We are committed to developing a culture of safety awareness at all levels of the organisation. Our executive works to support the work of our managers, employees and other stakeholders in identifying and managing safety and health issues in the workplace. Our staff are encouraged to be proactive and identify and report hazards, as well as suggest improvements to practices and procedures. All OSH-related information is readily available to staff.

As required under the *Occupational Safety and Health Act 1984*, we have elected OSH representatives who perform a valuable role in hazard management and function as a mechanism for staff consultation on OSH. The formal consultative mechanism is the OSH Committee, with meetings held quarterly.

During 2015-16 four new OSH representatives were appointed. Our OSH representatives conducted regular workplace inspections to ensure our workplace remained free of hazards. Facilities management staff worked closely with OSH representatives and the safety coordinator to resolve OSH matters.

Our department's Safety Management Strategic Plan was established in 2012-13. A key initiative in the plan was to review the OSH training needs of managers and staff. All new staff are provided with an OSH induction by our department's OSH representatives.

This year our department's remote and isolated travel policy and procedures were fully revised, and in June first aid training was conducted to ensure we have a sufficient number of qualified first aid officers.

Occupational safety and health – statistics

Measure	Actual results		Results against target	
	2013-14 (1)	2015-16 (2)	Target	Comment on result
Number of fatalities	0	0	0	Achieved
Lost time injury and/or disease incidence rate	1.8%	0.6%	0 or 10% reduction (3)	Achieved
Lost time injury and/or disease severity rate	0%	0%	0 or 10% reduction (3)	Achieved
Percentage of injured workers returned to work: (i) Within 13 weeks (ii) Within 26 weeks	100% n/a	100% n/a	100% Greater than or equal to 80%	Achieved
Percentage of managers trained in occupational safety, health and injury management responsibilities	50%	50%	Greater than or equal to 80%	Not achieved

(1) The year is to be three years prior to the current reporting year, that is, current year is 2015-16 and comparison year is 2013-14, as the trend is over a period of three years.

(2) The current year, that is, 2015-16.

(3) The reduction may be calculated over three-year period.

Wellness program

Our department and Club 1AT, our social club, supported a variety of wellness activities during the year, providing the opportunity for ongoing employee participation to improve morale and related health benefits.

Through the wellness program, about 50 staff members were involved in corporate challenges for soccer, volleyball, croquet, petanque, lawn bowls and footy sixes in 2015-16. Department teams were the grand final winners in croquet, petanque and volleyball.

Our staff were also supported to participate in events like the HBF Run for a Reason, Ridiculous Obstacle Challenge and Freeway Bike Hike for Asthma, as well as regular after-hours and lunchtime activities such as on-site yoga, pilates and boxing classes.

All staff members had an opportunity to receive skin cancer screenings and flu vaccinations earlier this year.

Injury management

The department complies with the *Worker Compensation and Injury Management Act 1981* with a focus on officers being able to return safely to meaningful work following illness and injury. Our



Staff members are supported by a variety of wellness activities organised through our department, including on-site boxing classes. Photo: DSD.

policy outlines the steps to be taken to assist an officer impacted by these circumstances.

In 2015-16 no employees required assistance with return to work following injury or illness.

New employees receive ergonomic assessments to reduce the risk of overuse and postural injuries. Our department also offers free counselling to staff, partners and immediate family through an employee assistance provider.

Disability Access and Inclusion Plan outcomes

Our department is committed to ensuring that people with disability, their families and carers are able to fully access our services and facilities, and provide them with the same opportunities, rights and responsibilities that are enjoyed by all people in the community.

Our Disability Access and Inclusion Plan was reviewed in 2015-16 with the assistance of an internal working group. Outcomes for this financial year include:

- Ensuring the LNG 18 event was accessible for people with disability
- Ensuring adequate reserved parking to meet the needs of people with disability
- Replacing the rear door entrance to our department's building with a secure open door increasing accessibility for people with disability.

Appendices

Appendix 1: Legislation and changes to legislation

The department administers four Statutes and 65 State Agreement Acts on behalf of the Western Australian Government. As part of this responsibility, we also negotiate new State Agreements, Agreement Variations, Termination Agreements and repeals of State Agreement Acts as required.

This list outlines the Acts and Agreement Acts, by commodity, as at the end of 2015-2016, as well any amendments, terminations or new agreements completed over the course of the year.

Statutes administered by the department

- *Government Agreements Act 1979*
- *Kambalda Water and Wastewater Facilities (Transfer to Water Corporation) Act 2004*
- *Nuclear Activities Regulation Act 1978*
- *State Agreements Legislation Repeal Act 2013*

Agreement Acts administered by the department

Alumina

- *Alumina Refinery Agreement Act 1961*
- *Alumina Refinery Agreements (Alcoa) Amendment Act 1967*

- *Alumina Refinery (Mitchell Plateau) Agreement Act 1971* [Agreement terminated]
- *Alumina Refinery (Pinjarra) Agreement Act 1969*
- *Alumina Refinery (Wagerup) Agreement and Acts Amendment Act 1978*
- *Alumina Refinery (Worsley) Agreement Act 1973*

Coal

- *Collie Coal (Griffin) Agreement Act 1979*
- *Collie Coal (Western Collieries) Agreement Act 1979*

Copper

- *Western Mining Corporation Limited (Throssell Range) Agreement Act 1985*

Diamonds

- *Diamond (Argyle Diamond Mines Joint Venture) Agreement Act 1981*

Energy

- *Ord River Hydro Energy Project Agreement Act 1994*
- *Pilbara Energy Project Agreement Act 1994* [Agreement terminated]

Forest products

- *Albany Hardwood Plantation Agreement Act 1993*
- *Bunbury Treefarm Project Agreement Act 1995*
- *Collie Hardwood Plantation Agreement Act 1995*
- *Dardanup Pine Log Sawmill Agreement Act 1992*

- *Paper Mill Agreement Act 1960* [Agreement expired]
- *Wood Processing (WESFI) Agreement Act 2000*
- *Wood Processing (Wesbeam) Agreement Act 2002*

Gas

- *Barrow Island Act 2003* (which incorporates the Gorgon Gas Processing and Infrastructure Project Agreement)
- *Goldfields Gas Pipeline Agreement Act 1994*
- *Natural Gas (Canning Basin Joint Venture) Agreement Act 2013*
- *North West Gas Development (Woodside) Agreement Act 1979*

Gold

- *Tailings Treatment (Kalgoorlie) Agreement Act 1988* [Agreement expired]

Iron ore and steel

- *BHP Billiton (Termination of Agreements) Agreement Act 2006*
- *Iron Ore (Channar Joint Venture) Agreement Act 1987*
- *Iron Ore (FMG Chichester Pty Ltd) Agreement Act 2006*
- *Iron Ore (Goldsworthy-Nimingarra) Agreement Act 1972*
- *Iron Ore (Hamersley Range) Agreement Act 1963*
- *Iron Ore (Hope Downs) Agreement Act 1992*
- *Iron Ore (Marillana Creek) Agreement Act 1991*

- *Iron Ore (McCamey's Monster) Agreement Authorization Act 1972*
- *Iron Ore (Mount Bruce) Agreement Act 1972*
- *Iron Ore (Mount Goldsworthy) Agreement Act 1964*
- *Iron Ore (Mount Newman) Agreement Act 1964*
- *Iron Ore (Murchison) Agreement Authorization Act 1973*
- *Iron Ore (Rhodes Ridge) Agreement Authorisation Act 1972*
- *Iron Ore (Robe River) Agreement Act 1964*
- *Iron Ore (Wittenoom) Agreement Act 1972*
- *Iron Ore (Yandicoogina) Agreement Act 1996*
- *Iron Ore Agreements Legislation (Amendment, Termination and Repeals) Act 2011*
- *Iron Ore Processing (Mineralogy Pty Ltd) Agreement Act 2002*

Mineral sands

- *Mineral Sands (Beenup) Agreement Act 1995*
- *Mineral Sands (Cooljarloo) Mining and Processing Agreement Act 1988*
- *Mineral Sands (Eneabba) Agreement Act 1975*

Miscellaneous

- *Cement Works (Cockburn Cement Limited) Agreement Act 1971*
- *Industrial Lands (CSBP & Farmers Limited) Agreement Act 1976*
- *Industrial Lands (Kwinana) Agreement Act 1964*

- *Pigment Factory (Australind) Agreement Act 1986*
- *Railway (Roy Hill Infrastructure Pty Ltd) Agreement Act 2010*
- *Railway and Port (The Pilbara Infrastructure Pty Ltd) Agreement Act 2004*
- *Silicon (Kemerton) Agreement Act 1987*
- *Texas Company (Australasia) Limited (Private) Act 1928*
- *Wundowie Charcoal Iron Industry Sale Agreement Act 1974*

Nickel

- *Nickel (Agnew) Agreement Act 1974*
- *Nickel Refinery (BHP Billiton Nickel West Pty Ltd) (Termination of Agreements) Agreement Act 2008*
- *Poseidon Nickel Agreement Act 1971*

Oil

- *Oil Refinery (Kwinana) Agreement Act 1952*
- *The Commonwealth Oil Refineries, Limited (Private), Act, 1940*

Salt

- *Dampier Solar Salt Industry Agreement Act 1967*
- *Evaporites (Lake MacLeod) Agreement Act 1967*
- *Leslie Solar Salt Industry Agreement Act 1966*
- *Onslow Solar Salt Agreement Act 1992*
- *Shark Bay Solar Salt Industry Agreement Act 1983*

Uranium

- *Uranium (Yeelirrie) Agreement Act 1978*

Agreements terminated/expired in 2015-16

- *Alumina Refinery (Mitchell Plateau) Agreement 1971* [Terminated November 2015]

New Agreement Acts ratified in 2015-16

Nil

New Statutes in 2015-16

Nil

Agreement Variations in 2015-16

- *Cement Works (Cockburn Cement Limited) Agreement Act 1971* [November 2015]
- *Natural Gas (Canning Basin Joint Venture) Agreement Act 2013* [February 2016]

Agreement Acts repealed in 2015-16

Nil

Appendix 2: Key staff

Office of the Director General

Stephen Wood

Director General

Strategic Policy

Nicky Cusworth

Deputy Director General

Amy Lomas

Director, State Development Policy

Resources and Industry Development

Brett Sadler

A/Deputy Director General

Milka Klobucar

Executive Director, Project Facilitation

Chris Clark

Executive Director, Strategic Infrastructure

Gary Simmons

Executive Director, Strategic Projects

Stuart Crockett

Director, International Trade and Investment

State Initiatives

Joe Ostojich

Deputy Director General

Jenness Gardner

Executive Director, Project Development and Approvals

Christine Ginbey

Director, Strategic Industrial Lands

Agribusiness Expansion

Rob Delane

Special Adviser, Agribusiness Expansion

Tim Fraser

Executive Director, Agribusiness and Infrastructure

Corporate Services

Steve Melville

Director, Corporate Services

Legal and Commercial Strategy

Pamela Hass

Principal Counsel

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