



Government of **Western Australia**  
Department of **Regional Development**

# FINAL REPORT 2017



# *Regional Development Strategy 2016–2025*

Regional development builds vibrant regions with strong economies through **jobs growth, economic growth** and **capable people**.

Cover: Mildred Ward, Operator on the Ord-East  
Kimberley Expansion Project

Inside cover: Kimberley

# Contents

Statement of compliance .....	2	<b>Significant issues impacting the agency .....</b>	<b>21</b>
<b>Overview of the agency .....</b>	<b>3</b>	Current and emerging issues .....	22
Executive summary .....	4	<b>Disclosures and legal compliance .....</b>	<b>23</b>
Operational structure .....	5	Auditor General .....	24
Performance management framework.....	13	Financial statements .....	28
<b>Agency performance.....</b>	<b>15</b>	Notes to the financial statements.....	36
Report on operations .....	16	Certification of key performance indicators.....	83
Financial summary.....	18	Performance management framework.....	83
		Ministerial directives .....	88
		Other financial disclosures .....	88
		Governance disclosures.....	89
		Other legal requirements .....	91
		Government policy requirements.....	94

# Statement of compliance

For the year ended 30 June 2017

## **Hon Alannah MacTiernan MLC**

Minister for Regional Development

In accordance with section 63 of the *Financial Management Act 2006*, I hereby submit for your information and presentation to Parliament, the Final Report of the Department of Regional Development for the financial year ended 30 June 2017.

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



## **Ralph Addis**

Director General

Department of Regional Development

1 September 2017

1

# Overview of the agency

# Executive summary



## Message from the Director General

Regional development is a key component of the State's economic development agenda. The Department of Regional Development is part of the State Government's coordinated and focused regional development effort to establish the socio-economic foundations for future generations of Western Australians.

During 2016–17 the Department has undergone a major reform and organisational restructure to realign the collective efforts of all entities in the Regional Development Portfolio, including the nine Regional Development Commissions, the Regional Development Council and the Western Australian Regional Development Trust. The *Regional Development Strategy 2016–2025* outlines our plan to build on the potential of the regions for the benefit of all Western Australians. As a collective, the Regional Development Portfolio works collaboratively across government, the private sector and the community to deliver programs and initiatives that have resulted in significant social and economic benefits for regional Western Australia.

Throughout 2016–17 the Department has made significant achievements in maturing Royalties for Regions into a more strategic and impactful program for delivering jobs and economic development outcomes.

With the change of Government and Cabinet Ministry, and the announcement of public sector agency amalgamations from 1 July 2017, the Department is now working towards our future state as part of the Department of Primary Industries and Regional Development. This will present opportunities that I know will be embraced by our staff to continue work to deliver jobs, economic growth and capability in regional communities.

Our achievements this financial year would not have been possible without the hard work and dedication of the Department's employees. I would like to take this opportunity to thank all Department employees and acknowledge our partner agencies for their contribution and dedication to regional development in Western Australia.

A handwritten signature in black ink, appearing to read 'R. Addis'. The signature is fluid and cursive, with a long horizontal stroke extending to the right.

**Ralph Addis**

Director General

Department of Regional Development

1 September 2017

# Operational structure

Since 17 October 2016 the Department of Regional Development has operated with the following divisions:

## Portfolio Support and Development

The Portfolio Support and Development division leads transformational change across the Portfolio by developing and integrating people, systems, processes and culture. The division leads Portfolio transformation through effective and integrated implementation of corporate strategies, plans, policy and services that serve to unite and strengthen the Portfolio and its value to regional development.

With carriage of the transformational change process, this division is responsible for the creation of a shared culture across the Portfolio where the Portfolio works more effectively and efficiently to achieve desired regional development outcomes.

The Deputy Director General takes on the responsibilities of a Chief Operating Officer. This is a critical leadership role that will deputise for the Director General and be a key strategic advisor for the Department and Portfolio.

This support provides the Director General with more capacity to perform a significant Portfolio leadership role, with a focus on managing key external relationships.

The Deputy Director General takes a lead role in the budget planning and management of the Royalties for Regions Fund with a particular focus on the State Government's annual and mid-year Budget process.

The division is responsible for:

- Contributing to the Department's and Portfolio's strategic planning and setting of future business directions, identifying new areas where the Department can show leadership and improve performance through the provision of high-quality advice and services.
- Providing high-performance, cross-Portfolio support services to enable effective Portfolio operations, including human resources, finance, strategic procurement and information technology.
- Supporting the transformation of the Portfolio by identifying and developing frameworks and approaches that promote a culture of innovation, improvement and high performance through the integration of people, systems and processes across the Portfolio.
- Improving efficiency and effectiveness in the public sector by identifying further opportunities for Portfolio members to leverage the benefits of whole of Portfolio knowledge and services such as digital strategy, information systems and human resources.

- Leading the Royalties for Regions budget management and reporting for the Department including establishing and maintaining productive relationships with internal and external stakeholders.
- Leading the integration of the Reform Program Management Office into the Department's structure and implementing a project methodology across the Portfolio. This will inform a more sophisticated approach to managing strategic programs required to roll out more ambitious state-wide regional policy agendas.
- Translating strategic business objectives into strategic communication plans and programs that employ the full spectrum of contemporary communication tactics.
- Overseeing Service Level Agreements and their associated performance measures, standards and service level requirements including human resources, finance and information technology.

## Strategy and Evaluation

The Strategy and Evaluation division's key goal is to ensure that regional development policy is effective at addressing the challenges and opportunities in regional Western Australia. The division does this by leading the Portfolio-wide development of Government policy and advice at State and Commonwealth levels, together with its Portfolio partners.

The division comprises of three branches, Evaluation, Research and Direction Setting and Policy and Strategy. The Evaluation branch is responsible for implementing an effective evaluation approach across the Regional Development Portfolio to inform future decision making with respect to the most efficient and effective use of Government funds to meet regional development outcomes.

The Research and Direction Setting branch is responsible for the provision of data collection, research and analysis, including forecasting, policy analysis and primary research. The work done by the branch provides essential information to ensure effective links between policy development, program implementation and long term outcomes. The Policy and Strategy branch is responsible for leading the development and coordination of the Western Australian regional development policy, at both the State and Commonwealth levels. The team works to ensure the best policy outcomes for regional Western Australia.

This division is responsible for:

- Leading the development of policy and planning capabilities that support economic and regional development outcomes across Western Australia.
- Providing leadership in the Portfolio's collaborative efforts to bring together the best of regional development thinking, research and impact assessment.
- Providing leadership in the development of state-wide responses to State and Commonwealth regional development policy and strategic directions.
- Leading the research, review, evaluation and development of strategic policy and planning for the Department and Portfolio by providing policy advice to the Director General, Commission Chief Executive Officers, relevant boards and committees and the Minister.
- Overseeing an evaluation framework that establishes an approach to assessing and understanding the impact and value achieved through Portfolio activities and investment.

## Business Development

The Business Development division is pivotal to ensuring the high-impact regional development concepts are directed into the Regional Development Portfolio's investment pipeline. This division is responsible for developing investment opportunities that deliver our strategic programs and priorities to maximise value for money and regional development outcomes across Western Australia.

Working collaboratively across the Regional Development Portfolio, the division undertakes prioritisation and coordination of major cross-sectoral strategic programs and projects including concept generation, feasibility and business case development, as well as the unification of business development processes across the Portfolio. The division also plays a key role in attracting, acquiring and facilitating investment to achieve financial, economic and social returns.

The division is responsible for:

- Providing strategic, business development leadership across Portfolio to deliver the greatest outcomes from regional development effort and investment.
- Developing the talent, methods, partnerships and discipline required to build a strong pipeline of high-impact, high-quality initiatives that drive a long-term, value-investing approach to the Royalties for Regions program.

- Supporting a disciplined and adaptive approach to the delivery of strategic programs to ensure maximum impact is achieved with acceptable risk.
- Managing the development and delivery of major regional business development projects and strategic investment programs to meet planned scope, time and budget parameters and ensure best practice assurance frameworks are implemented.
- Reviewing regional and economic development projects and related strategic investment programs to identify gaps or areas for future opportunities and improvements.
- Providing strategic input into policy and strategy directions to support increased regional business development and investment to grow and attract business for the economic and social benefits of regional communities and the State.

## Investment Management

The Investment Management division provides the Regional Development Portfolio with a centralised, consistent and disciplined approach to investment management, decision support and reporting. The division performs a critical role in supporting due diligence assessment of projects through their life-cycle using structured processes and ensures governance arrangements are aligned with the Portfolio's objectives.

A key responsibility is to ensure governance and accountability requirements are in place through the negotiation, establishment and monitoring of contracts and agreements.

The division also delivers other core programs developed by the Portfolio as part of its ongoing regional development effort. These include programs such as the Community Resource Centre Network, Westlink, the Rural, Remote and Regional Women's Network of Western Australia and the WA Rural Women's Award program.

The division is responsible for:

- Leading the development of systems, processes and policies to support the delivery of Royalties for Regions investment decisions.

- Providing a best-practice decision support service to enable robust and objective investment decisions, including developing approaches that evaluate the quality of business case rationales.
- Leading the development, negotiation and management of complex and high-value partnerships, agreements and contracts.
- Providing leadership in aligning investment initiatives with strategic objectives and priorities.
- Working across the Department and Portfolio to ensure appropriate management of the whole-of-fund requirements, which includes alignment with Royalties for Regions financial management, accountability and reporting functions.
- Working with the Strategy and Evaluation division to ensure appropriate accountability requirements and measures are incorporated within contracts and agreements.

## Regional Services Reform Unit

The Regional Services Reform Unit is driving reform that aims to bring about long-term, systemic change to improve the lives of Aboriginal people in regional and remote Western Australia. Major reforms to the delivery of housing, education, employment and human services were outlined in a roadmap, which was released in July 2016.

Regional services reform is focused on three main areas:

- Improved living conditions that enable families to prosper and don't hold them back.
- Supporting families to build their skills, and overcome any barriers to doing so, through improved service redesign and delivery.
- Education, employment and housing opportunities, and support for families to take them up.

Strong collaboration between State, Commonwealth and local governments, service providers and Aboriginal people underpins regional services reform and is essential for significant, long-term change. Aboriginal families and communities are integral to the success of regional services reform. The interests and priorities of Aboriginal people have been represented by Aboriginal advisors on regional groups in the Pilbara and Kimberley set up to guide the work of the reform. District leadership groups are implementing change at a local level.

After an initial focus on the Pilbara and Kimberley, regional services reform expanded into the Goldfields in early 2017.

The Regional Services Reform Unit receives funding from State Government service delivery agencies and the Royalties for Regions program.

## Office of the Director General

The Office of the Director General is the primary point of liaison between the Department and the Minister's Office. It provides strategic advice and executive support to the Director General and ensures an effective interface between the Department and the Minister's Office. The Office plays an important role in coordination, quality control, timeliness and stakeholder management across the Department and Portfolio.

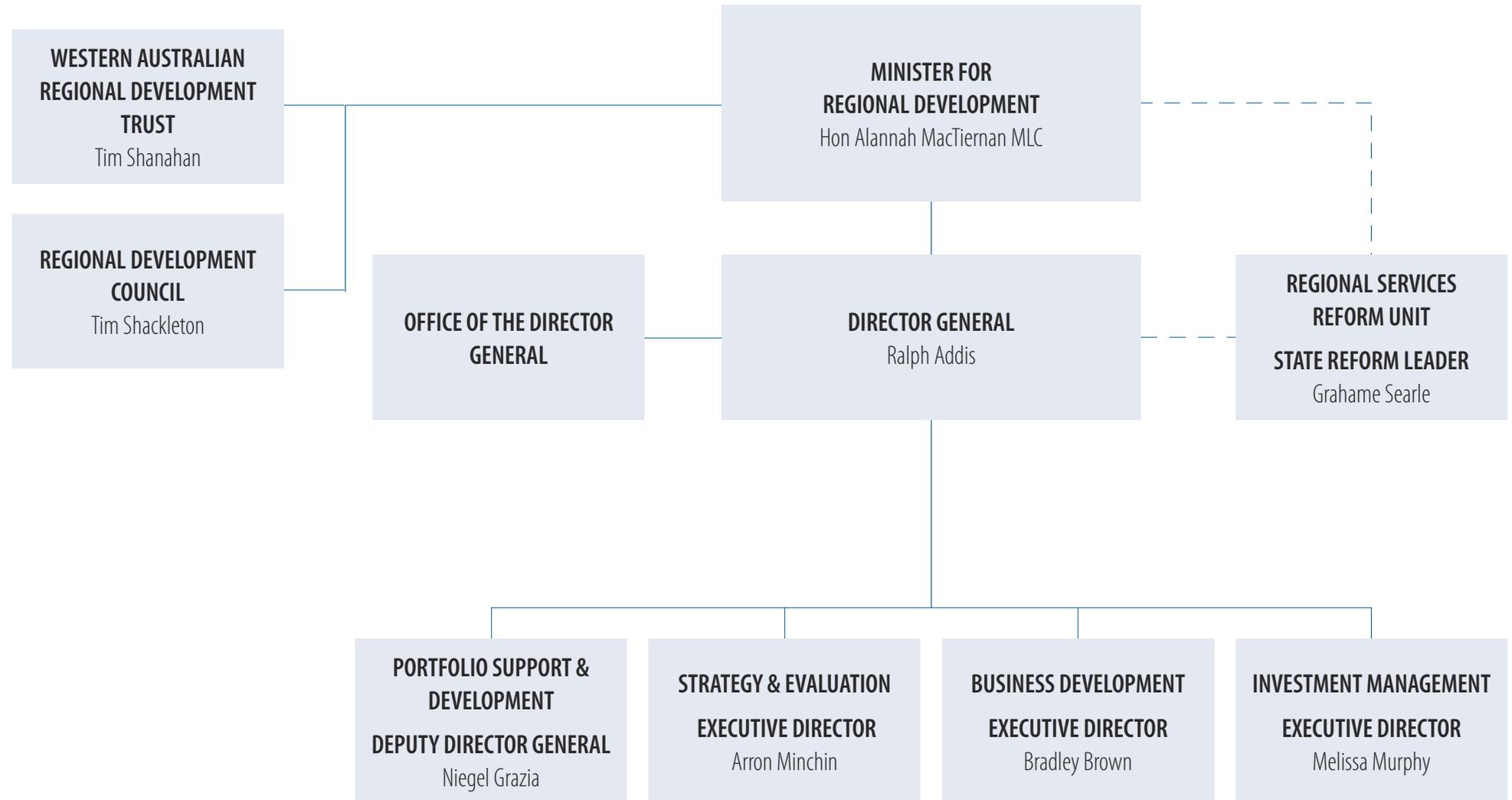
The Office consists of the following business areas:

- Ministerial Services.
- Media and Ministerial Communications.
- Internal Audit.

# Organisational structure

## Organisational chart

As at 30 June 2017



# Senior officers

## Ralph Addis

Director General

Ralph Addis was appointed Director General of the Department in November 2014. Prior to this Ralph held a range of commercial, not-for-profit, State Government and local government board positions.

Specialising in regional and Aboriginal development, Ralph has a depth of experience in strategy, organisation development and community engagement and has contributed significantly to emerging reform agendas for welfare, housing and governance in the Kimberley. Ralph was founding Chief Executive Officer of the Wunan Foundation, an Aboriginal development corporation established in the East Kimberley in 1997.

He chairs the Regional Development Council, has previously chaired the Kimberley Development Commission and has held roles with the Western Australian Regional Development Trust and Warmun Community.

Ralph is a Chartered Accountant, holds a Master of Economic Studies and is a graduate member of the Australian Institute of Company Directors.

## Niegel Grazia

Deputy Director General

Niegel Grazia was appointed Deputy Director General of the Department in September 2016.

His contribution is informed by experiences working with communities, NGOs, the media and governments on remote and complex development projects both in Australia and overseas.

Niegel worked in the oil and gas industry for 21 years, including in senior corporate and project based roles and five years as the Australian Petroleum Production and Exploration Association's representative in Western Australia. He has led the Corporate Affairs function in an ASX top 20 company and has undertaken residential postings in Western Australia's Pilbara and Kimberley regions.

Prior appointments include roles with the Kimberley Development Commission, the Department of the Premier and Cabinet and other agencies within the Western Australian Public Service. This included seven years on the staff of Western Australian Government Ministers across the local government, mines, energy and emergency services portfolios and various board level appointments.

Niegel holds a Bachelor of Business from Curtin University and has demonstrated leadership, communication, advocacy, strategic thinking and problem solving skills.

## Arron Minchin

Executive Director

Strategy and Evaluation

Arron Minchin joined the Department in September 2016 to take on the newly created position of Executive Director, Strategy and Evaluation. Arron has 20 years of experience working in the regional environment across a range of different areas including State Government, private industry and local government. This has provided Arron with a strong insight into the issues and opportunities that exist in regional Western Australia.

Arron's previous role was with the Department of Sport and Recreation where he held the position of Director of Industry Development and Participation and drove a focus on building the capacity and sustainability of state sporting associations, by helping more people access sport and recreation opportunities. Prior to this he spent six years working with BHP Billiton Iron Ore as the Manager of Community and as a Business Improvement Specialist. During this time he worked on a number of key projects that required a partnership approach to deliver value and efficiencies, as well as improving business processes and measuring results.

## **Bradley Brown**

Executive Director

Business Development

---

Brad Brown was appointed Executive Director of Business Development with the Department in September 2016. With a background in economic development, Brad has held a number of senior positions in both the public and private sectors.

Prior to joining the Department, Brad worked in the construction, professional services and government sectors in the areas of transportation, mining, power, oil and gas and economic advisory. He has a wealth of expertise in developing and implementing strategic solutions and commercial and governance frameworks to maximise organisational and project outcomes.

Starting his career in the Commonwealth Treasury he is well versed in reform agendas that focus on establishing the right enabling environment for sustainable economic growth and job creation. His development experience includes post-conflict reconstruction and job creation works in the Solomon Islands as part of the regional assistance mission.

Originally from Perth, Brad has spent much of his professional career working across the Asia-Pacific region. He now looks to bring the experience garnered back to his home state.

## **Melissa Murphy**

Executive Director

Investment Management

---

Melissa Murphy joined the Department in the role of Acting Executive Director of Policy in July 2015 before acting as the Executive Director of Corporate and External Services from January 2016. Melissa was appointed to the position Executive Director Investment Management in September 2016.

Prior to joining the Department, Melissa was Director of Integrated Transport Planning (Freight) at the Department of Transport. She has a strong strategic planning and development background, mainly within the infrastructure area, as well as multi-modal freight transport and logistics strategy and policy formulation.

Prior to a five year occupancy of her role at Department of Transport, Melissa worked with Austrade where she gained international trade and inward investment experience. Melissa also has extensive private sector experience and has been involved in the management of supply chain restructuring for major commodities, including in regional Western Australia.

Coming from the small state of Tasmania, Melissa has a strong interest in regional development and wants to see Western Australia reach its potential.

## **Grahame Searle**

State Reform Leader

Regional Services Reform Unit

---

Grahame Searle was appointed to lead the State Government's regional services reform in June 2015 with a mandate to transform the way government services are provided to Aboriginal communities in Western Australia.

Grahame successfully drove major organisational change in his former roles as Department of Housing Director General (2008–2015) and Landgate Chief Executive Officer (2004–2008).

At the Department of Housing, he led the nation in fulfilling targets set under the National Partnership Agreement on Remote Indigenous Housing, exceeding Indigenous employment targets for five consecutive years.

As State Reform Leader, Grahame is overseeing sweeping, systemic and long-term changes that will lead to better living conditions and greater education and employment opportunities for Aboriginal people in regional and remote Western Australia.

He is a national fellow and former State President of the Institute of Public Administration Australia and a board member of the WA Treasury Corporation and Leadership WA.

# Legislation

## Enabling Legislation

The Department of Regional Development was established on 1 July 2013 under the *Public Sector Management Act 1994*.

## Responsible Minister

Hon Alannah MacTiernan MLC, Minister for Regional Development.

## Administered legislation

The Minister for Regional Development administers the following Acts, which are managed by the Department of Regional Development:

- *Royalties for Regions Act 2009*
- *Regional Development Commissions Act 1993*.

## Other key legislation impacting on the Department's activities

In the performance of its functions, the Department of Regional Development complies with the following relevant written laws:

- *A New Tax System (Goods and Services Tax) Act 1999 (Commonwealth)*
- *Auditor General Act 2006*
- *Corruption and Crime Commission Act 2003*
- *Disability Services Act 1993*
- *Equal Opportunity Act 1984*
- *Financial Management Act 2006*
- *Freedom of Information Act 1992*
- *Industrial Relations Act 1979*
- *Minimum Conditions of Employment Act 1993*
- *Occupational Safety and Health Act 1984*
- *Public Sector Management Act 1994*
- *Salaries and Allowances Act 1975*
- *State Records Act 2000*
- *State Supply Commission Act 1991*
- *Workers Compensation and Injury Management Act 1981*.

# Performance management framework

## Outcome based management framework

The Department was established on 1 July 2013 and the following outcome based management framework was approved by the Department of Treasury in June 2014.

<b>Desired outcome:</b> Increased capacity of regional communities to develop economic growth and social wellbeing.	
<b>Key effectiveness indicator:</b> Client satisfaction with regional development services.	
<b>Service one:</b> Regional Investment	<b>Key efficiency indicators:</b> <ol style="list-style-type: none"><li>1. Average cost per funded initiative administered.</li><li>2. Average internal cost per satellite site supported.</li></ol>
<b>Service two:</b> Regional Policy	<b>Key efficiency indicators:</b> <ol style="list-style-type: none"><li>1. Average cost per item of written advice requiring Minister's attention.</li></ol>

## Government goal

Greater focus on service delivery, infrastructure investment and economic development to improve the overall quality of life in remote and regional areas.

## Changes to outcome based management framework

The Department's outcome based management framework did not change during 2016–17.

# Shared responsibilities with other agencies

The Department works closely with a large number of government and non-government agencies to deliver programs and services.

The Department supports the State Government's desired outcome of a greater focus on service delivery, infrastructure investment and economic development to improve the overall quality of life in remote and regional areas.

The Department also works in partnership with a range of independent authorities to maximise the overall benefits and impact of Regional Development Portfolio effort, including:

## Regional Development Commissions

The Department values the strong working relationships with each of the State's nine Regional Development Commissions and is committed to developing an integrated portfolio approach to shaping and driving the regional development agenda.

- Gascoyne Development Commission
- Goldfields–Esperance Development Commission
- Great Southern Development Commission
- Kimberley Development Commission
- Mid West Development Commission
- Peel Development Commission
- Pilbara Development Commission
- South West Development Commission
- Wheatbelt Development Commission

## The Western Australian Regional Development Trust

The Western Australian Regional Development Trust (Trust) is an independent statutory advisory body established under Part 3 section 11 of the *Royalties for Regions Act 2009* that provides advice on the Royalties for Regions Fund to the Minister for Regional Development.

The Trust plays an important role in providing independent and impartial advice and recommendations on the management and allocation of Royalties for Regions funds.

This may include advice on the performance of the Department with respect to Royalties for Regions administration.

The Trust is supported by a dedicated Secretariat within the Department's Portfolio Support and Development division and also draws on the capability of the Department to assist with its deliberations.

## The Regional Development Council

The Regional Development Council (Council) is established under Part 4 section 33 of the *Regional Development Commissions Act 1993* as an advisory body to the Minister for Regional Development on all regional development issues. The Council comprises the chairpersons of the nine Regional Development Commissions.

The Council is supported by a dedicated Secretariat within the Department's Portfolio Support and Development division and also draws on the capability of the Department's staff to assist with its deliberations.

.....  
**2**  
.....

**Agency  
performance**

# Report on operations

## Royalties for Regions investment

Decisions on Royalties for Regions investment are guided by the approach outlined in the *Regional Development Strategy 2016–2025*:

- To invest in major programs that deliver on our strategic priorities to maximise value for money and regional development outcomes.
- To support locally driven social and economic innovation.
- To continue to support existing commitments that address service access challenges.
- To maintain the capacity to respond to opportunity and unforeseen priorities.

Royalties for Regions operates under three funds that were originally established under the *Royalties for Regions Act 2009*:

### The Country Local Government Fund

An amount of \$7.7 million was disbursed through the Country Local Government Fund (CLGF) in 2016–17 to support country local governments build and maintain their community infrastructure.

The CLGF supports local governments in the nine regions defined in the *Regional Development Commissions Act 1993*.

### The Regional Community Services Fund

In 2016–17, \$274.4 million was disbursed to invest, through programs such as the Community Chest Fund and Regional Grants Scheme, in priority services to enhance the quality of life for residents in regional areas, and improve access to government services and infrastructure. The Regional Community Services Fund aims to support investment in regional Western Australia and help leverage investment from other sources for projects that will contribute to the development of services in regional areas.

### The Regional Infrastructure and Headworks Fund

In 2016–17, \$350.7 million was disbursed to support large-scale, strategic regional infrastructure and headworks projects acknowledged as being of strategic importance to Western Australia.

The Regional Infrastructure and Headworks Fund invests in regional Western Australia and helps attract additional funding from other sources for projects that will contribute to the development of regional infrastructure and headworks. It also supports planning for infrastructure at a regional level and encourages communities to develop infrastructure projects that benefit local organisations and communities.

### Royalties for Regions funded projects

In 2016–17, Royalties for Regions provided a total of \$678.8 million towards 192 new and continuing initiatives and administration of the program.

The following provides a breakdown of all projects for the reported period, according to category:

- Agriculture and Environment – 37 projects with a total value of \$87.7 million.
- Community, Culture and Arts – 32 projects with a total value of \$90.4 million.
- Economic Development – 47 projects with a total value of \$129.7 million.
- Education and Training – 16 projects with a total value of \$27 million.
- Health and Aged Care – 12 projects with a total value of \$84.3 million.
- Housing – 11 projects with a total value of \$89.8 million.
- Sport and Recreation – 6 projects with a total value of \$12.9 million.
- Tourism – 12 projects with a total value of \$42.3 million.
- Transport – 11 projects with a total value of \$60.9 million.
- Utilities, Power, Water and Communications – 8 projects with a total value of \$53.8 million.

## Regional Services Reform Unit

During 2016–17, the Regional Services Reform Unit continued its work to address the significant and historic gap between the life outcomes of Aboriginal and non-Aboriginal Western Australians in regional and remote areas.

Led by State Reform Leader Grahame Searle, the Reform Unit's focus this past year was primarily on the Kimberley and Pilbara, but expanded into the Goldfields in early 2017.

July 2016 saw the launch of *Resilient Families, Strong Communities: A roadmap for regional and remote Aboriginal communities*. It outlined major reforms to the delivery of housing, education, employment and human services for Aboriginal people living in regional and remote Western Australia.

Close engagement with Aboriginal people continued throughout the year with the Reform Unit visiting nearly all of the 274 remote communities that have permanent residents. Remote living, economic viability, service delivery, and cultural and community governance were key topics discussed during our consultations. A report on these engagements will be finalised early in the 2017–18 financial year.

Over the course of the year, the Reform Unit, in partnership with Aboriginal people, made progress on a number of the roadmap's key initiatives – all of which are focused on creating long-term systemic change:

- \$200 million North-West Aboriginal Housing Fund to increase housing choices and support services for Aboriginal families in the North West over five years.
- \$52 million Essential and Municipal Services Upgrade Program, which is the first three years of a long-term program to improve living conditions in remote Aboriginal communities, starting with 10 priority communities in the Kimberley and Pilbara.
- \$25 million Kimberley Schools Project, a three-year project to customise, intensify and better support existing strategies to accelerate Aboriginal student progress in opt-in Kimberley schools through a Broome-based support team.
- \$20 million Pilbara town-based reserves initiative to enable residents of those reserves to receive the same services and opportunities, and be subject to the same payment responsibilities, as residents in nearby towns.



# Financial summary

## Actual results versus budget targets

Financial targets	2016–17 Target <sup>(1)</sup> \$000	2016–17 Actual \$000	Variation <sup>(2)</sup> \$000
Total Cost of Services (expense limit) (sourced from Statement of Comprehensive Income)	90,304	83,171	(7,133) <sup>(a)</sup>
Net Cost of Services (sourced from Statement of Comprehensive Income)	86,895	80,326	(6,569) <sup>(b)</sup>
Total Equity (sourced from Statement of Financial Position)	40,542	69,530	28,988 <sup>(c)</sup>
Net increase / (decrease) in cash held (sourced from Statement of Cash Flows)	(9,621)	11,822	21,433 <sup>(d)</sup>
Approved salary expense level	17,803	19,403	1,600 <sup>(e)</sup>

<sup>(1)</sup> As specified in the Budget Statements.

<sup>(2)</sup> Further explanations are contained in Note 37 'Explanatory statement' to the financial statements

<sup>(a)</sup> The decrease in the 2016-17 actual Total Cost of Services (\$7.1 million) as compared to the 2016-17 target is due to the reallocation of Royalties for Regions grant expenditure budget during the Mid-Year process.

<sup>(b)</sup> The decrease in the 2016-17 actual Net Cost of Services (\$6.6 million) is due to a lower grants and subsidies expenditure amount as a result of the Royalties for Regions grant expenditure budget for various initiatives being reallocated during the Mid-year Review process.

<sup>(c)</sup> The variation of (\$28.9 million) between the target and actual in Total Equity is attributable to a higher Restricted Cash balance than estimated. The Department received \$11.9 million in 2015-16 from Landcorp for the Ord East Kimberley Expansion project which has contributed towards the high Restricted Cash balance in 2016-17.

<sup>(d)</sup> The variation of (\$21.4 million) in the Net increase/(decrease) in cash held is due to lower Grants and Subsidies payments being made as a result of the reallocation of Royalties for Regions budget for various initiatives during the Mid-Year Review process as well as higher than estimated GST receipts from tax office during the 2016-17 year.

<sup>(e)</sup> The variation between the target and actual in the salary expense level (\$1.6 million) is due to severance payments made in 2016-17 and the additional salary expenditure relating to the WA Open for Business unit which was approved during the Mid-Year Review process.

<b>Working Cash Targets</b>	<b>2016–17 Agreed Limit</b> \$000	<b>2016–17 Target <sup>(1)</sup> / Actual <sup>(2)</sup></b> \$000	<b>Variation<sup>(2)</sup></b> \$000
Agreed Working Cash Limit (at Budget)	4,337	4,806	47
Agreed Working Cash Limit (at Actuals)	3,906	3,998	92

<sup>(1)</sup> As specified in the Budget Statements.

<sup>(2)</sup> Further explanations are contained in Note 37 'Explanatory statement' to the financial statements.

## Summary of key performance indicators

	2016–17 Target <sup>(1)</sup>	2016–17 Actual	Variation <sup>(2)</sup>
<b>Outcome: Increased capacity of regional communities to develop economic growth and social wellbeing:</b>			
<i>Effectiveness Indicator</i>			
Client satisfaction with regional development services	85%	87%	+2%
<i>Efficiency Indicators</i>			
Service 1: Regional Investment			
Average cost per funded initiative administered <sup>(a)</sup>	\$19,564	\$22,157	\$2,593
Average internal cost per satellite site supported <sup>(b)</sup>	\$4,232	\$4,239	\$7
Service 2: Regional Policy			
Average cost per item of written advice requiring Minister's attention <sup>(c)</sup>	\$12,674	\$11,112	(\$1,562)

<sup>(1)</sup> The 2016–17 Target is as specified in the 2016–17 Budget Statements

<sup>(2)</sup> Explanations for the variations between targeted and actual results are presented in Note 33 'Explanatory Statement' to the financial statements.

<sup>(a)</sup> The variance between 2016–17 Target and Actual was due lower number of initiatives administered this financial year than budgeted.

<sup>(b)</sup> The 2016-17 Average Internal Cost per Satellite Site Supported is on target. .

<sup>(c)</sup> The variance between 2016–17 Target and Actual was due to the decrease of total cost of services for Regional Policy than estimated. There were 1,473 written advice requiring the Minister's attention during the 2016–17 financial year.

.....  
3  
.....

# Significant issues impacting the agency

# Current and emerging issues

## **Machinery of Government**

From 1 July 2017 the Department will be part of the Department of Primary Industries and Regional Development, which will include an amalgamation of the Departments of Regional Development, Agriculture and Food and Fisheries. Staff from the nine Regional Development Commissions will also become part of the new Department with the Commissions remaining as separate entities. Machinery of Government changes acknowledge the importance of agriculture and food, fisheries and regional development in building strong and resilient regions across the State.

## **Regional Development Reform Agenda**

Ongoing structural changes to the Western Australian economy reinforce the importance of driving growth and development in our regions. The Department will focus future investment on programs that create jobs, diversify the economy and build the capacity of regional people. To support this, there will be a focus on digital connectivity, agribusiness, Aboriginal development, economic infrastructure and energy futures.

Regional Western Australia has significant opportunities for growth over the long-term, driven primarily by productivity, population and economic growth in global markets, particularly in Asia.

In partnership with the State's nine Regional Development Commissions, the Department will continue to reform and strengthen the State's regional development strategy and operating model to maximise the impact from the Portfolio's effort and investment, including through the administration of Royalties for Regions.

## **WA Open for Business**

The Department will continue to work across government to capture opportunities for Western Australian agriculture from the economic growth of Asia and growing demand in Asian countries for high quality food products.

## **Regional Local Content Officers**

The Department will maximise the impact of investment through a renewed focus on local content and the proactive targeting of leverage funding. Regional Local Content Officers in each of the nine Regional Development Commissions will support local suppliers, businesses and contractors to secure more government work and connect businesses to private sector projects.

## **Royalties for Regions program**

Given the challenging fiscal situation facing the Government, a comprehensive review of the Royalties for Regions program has been undertaken in order to prioritise the delivery of regional election commitments and support budget repair. Over the forward estimates, there is a strengthened emphasis on health, including mental health, education, transport, tourism and essential community infrastructure.

.....  
**4**  
.....

# Disclosures and legal compliance

# Auditor General



## INDEPENDENT AUDITOR'S REPORT

### To the Parliament of Western Australia

### DEPARTMENT OF REGIONAL DEVELOPMENT

#### Report on the Financial Statements

##### **Opinion**

I have audited the financial statements of the Department of Regional Development which comprise the Statement of Financial Position as at 30 June 2017, 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.

In my opinion, the financial statements are based on proper accounts and present fairly, in all material respects, the operating results and cash flows of the Department of Regional Development for the year ended 30 June 2017 and the financial position at the end of that period. They are in accordance with Australian Accounting Standards, the *Financial Management Act 2006* and the Treasurer's Instructions.

##### **Basis for Opinion**

I conducted my audit in accordance with the Australian Auditing Standards. My responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Statements* section of my report. I am independent of the Department in accordance with the *Auditor General Act 2006* and the relevant ethical requirements of the Accounting Professional and Ethical Standards Board's APES 110 *Code of Ethics for Professional Accountants* (the Code) that are relevant to my audit of the financial statements.

I have also fulfilled my other ethical responsibilities in accordance with the Code. I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my opinion.

##### **Responsibility of the Reporting Officer for the Financial Statements**

The Department of Regional Development ceased to exist as a department under the *Financial Management Act 2006* on 30 June 2017. The Treasurer appointed a Reporting Officer under section 68 of the Act who was responsible for the preparation and fair presentation of the financial statements in accordance with Australian Accounting Standards, the *Financial Management Act 2006* and the Treasurer's Instructions that are free from material misstatement, whether due to fraud and 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. The objectives of my audit are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes my opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Australian Auditing Standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the financial statements.

As part of an audit in accordance with Australian Auditing Standards, I exercise professional judgment and maintain professional scepticism throughout the audit. I also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for my opinion.

The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the agency's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Reporting Officer.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

I communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that I identify during my audit.

## **Report on Controls**

### ***Opinion***

I have undertaken a reasonable assurance engagement on the design and implementation of controls exercised by the Department of Regional Development. The controls exercised by the Department 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 (the overall control objectives).

My opinion has been formed on the basis of the matters outlined in this report.

In my opinion, in all material respects, the controls exercised by the Department of Regional 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 2017.

### ***The Director General's Responsibilities***

The Director General was responsible for designing, implementing and maintaining controls to ensure that the receipt, expenditure and investment of money, the acquisition and disposal of property, and the incurring of liabilities are in accordance with the *Financial Management Act 2006*, the Treasurer's Instructions and other relevant written law.

### ***Auditor General's Responsibilities***

As required by the *Auditor General Act 2006*, my responsibility as an assurance practitioner is to express an opinion on the suitability of the design of the controls to achieve the overall control objectives and the implementation of the controls as designed. I conducted my engagement in accordance with Standard on Assurance Engagements ASAE 3150 *Assurance Engagements on Controls* issued by the Australian Auditing and Assurance Standards Board. That standard requires that I comply with relevant ethical requirements and plan and perform my procedures to obtain reasonable assurance about whether, in all material respects, the controls are suitably designed to achieve the overall control objectives and the controls, necessary to achieve the overall control objectives, were implemented as designed.

An assurance engagement to report on the design and implementation of controls involves performing procedures to obtain evidence about the suitability of the design of controls to achieve the overall control objectives and the implementation of those controls. The procedures selected depend on my judgement, including the assessment of the risks that controls are not suitably designed or implemented as designed.

My procedures included testing the implementation of those controls that I consider necessary to achieve the overall control objectives.

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

### ***Limitations of Controls***

Because of the inherent limitations of any internal control structure it is possible that, even if the controls are suitably designed and implemented as designed, once the controls are in operation, the overall control objectives may not be achieved so that fraud, error, or noncompliance with laws and regulations may occur and not be detected. Any projection of the outcome of the evaluation of the suitability of the design of controls to future periods is subject to the risk that the controls may become unsuitable because of changes in conditions.

## **Report on the Key Performance Indicators**

### ***Opinion***

I have undertaken a reasonable assurance engagement on the key performance indicators of the Department of Regional Development for the year ended 30 June 2017. The key performance indicators are the key effectiveness indicators and the key efficiency indicators that provide performance information about achieving outcomes and delivering services.

In my opinion, in all material respects, the key performance indicators of the Department of Regional 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 2017.

### ***The Reporting Officer's Responsibility for the Key Performance Indicators***

The Reporting Officer 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 internal control as the Reporting Officer determines necessary to enable the preparation of key performance indicators that are free from material misstatement, whether due to fraud or error.

In preparing the key performance indicators, the Reporting Officer is responsible for identifying key performance indicators that are relevant and appropriate having regard to their purpose in accordance with Treasurer's Instruction 904 *Key Performance Indicators*.

### ***Auditor General's Responsibility***

As required by the *Auditor General Act 2006*, my responsibility as an assurance practitioner is to express an opinion on the key performance indicators. The objectives of my engagement are to obtain reasonable assurance about whether the key performance indicators are relevant and appropriate to assist users to assess the agency's performance and whether the key performance indicators are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes my opinion. I conducted my engagement in accordance with Standard on Assurance Engagements ASAE 3000 *Assurance Engagements Other than Audits or Reviews of Historical Financial Information* issued by the Australian Auditing and Assurance Standards Board. That standard requires that I comply with relevant ethical requirements relating to assurance engagements.

An assurance engagement involves performing procedures to obtain evidence about the amounts and disclosures in the key performance indicators. It also involves evaluating the relevance and appropriateness of the key performance indicators against the criteria and guidance in Treasurer's Instruction 904 for measuring the extent of outcome achievement and the efficiency of service delivery.

The procedures selected depend on my judgement, including the assessment of the risks of material misstatement of the key performance indicators. In making these risk assessments I obtain an understanding of internal control relevant to the engagement in order to design procedures that are appropriate in the circumstances.

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

### **My Independence and Quality Control Relating to the Reports on Controls and Key Performance Indicators**

I have complied with the independence requirements of the *Auditor General Act 2006* and the relevant ethical requirements relating to assurance engagements. In accordance with ASQC 1 *Quality Control for Firms that Perform Audits and Reviews of Financial Reports and Other Financial Information, and Other Assurance Engagements*, the Office of the Auditor General maintains a comprehensive system of quality control including documented policies and procedures regarding compliance with ethical requirements, professional standards and applicable legal and regulatory 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 Regional Development for the year ended 30 June 2017 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  
8 September 2017

# Financial statements

## Certification of financial statements

### For the year ended 30 June 2017

The accompanying financial statements of the Department of Regional 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 2017 and the financial position as at 30 June 2017.

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



**Cameron Patterson**

Reporting Officer

8 September 2017

# Statement of comprehensive income

For the year ended 30 June 2017

	Note	2017 \$000	2016 \$000
<b>COST OF SERVICES</b>			
<b>Expenses</b>			
Employee benefits expense	6.	21,969	20,161
Supplies and services	8.	22,871	23,628
Depreciation and amortisation expense	9.	3,723	5,505
Finance cost	10.	552	663
Accommodation expenses	11.	2,261	2,202
Grants and subsidies	12.	31,424	186,307
Other expenses	13.	371	5,769
<b>Total cost of services</b>		<b>83,171</b>	<b>244,235</b>
<b>Income</b>			
<i>Revenue</i>			
User charges and fees	15.	1,762	4,049
Commonwealth grants and contributions	16.	110	115
Other revenue	17.	973	13,278
<b>Total Revenue</b>		<b>2,845</b>	<b>17,442</b>
<b>Total income other than income from State Government</b>		<b>2,845</b>	<b>17,442</b>
<b>NET COST OF SERVICES</b>		<b>80,326</b>	<b>226,793</b>

	Note	2017 \$000	2016 \$000
<b>Income from State Government</b>			
	18.		
Service appropriation		6,435	7,092
Services received free of charge		264	372
Royalties for Regions Fund		70,425	231,201
<b>Total income from State Government</b>		<b>77,124</b>	<b>238,665</b>
<b>(DEFICIT)/SURPLUS FOR THE PERIOD</b>		<b>(3,202)</b>	<b>11,872</b>
<b>Other comprehensive income</b>			
		-	-
<b>TOTAL COMPREHENSIVE INCOME FOR THE PERIOD</b>		<b>(3,202)</b>	<b>11,872</b>

See also the 'Schedule of Income and Expenses by Service'.

The Statement of Comprehensive Income should be read in conjunction with the accompanying notes.

# Statement of financial position

As at 30 June 2017

	Note	2017 \$000	2016 \$000
<b>ASSETS</b>			
<b>Current Assets</b>			
Restricted cash and cash equivalents	19.	45,800	34,042
Receivables	20.	1,293	14,782
Other assets	22.	2,727	3,093
<b>Total Current Assets</b>		<b>49,820</b>	<b>51,917</b>
<b>Non-Current Assets</b>			
Restricted cash and cash equivalents	19.	64	-
Amounts receivable for services	21.	10,930	8,322
Property, plant and equipment	23.	15,701	17,959
Intangible assets	25.	494	1,476
Other assets	22.	5,441	7,860
<b>Total Non-Current Assets</b>		<b>32,630</b>	<b>35,617</b>
<b>TOTAL ASSETS</b>		<b>82,450</b>	<b>87,534</b>
<b>LIABILITIES</b>			
<b>Current Liabilities</b>			
Payables	27.	477	173
Borrowings	28.	2,447	2,397
Provisions	29.	3,127	3,375
Other current liabilities	30.	1	-
<b>Total Current Liabilities</b>		<b>6,052</b>	<b>5,945</b>

	Note	2017 \$000	2016 \$000
<b>Non-Current Liabilities</b>			
Borrowings	28.	5,893	8,340
Provisions	29.	975	1,056
<b>Total Non-Current Liabilities</b>		<b>6,868</b>	<b>9,396</b>
<b>TOTAL LIABILITIES</b>		<b>12,920</b>	<b>15,341</b>
<b>NET ASSETS</b>			
<b>EQUITY</b>			
Contributed equity	31.	63,890	63,351
Accumulated surplus/(deficit)		5,640	8,842
<b>TOTAL EQUITY</b>		<b>69,530</b>	<b>72,193</b>

See also the 'Schedule of Assets and Liabilities by Service'.

The Statement of Financial Position should be read in conjunction with the accompanying notes.

# Statement of changes in equity

For the year ended 30 June 2017

	Note	Contributed equity \$000	Accumulated surplus/(deficit) \$000	Total equity \$000
<b>Balance at 1 July 2015</b>	31.	63,351	(3,030)	60,321
Surplus		-	11,872	11,872
Total comprehensive income for the period		-	11,872	11,872
<b>Balance at 30 June 2016</b>		<b>63,351</b>	<b>8,842</b>	<b>72,193</b>
<b>Balance at 1 July 2016</b>		63,351	8,842	72,193
(Deficit)		-	(3,202)	(3,202)
Total Comprehensive Income for the period		-	(3,202)	(3,202)
Transactions with owners in their capacity as owners:				
Other contributions by owners		539	-	539
Total transactions with owners in their capacity as owners		539	-	539
<b>Balance at 30 June 2017</b>		<b>63,890</b>	<b>5,640</b>	<b>69,530</b>

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

# Statement of cash flows

For the year ended 30 June 2017

	Note	2017 \$000	2016 \$000		Note	2017 \$000	2016 \$000
<b>CASH FLOWS FROM STATE GOVERNMENT</b>							
Service appropriation		3,827	3,721				
Royalties for Regions Fund		70,425	231,201				
<b>Net cash provided by State Government</b>		<b>74,252</b>	<b>234,922</b>				
Utilised as follows:							
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>							
<b>Payments</b>							
Employee benefits		(22,232)	(21,011)				
Supplies and services		(21,887)	(24,410)				
Accommodation		(2,261)	(2,202)				
Grants and subsidies		(31,424)	(186,307)				
GST payments on purchases		(5,459)	(20,894)				
Other payments		(308)	(3,872)				
				<b>Receipts</b>			
				User charges and fees			
				Commonwealth grants and contributions			
				GST receipts on sales			
				GST receipts from taxation authority			
				Other receipts			
				32.		<b>(62,285)</b>	<b>(224,887)</b>
				<b>Net cash (used in) operating activities</b>			
				<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>			
				<b>Payments</b>			
				Purchase of non-current assets			
				Purchase of intangible asset			
				<b>Net cash (used in) investing activities</b>			
				Net increase in cash and cash equivalents			
				Cash and cash equivalents at the beginning of the period			
				19, 32		<b>45,864</b>	<b>34,042</b>
				<b>CASH AND CASH EQUIVALENTS AT THE END OF THE PERIOD</b>			

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

# Schedule of income and expenses by service

For the year ended 30 June 2017

	Regional Investment		Regional Policy		Total	
	2017	2016	2017	2016	2017	2016
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
<b>COST OF SERVICES</b>						
<u>Expenses</u>						
Employee benefits expense	8,480	10,529	13,489	9,632	21,969	20,161
Supplies and services	16,122	18,626	6,749	5,002	22,871	23,628
Depreciation and amortisation expense	2,964	4,266	759	1,239	3,723	5,505
Finance cost	552	663	-	-	552	663
Accommodation expenses	924	1,237	1,337	965	2,261	2,202
Grants and subsidies	29,064	185,796	2,360	511	31,424	186,307
Other expenses	187	5,687	184	82	371	5,769
<b>Total cost of services</b>	<b>58,293</b>	<b>226,804</b>	<b>24,878</b>	<b>17,431</b>	<b>83,171</b>	<b>244,235</b>
<u>Income</u>						
User charges and fees	720	2,350	1,042	1,699	1,762	4,049
Commonwealth grants and contributions	110	115	-	-	110	115
Other revenue	836	12,847	137	431	973	13,278
<b>Total income other than income from State Government</b>	<b>1,666</b>	<b>15,312</b>	<b>1,179</b>	<b>2,130</b>	<b>2,845</b>	<b>17,442</b>
<b>NET COST OF SERVICES</b>	<b>56,627</b>	<b>211,492</b>	<b>23,699</b>	<b>15,301</b>	<b>80,326</b>	<b>226,793</b>
<b>INCOME FROM STATE GOVERNMENT</b>						
Service appropriation	1,202	2,154	5,233	4,938	6,435	7,092
Services received free of charge	107	216	157	156	264	372
Royalties for Regions Fund	54,928	217,895	15,497	13,306	70,425	231,201
<b>Total income from State Government</b>	<b>56,237</b>	<b>220,265</b>	<b>20,887</b>	<b>18,400</b>	<b>77,124</b>	<b>238,665</b>
<b>SURPLUS/(DEFICIT) FOR THE PERIOD</b>	<b>(390)</b>	<b>8,773</b>	<b>(2,812)</b>	<b>3,099</b>	<b>(3,202)</b>	<b>11,872</b>

The Schedule of Income and Expenses by Service should be read in conjunction with the accompanying notes.

## Schedule of assets and liabilities by service

As at 30 June 2017

	Regional Investment		Regional Policy		Total	
	2017	2016	2017	2016	2017	2016
	\$000	\$000	\$000	\$000	\$000	\$000
<u>Assets</u>						
Current assets	20,243	30,112	29,577	21,805	49,820	51,917
Non-current assets	13,259	20,658	19,371	14,959	32,630	35,617
<b>Total assets</b>	<b>33,502</b>	<b>50,770</b>	<b>48,948</b>	<b>36,764</b>	<b>82,450</b>	<b>87,534</b>
<u>Liabilities</u>						
Current liabilities	2,459	3,449	3,593	2,496	6,052	5,945
Non-current liabilities	2,791	5,450	4,077	3,946	6,868	9,396
<b>Total liabilities</b>	<b>5,250</b>	<b>8,899</b>	<b>7,670</b>	<b>6,442</b>	<b>12,920</b>	<b>15,341</b>
<b>NET ASSETS</b>	<b>28,252</b>	<b>41,871</b>	<b>41,278</b>	<b>30,322</b>	<b>69,530</b>	<b>72,193</b>

The Schedule of Assets and Liabilities by Service should be read in conjunction with the accompanying notes.

# Summary of consolidated account appropriations and income estimates

For the year ended 30 June 2017

	2017 Estimate \$000	2017 Actual \$000	Variance \$000	2017 Actual \$000	2016 Actual \$000	Variance \$000
<u>Delivery of Services</u>						
Item 15 Net amount appropriated to deliver services	6,171	6,171	-	6,171	6,834	(663)
Amount Authorised by Other Statutes - Salaries and Allowances Act 1975	264	264	-	264	258	6
<b>Total appropriations provided to deliver services</b>	<b>6,435</b>	<b>6,435</b>	<b>-</b>	<b>6,435</b>	<b>7,092</b>	<b>(657)</b>
<u>Capital</u>						
Capital appropriation	-	-	-	-	-	-
<b>GRAND TOTAL</b>	<b>6,435</b>	<b>6,435</b>	<b>-</b>	<b>6,435</b>	<b>7,092</b>	<b>(657)</b>
<u>Details of Expenses by Service</u>						
Regional Investment	52,376	58,293	5,917	58,293	226,804	(168,511)
Regional Policy	37,928	24,878	(13,050)	24,878	17,431	7,447
Total Cost of Services	90,304	83,171	(7,133)	83,171	244,235	(161,064)
Less Total income	(3,409)	(2,845)	564	(2,845)	(17,442)	14,597
Net Cost of Services	86,895	80,326	(6,569)	80,326	226,793	(146,467)
Adjustments <sup>(i)</sup>	(80,460)	(73,891)	6,569	(73,891)	(219,701)	145,810
<b>Total appropriations provided to deliver services</b>	<b>6,435</b>	<b>6,435</b>	<b>-</b>	<b>6,435</b>	<b>7,092</b>	<b>(657)</b>
<u>Capital Expenditure</u>						
Purchase of non-current physical assets	-	145	145	145	393	(248)
Adjustments for other funding sources <sup>(i)</sup>	-	(145)	(145)	(145)	(393)	248
<b>Capital appropriations</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>

<sup>(i)</sup> Adjustments comprise Royalties for Regions funding, Services Received Free of Charge, Grants received from other State government agencies, movements in cash balances and other accrual items such as receivables, payables and superannuation.

Note 37 'Explanatory statement' provides details of any significant variations between estimates and actual results for 2017 and between the actual results for 2017 and 2016.

# Notes to the Financial Statements

For the year ended 30 June 2017

## Note 1. Australian Accounting Standards

### General

The Department's financial statements for the year ended 30 June 2017 have been prepared in accordance with Australian Accounting Standards. The term 'Australian Accounting Standards' includes Standards and Interpretations issued by the Australian Accounting Standards 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*. There has been no early adoption of any other Australian Accounting Standards that have been issued or amended (but not operative) by the Department for the annual reporting period ended 30 June 2017.

## Note 2. 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 had 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.

### (b) Basis of preparation

The financial statements have been prepared on the accrual basis of accounting using the historical cost convention, except for land, buildings which have been measured at fair value.

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).

As disclosed in Note 36, the Departments of Agriculture and Food, Fisheries and Regional Development amalgamated to form the Department of Primary Industries and Regional Development. The financial statements have been prepared on a going concern basis as the net assets of the Department have been transferred to the new Department who will continue to provide the Department's services.

Note 3 '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 amounts recognised in the financial statements.

Note 4 '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 reporting period.

### **(c) Reporting entity**

The reporting entity comprises the Department only.

The Department was abolished as at 1 July 2017 and all assets, liabilities and employees were transferred to the Department of Primary Industries and Regional Development. This is the final set of accounts for the Department.

#### **Mission**

The Department's mission is to facilitate the development of sustainable regional communities so they have a sense of purpose and control over their future.

The Department is predominantly funded from Royalties for Regions. The financial statements encompass all funds through which the Department controls to carry on its functions.

#### **Services**

The Department provides the following services:

##### **Service 1: Regional Investment**

Provide support to the regional Community Resource Centre network, the Regional Development Council and Commissions.

##### **Service 2: Regional Policy**

This service focuses on delivering effective government policy to support regional development and service delivery, including modernising legislation.

### **(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 T1 955 *Contributions by Owners made to Wholly Owned Public Sector Entities* and have been credited directly to Contributed equity.

The transfer 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.

### **(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:

##### ***Sale of goods***

Revenue is recognised from the sale of goods and disposal of other assets when the significant risks and rewards of ownership transfer to the purchaser and can be measured reliably.

##### ***Provision of services***

Revenue is recognised by reference to the stage of completion of the transaction.

##### ***Interest***

Revenue is recognised as it the interest accrues.

##### ***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 also Note 18 'Income from State Government'.

### *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 specified in the 2016–2017 Budget Statements, the Department retained \$2.845 million (\$17.4 million in 2016) from the following:

- proceeds from fees and charges;
- sale of goods;
- other departmental revenue.

### *Grants, donations, gifts and other non-reciprocal contributions*

Revenue is recognised at fair value when the Department obtains control over the assets comprising the contributions, usually when cash is received.

Other non-reciprocal contributions that are not contributions by owners are recognised at their 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.

### **Gains**

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

### **(f) Borrowing costs**

Borrowing costs are expensed when incurred.

## **(g) Property, plant and equipment**

### **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 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).

### **Initial recognition and measurement**

Property, plant and equipment are initially recognised at cost.

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

### **Subsequent measurement**

Subsequent to initial recognition as an asset, the revaluation model is used for the measurement of land and buildings and historical cost for all other property, plant and equipment. Buildings are carried at fair value less accumulated depreciation (buildings only) and accumulated impairment losses. All other items of property, plant and equipment are stated at historical cost less accumulated depreciation and accumulated impairment losses.

Where market-based evidence is available, the fair value of land and buildings is determined on the basis of current market buying values determined by reference to recent market transactions. When buildings are revalued by reference to recent market transactions, the accumulated depreciation is eliminated against the gross carrying amount of the asset and the net amount restated to the revalued amount.

In the absence of market-based evidence, fair value of land and buildings is determined on the basis of existing use. This normally applies where buildings are specialised or where land use is restricted.

Fair value for existing use buildings is determined by reference to the cost of replacing the remaining future economic benefits embodied in the asset, i.e. the depreciated replacement cost. Where the fair value of buildings is determined on the depreciated replacement cost basis, the gross carrying amount and the accumulated depreciation are restated proportionately with the change in the gross carrying amount of the asset. Fair value for restricted use land is determined by comparison with market evidence for land with similar approximate utility (high restricted use land) or market value of comparable unrestricted land (low restricted use land).

Land and buildings are independently valued annually by the Western Australian Land Information Authority (Valuation Services) and recognised annually to ensure that the carrying amount does not differ materially from the asset's fair value at the end of the reporting period.

The most significant assumptions in estimating fair value are made in assessing whether to apply the existing use basis to assets and in determining estimated economic life. Professional judgement by the valuer is required where the evidence does not provide a clear distinction between market type assets and existing use assets.

See also Note 23 'Property, plant and equipment'.

### **Derecognition**

Upon disposal or derecognition of an item of property, plant and equipment, any revaluation surplus relating to that asset is retained in the asset revaluation surplus.

### **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:

Buildings	20 to 40 years
Office equipment	5 years
Computer hardware	3 years
Furniture & fittings	10 years
Communications equipment	5 years
Other equipment	10 years

Leased improvements are depreciated on a straight line basis over the life of the lease or the life of the asset, whichever is less.

## **(h) 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 lives. Costs incurred below these thresholds are immediately expensed directly to the Statement of Comprehensive Income.

Intangible assets are initially recognised at cost. For assets acquired at no cost or for nominal cost, the cost is their fair value at the date of acquisition.

The cost model is applied for subsequent measurement requiring the asset to be carried at cost less any accumulated amortisation and accumulated impairment losses.

Amortisation for intangible assets with finite useful lives is calculated for the period of the expected benefit (estimated useful life which is reviewed annually) on the straight line basis. All intangible assets controlled by the Department have a finite useful life and zero residual value.

The expected useful lives for each class of intangible asset are:

Software and Development costs	3 years
--------------------------------	---------

### **Development costs**

Research costs are expensed as incurred. Development costs incurred for an individual project are carried forward when the future economic benefits can reasonably be regarded as assured and the total project costs are likely to exceed \$50,000. Other development costs are expensed as incurred.

### **Computer software**

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

### **(i) Impairment of assets**

Property, plant and equipment and intangible assets 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 profit or loss. Where a previously revalued asset is written down to recoverable amount, the loss is recognised as a revaluation decrement in other comprehensive income to the extent it reverses previously recorded surpluses. Where there are no surpluses, the impairment loss is recognised in the profit and loss.

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 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 the asset's future economic benefits and to evaluate any impairment risk from falling replacement costs.

Intangible assets with an indefinite useful life and intangible assets not yet available for use are tested for impairment at the end of each reporting period irrespective of whether there is any indication of impairment.

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 also Note 26 'Impairment of assets'.

### **(j) Non-current assets (or disposal groups) classified as held for sale**

Non-current assets (or disposal groups) held for sale are recognised at the lower of carrying amount or fair value less costs to sell, and are disclosed separately from other assets in the Statement of Financial Position. Assets classified as held for sale are not depreciated or amortised.

### **(k) Leases**

Finance lease rights and obligations are initially recognised, at the commencement of the lease term, as assets and liabilities equal in amount to the fair value of the leased item or, if lower, the present value of the minimum lease payments, determined at the inception of the lease.

The assets are disclosed as plant, equipment and vehicles under lease, and are depreciated over the period during which the Department is expected to benefit from their use. Minimum lease payments are apportioned between the finance charge and the reduction of the outstanding lease liability, according to the interest rate implicit in the lease.

Operating leases are expensed on a straight line basis over the lease term as this represents the pattern of benefits derived from the leased properties.

### **(l) 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
  - Restricted cash and cash equivalents
  - Receivables
  - Amounts receivable for services
- Financial Liabilities
  - Payables
  - Finance lease liability (Borrowings)

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.

### **(m) 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.

### **(n) Accrued salaries**

Accrued salaries (see Note 27 'Payables') represent the amount due to staff but unpaid at the end of the reporting period. Accrued salaries are settled within a fortnight of the reporting period end. The Department considers the carrying amount of accrued salaries to be equivalent to its fair value.

The accrued salaries suspense account (See Note 19 'Restricted cash and cash equivalents') consists of amounts paid annually, from Departmental appropriations for salaries expense, into a suspense account to meet the additional cash outflow for employee salary payments in reporting periods with 27 pay days instead of the normal 26. No interest is received on this account.

### **(o) 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 18 'Income from State Government and Note 21 'Amounts receivable for services'.

### **(p) Receivables**

Receivables are recognised at original invoice amount less an allowance for any 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 also Note 2 (l) 'Financial instruments' and Note 20 'Receivables'.

### **(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.

See also Note 2 (l) 'Financial instruments' and Note 27 'Payables'.

### **(r) Borrowings**

All loans payable are initially recognised at fair value, being the net proceeds received. Subsequent measurement is at amortised cost using the effective interest method.

See also Note 2 (l) 'Financial instruments' and Note 28 'Borrowings'.

### **(s) Provisions**

Provisions are liabilities of uncertain timing or amount and are recognised where there is a present legal 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 also Note 29 'Provisions'.

#### **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 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 the defer settlement of the liability for at least 12 months after the reporting period.

#### ***Long service leave***

Long service leave not expected to be settled within 12 months after the reporting period 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.

Unconditional long service leave provisions are classified as current liabilities as the Department does not have an unconditional right to defer settlement of the liability for at least 12 months after 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.

#### ***Deferred leave***

The provision for deferred leave relates to Public Service employees who have entered into an agreement to self-fund an additional 12 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 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 the undiscounted amounts expected to be paid when the liabilities are settled.

#### ***Superannuation***

The Government Employees Superannuation Board (GESB) and other funds 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 became able to choose their preferred superannuation fund. The Department makes concurrent contributions to GESB or other funds 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 from the Treasurer for the employer's share.

See also Note 2(t) 'Superannuation expense'.

#### **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 also Note 13 'Other expenses' and Note 29 'Provisions'.

#### **(t) 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.

#### **(u) 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 fair value of the asset 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.

#### **(v) Comparative figures**

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

### **Note 3. 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 4. 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 period.

#### **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.

### **Note 5. 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 for annual reporting periods beginning on or after 1 July 2016 that impacted on the Department.

<b>AASB 1057</b>	<i>Application of Australian Accounting Standards</i>
	This Standard lists the application paragraphs for each other Standard (and Interpretation), grouped where they are the same. There is no financial impact.
<b>AASB 2014-3</b>	<i>Amendments to Australian Accounting Standards – Accounting for Acquisitions of Interests in Joint Operations [AASB 1 &amp; 11]</i>
	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.
<b>AASB 2014-4</b>	<i>Amendments to Australian Accounting Standards – Clarification of Acceptable Methods of Depreciation and Amortisation [AASB 116 &amp; 138]</i>
	The adoption of this Standard has no financial impact for the Department as depreciation and amortisation is not determined by reference to revenue generation, but by reference to consumption of future economic benefits.
<b>AASB 2014-9</b>	<i>Amendments to Australian Accounting Standards – Equity Method in Separate Financial Statements [AASB 1, 127 &amp; 128]</i>
	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. As the Department has no joint ventures and associates, the application of the Standard has no financial impact.
<b>AASB 2015-1</b>	<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 &amp; 140]</i>

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 determined that the application of the Standard has no financial impact.

<b>AASB 2015-2</b>	<i>Amendments to Australian Accounting Standards – Disclosure Initiative: Amendments to AASB 101 [AASB 7, 101, 134 &amp; 1049]</i>
	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.
<b>AASB 2015-6</b>	<i>Amendments to Australian Accounting Standards – Extending Related Party Disclosures to Not-for-Profit Public Sector Entities [AASB 10, 124 &amp; 1049]</i>
	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. There is no financial impact.
<b>AASB 2015-10</b>	<i>Amendments to Australian Accounting Standards – Effective Date of Amendments to AASB 10 &amp; 128</i>
	This Standard defers the mandatory effective date (application date) of amendments to AASB 10 & AASB 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. There is no financial impact.

## 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 of 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 these Australian Accounting Standards from their application date.

		Operative for reporting periods beginning on/after		Operative for reporting periods beginning on/after	
<b>AASB 9</b>	<i>Financial Instruments</i>	1 Jan 2018	<b>AASB 15</b>	<i>Revenue from Contracts with Customers</i>	1 Jan 2019
	<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>			<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.</p> <p>The Department's income is principally derived from appropriations which will be measured under AASB 1058 <i>Income of Not for Profit Entities</i> and will be unaffected by this change. However, the Department has not yet determined the potential impact of the Standard on 'User charges and fees' and 'Sales' revenues. In broad terms, it is anticipated that the terms and conditions attached to these revenues will defer revenue recognition until the Department has discharged its performance obligations.</p>	

		Operative for reporting periods beginning on/after		Operative for reporting periods beginning on/after
<b>AASB 16</b>	<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.</p> <p>Whilst the impact of AASB 16 has not yet been quantified, the entity currently has operating lease commitments for \$10.6m per Note 34. The Department anticipates most of this amount will be brought onto the statement of financial position, excepting amounts pertinent to short term or low value leases. Interest and amortisation expense will increase and rental expense will decrease.</p>			
<b>AASB 1058</b>	<i>Income of Not-for-Profit Entities</i>	1 Jan 2019		
	<p>This Standard clarifies and simplifies the income recognition requirements that apply to not-for-profit (NFP) entities, more closely reflecting the economic reality of NFP entity transactions that are not contracts with customers. Timing of income recognition is dependent on whether such a transaction gives rise to a liability, a performance obligation (a promise to transfer a good or service), or, an obligation to acquire an asset. The Department has not yet determined the application or the potential impact of the Standard.</p>			
			<b>AASB 2010-7</b>	1 Jan 2018
			<p><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 &amp; 1038 and Int 2, 5, 10, 12, 19 &amp; 127]</i></p> <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>	
			<b>AASB 2014-1</b>	1 Jan 2018
			<p><i>Amendments to Australian Accounting Standards</i></p> <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>	

	<b>Operative for reporting periods beginning on/after</b>
<p><b>AASB 2014-5</b> <i>Amendments to Australian Accounting Standards arising from AASB 15</i></p> <p>This Standard gives effect to 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.</p>	1 Jan 2018
<p><b>AASB 2014-7</b> <i>Amendments to Australian Accounting Standards arising from AASB 9 (December 2014)</i></p> <p>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.</p>	1 Jan 2018

	<b>Operative for reporting periods beginning on/after</b>
<p><b>AASB 2014-10</b> <i>Amendments to Australian Accountings Standards – Sale or Contributions of Assets between and Investor and its Associate or Joint Venture [AASB 10&amp; 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 mandatory effective date (application date) for the Standard has been deferred to 1 Jan 2018 by AASB 2015 10. The Department has determined the Standard has no financial impact.</p>	1 Jan 2018
<p><b>AASB 2015-8</b> <i>Amendments to Australian Accounting Standards – Effective Date of AASB 15</i></p> <p>This Standard amends the mandatory effective date (application date) of AASB 15 <i>Revenue from Contracts with Customers</i> 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. For Not For Profit entities, the mandatory effective date has subsequently been amended to 1 January 2019 by AASB 2016-7. The Department has not yet determined the application or the potential impact of AASB 15.</p>	1 Jul 2019

	<b>Operative for reporting periods beginning on/after</b>		<b>Operative for reporting periods beginning on/after</b>
<b>AASB 2016-2</b> <i>Amendments to Australian Accounting Standards – Disclosure Initiative: Amendments to AASB 107</i>	1 Jan 2017	<b>AASB 2016-4</b> <i>Amendments to Australian Accounting Standards – Recoverable Amount of Non-Cash-Generating Specialised Assets of Not-for-Profit-Entities</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.		This Standard clarifies that 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 <i>Fair Value Measurement</i> . The Department has not yet determined the application or the potential impact.	
<b>AASB 2016-3</b> <i>Amendments to Australian Accounting Standards – Clarifications to AASB 15</i>	1 Jan 2018	<b>AASB 2016-7</b> <i>Amendments to Australian Accounting Standards – Deferral of AASB 15 for Not-for-Profit Entities</i>	1 Jan 2017
This Standard clarifies identifying performance obligations, principal versus agent considerations, timing of recognising revenue from granting a license, and, provides further transitional provisions to AASB 15. The Department has not yet determined the application or the potential impact.		This Standard amends the mandatory effective date (application date) of AASB 15 and defers the consequential amendments that were originally set out in AASB 2014-5 <i>Amendments to Australian Accounting Standards</i> arising from AASB 15 for not-for-profit entities to annual reporting periods beginning on or after 1 January 2019, instead of 1 January 2018. There is no financial impact.	

		Operative for reporting periods beginning on/after
<b>AASB 2016-8</b>	<i>Amendments to Australian Accounting Standards – Australian Implementation Guidance for Not-for-Profit Entities</i>	1 Jan 2019
	This Standard inserts Australian requirements and authoritative implementation guidance for not-for-profit entities into AASB 9 and AASB 15. This guidance assists not-for-profit entities in applying those Standards to particular transactions and other events. There is no financial impact.	
<b>AASB 2017-2</b>	<i>Amendments to Australian Accounting Standards – Further Annual Improvements 2014-2016 Cycle</i>	1 Jan 2017
	This Standard clarifies the scope of AASB 12 by specifying that the disclosure requirements apply to an entity's interests in other entities that are classified as held for sale, held for distribution to owners in their capacity as owners or discontinued operations in accordance with AASB 5. There is no financial impact.	

## Note 6. Employee benefits expense

	2017	2016
	<i>\$000</i>	<i>\$000</i>
Wages and salaries <sup>(a) (b)</sup>	20,193	18,408
Superannuation – defined contribution plans <sup>(c)</sup>	1,776	1,753
	<b>21,969</b>	<b>20,161</b>

<sup>(a)</sup> Includes the value of the fringe benefit to the employee plus the fringe benefits tax component, redundancy payment of \$1,294,610 (2016: \$410,630) and leave entitlements including superannuation contribution component.

<sup>(b)</sup> The Department paid \$177,956 in 2016–17 to the Department of Housing for staff housing under the Government Regional Officers Housing program.

<sup>(c)</sup> Defined contribution plans include West State, Gold State, GESB to the amount of \$1,494,433 and other eligible funds.

Employment on-costs expenses, such as workers' compensation insurance, are included at Note 13 'Other expenses'.

Employment on-costs liability is included at Note 29 'Provisions'.

## Note 7. Compensation of key management personnel

The Department has determined that key management personnel include the responsible Minister and senior officers of the Department. However, the Department is not obligated to compensate the responsible Minister and therefore disclosures in relation to Ministers' compensation may be found in the *Annual Report on State Finances*.

Total compensation for senior officers of the Department for the reporting period are presented within the following bands:

Compensation Band (\$)	2017	2016
300,001 – 310,000	1	1
250,001 – 260,000	1	-
180,001 – 190,000	1	-
170,001 – 180,000	1	-
160,001 – 170,000	1	1
150,001 – 160,000	1	1
140,001 – 150,000	-	1
120,001 – 130,000	1	-
100,001 – 110,000	-	2
90,001 – 100,000	-	1
80,001 – 90,000	-	2
50,001 – 60,000	2	-
	\$000	\$000
		(restated)
Short-term employee benefits	963	1,093
Post-employment benefits	98	107
Other long-term benefits	110	66
Termination benefits	321	-
<b>Total compensation of senior officers</b>	<b>1,492</b>	<b>1,266</b>

## Note 8. Supplies and services

Communications	670	730
Consultants and contractors	10,739	11,132
Consumables	163	217
Travel	628	517
Services purchased from non-government agencies	10,130	10,405
Other	541	627
	<b>22,871</b>	<b>23,628</b>

	2017	2016
	\$000	\$000
Communications	670	730
Consultants and contractors	10,739	11,132
Consumables	163	217
Travel	628	517
Services purchased from non-government agencies	10,130	10,405
Other	541	627
	<b>22,871</b>	<b>23,628</b>

## Note 9. Depreciation and amortisation expense

	2017	2016
	\$000	\$000
<u>Depreciation</u>		
Buildings	586	697
Office equipment	10	8
Computer hardware	306	491
Furniture and fixtures	23	23
Communications	10	2
Other equipment	1	1
Leased improvements	1,859	1,858
<b>Total depreciation</b>	<b>2,795</b>	<b>3,080</b>
<u>Amortisation</u>		
Computer software	928	2,425
<b>Total amortisation</b>	<b>928</b>	<b>2,425</b>
<b>Total depreciation and amortisation</b>	<b>3,723</b>	<b>5,505</b>

## Note 10. Finance costs

	2017	2016
	\$000	\$000
Interest expense	552	663
	<b>552</b>	<b>663</b>

## Note 11. Accommodation expenses

	2017	2016
	\$000	\$000
Lease rentals <sup>(a)</sup>	2,193	2,171
Repairs and maintenance	68	31
	<b>2,261</b>	<b>2,202</b>

<sup>(a)</sup> The Department paid \$1,934,366 in 2016–17 to the Department of Finance for office accommodation leases.

## Note 12. Grants and subsidies

	2017	2016
	\$000	\$000
<b>Royalties for Regions</b>		
Regional Community Services Fund:		
Regional Grants Scheme	5,750	532
Aboriginal Initiatives	950	206
Community Resource Networks	2,060	1,858
Action Agenda Projects	-	859
Regional Infrastructure and Headworks Fund:		
Pilbara Cities Initiatives	6,000	15,651
Goldfield Esperance Revitalisation	12,778	22,396
Gascoyne Revitalisation	-	9,578
Midwest Revitalisation	62	17,343
Regional Capital Works Initiatives	446	2,000
Growing Our South	2,502	104,864
West Kimberley Revitalisation	-	10,000
<u>Other Grants</u>		
Other Grants	876	1,020
	<b>31,424</b>	<b>186,307</b>

## Note 13. Other expenses

	2017	2016
	\$000	\$000
Employment on-costs <sup>(a)</sup>	13	87
Other	170	90
Bad debts written off (see Note 43)	2	-
Return Royalties for Regions funds to Dept of Treasury	80	3,695
Write-down - Impairment <sup>(b)</sup>	9	1,897
Derecognition of intangible assets <sup>(c)</sup>	97	-
	<b>371</b>	<b>5,769</b>

<sup>(a)</sup> Includes 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 29 'Provisions'. Superannuation contributions accrued as part of the provision for leave are employee benefits and are not included in employment on-costs.

<sup>(b)</sup> Write down of Garrjjang Workers' Accommodation Village buildings as per Fair Value assessment by Landgate see also Note 26 'Impairment of assets'.

<sup>(c)</sup> Derecognition of computer software \$43,000 and work in progress \$54,000 see also Note 25 'Intangible assets'.

## Note 14. Related party transactions

The Department is a wholly owned and controlled entity of the State of Western Australia. In conducting its activities, the Department is required to pay various taxes and levies based on the standard terms and conditions that apply to all tax and levy payers to the State and entities related to State.

Related parties of the Department include:

- all Ministers and their close family members, and their controlled or jointly controlled entities;
- all senior officers and their close family members, and their controlled or jointly controlled entities;
- other departments and statutory authorities, including their related bodies, that are included in the whole of government consolidated financial statements;
- associates and joint ventures of an entity that are included in the whole of Government consolidated financial statements; and
- the Government Employees Superannuation Board (GESB).

### Significant transactions with Government-related entities

Significant transactions include:

- staff housing costs to the Department of Housing (Note 6);
- superannuation payments to GESB (Note 6);
- supplies and services (Note 8); includes
  - Department of Child Protection - \$205,531
  - Department of Aboriginal Affairs - \$50,000
  - Department of Finance - \$162,777
  - Department of Finance State Fleet - \$174,459
  - Department of Health - \$90,000

- Department of Parks & Wildlife - \$150,000
- Goldfields Esperance Development Commission - \$116,435
- Great Southern Development Commission - \$64,002
- Peel Development Commission - \$198,817
- Wheatbelt Development Commission - \$662,700
- accommodation lease payment to Department of Finance (Note 11);
- grant payments (Note 12); includes
  - Department of Housing - \$767,787
  - Goldfields Esperance Development Commission - \$466,325;
  - Wheatbelt Development Commission - \$120,000
- user charges and fees received from the Department of Lands and Regional Development Commissions for the provision of corporate services (Note 15);
- services received free of charge from the Department of Finance and State Solicitors Office (Note 18);
- Royalties for Regions Fund (Note 18);
- service appropriation (Note 18); and
- services provided free of charge (Note 33);

### Material transactions with related parties

The Department had no material related party transaction with Ministers/senior officers or their close family members or their controlled (or jointly controlled) entities for disclosure.

## Note 15. User charges and fees

	2017	2016
	\$000	(restated) \$000
Provision of Corporate Services: <sup>(a)</sup>		
Department of Lands	995	3,334
Gascoyne Development Commission	61	60
Goldfields Esperance Development Commission	136	134
Great Southern Development Commission	55	50
Kimberley Development Commission	134	100
Mid West Development Commission	53	53
Peel Development Commission	59	58
Pilbara Development Commission	150	147
South West Development Commission	53	53
Wheatbelt Development Commission	59	59
Other	7	1
	<b>1,762</b>	<b>4,049</b>

<sup>(a)</sup> Fees charged to agencies under a service level agreement for the provision of corporate services.

## Note 16. Commonwealth grants and contributions

	2017	2016
	\$000	\$000
Indian Ocean Territories <sup>(a)</sup>	110	115
	<b>110</b>	<b>115</b>
Opening balances	7	-
Plus: Gross receipts	110	115
	117	115
Less: Gross payments	102	108
Closing balances	<b>15</b>	<b>7</b>

<sup>(a)</sup> The Agreement pursuant to Section 23 of the *Financial Management Act 2006*, between the Treasurer and the Accountable Officer provides for the retention of monies received by the Department of the Commonwealth in respect of the Indian Ocean Territories. Revenue retained pursuant to this agreement is to be applied to the Department's Services. Monies received by the Department in respect of the services provided shall be credited to the Department's operating account.

The Department has a Service Delivery Arrangement with the Commonwealth Department of Regional Australia, Local Government, Arts and Sport whereby it provides the same level of support and advice to the Shires of Christmas Island and Cocos (Keeling) Islands as it provides to Western Australian local governments. These local governments are Indian Ocean Territories, however, they operate under the auspices of the *WA Local Government Act 1995*. Under a special arrangement, the Australian Minister for Local Government and Territories is the designated Minister under that Act.

## Note 17. Other revenue

	2017	2016
	\$000	\$000
Interest revenue <sup>(a)</sup>	531	595
Receipt from Landcorp <sup>(b)</sup>	-	11,870
Other revenue	272	813
Transfer of funds from Regional Reform Fund – Administered	170	-
	<b>973</b>	<b>13,278</b>

<sup>(a)</sup> Interest revenue relates to a finance lease agreement with the Baiyungu Aboriginal Corporation.

<sup>(b)</sup> Ord East Kimberley expansion project funds of \$11,870,000 was transferred from Landcorp to the Department as the lead agency of the project during the year ended 30 June 2016.

## Note 18. Income from State Government

	2017	2016
	\$000	\$000
Appropriation received during the period:		
Service appropriation <sup>(a)</sup>	6,435	7,092
	<b>6,435</b>	<b>7,092</b>
Services received free of charge from other State government agencies during the period:		
Department of Finance – Government Accommodation	222	335
State Solicitor's Office – Legal Services Charges	42	37
	<b>264</b>	<b>372</b>
Royalties for Regions Fund:		
Country Local Government Fund <sup>(b)</sup>	-	3,333
Regional Community Services Account <sup>(b)</sup>	22,807	15,726
Regional Infrastructure and Headwork Account <sup>(b)</sup>	23,295	185,087
Regional and Statewide Initiatives <sup>(b)</sup>	24,323	27,055
	<b>70,425</b>	<b>231,201</b>
	<b>77,124</b>	<b>238,665</b>

<sup>(a)</sup> 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 budgeted depreciation expense for the year and any agreed increase in leave liabilities during the year.

<sup>(b)</sup> This is a sub-fund within the over-arching 'Royalties for Regions Fund'. The recurrent funds are committed to projects and programs in WA regional areas.

## Note 19. Restricted cash and cash equivalents

	2017 \$000	2016 \$000
<u>Current</u>		
Royalties for Regions Fund <sup>(a)</sup>	44,651	32,457
Colocation Fund	570	980
Recurrent grants <sup>(b)</sup>	579	605
<b>Total current</b>	<b>45,800</b>	<b>34,042</b>
<u>Non-current</u>		
Accrued salaries suspense account <sup>(c)</sup>	64	-
<b>Total non-current</b>	<b>64</b>	<b>-</b>

<sup>(a)</sup> Unspent funds are committed to projects and programs in WA regional areas.

<sup>(b)</sup> Unspent funds received from Commonwealth and State Government

<sup>(c)</sup> Funds held in the suspense account used only for the purpose of meeting the 27th pay in a financial year that occurs every 11 years.

## Note 20. Receivables

	2017 \$000	2016 \$000
<u>Current</u>		
Receivables	218	289
GST Receivable	1,063	14,491
Other debtors	12	2
<b>Total current</b>	<b>1,293</b>	<b>14,782</b>

The Department does not hold any collateral or other credit enhancements as security for receivables.

## Note 21. Amounts receivable for services (Holding Account)

	2017 \$000	2016 \$000
Non-current	10,930	8,322
	<b>10,930</b>	<b>8,322</b>

Represents the non-cash component of service appropriations. It is restricted in that it can only be used for asset replacement or payment of leave liability.

## Note 22. Other assets

	2017	2016
	\$000	\$000
<u>Current</u>		
Prepayments	309	675
Lease prepayments <sup>(a)</sup>	2,418	2,418
<b>Total current</b>	<b>2,727</b>	<b>3,093</b>
<u>Non-Current</u>		
Lease prepayments <sup>(a)</sup>	5,441	7,860
<b>Total non-current</b>	<b>5,441</b>	<b>7,860</b>

<sup>(a)</sup> The Department of Regional Development, on behalf of the State, has entered into a lease agreement with the Baiyungu Aboriginal Corporation. The lease is in relation to the Royalties for Regions funded Coral Bay Services Workers Accommodation project. The lease is a 10 year lease that expires in 2020.

At the end of the lease, the workers accommodation will be transferred to the Baiyungu Aboriginal Corporation unless advised otherwise within 3 months from lease expiry. The value of the building has been recognised as a prepayment and will be expensed annually up to the lease expiry date.

## Note 23. Property, plant and equipment

	2017	2016
	\$000	\$000
<u>Land</u>		
At fair value <sup>(a)</sup>	539	-
	539	-
<u>Buildings</u>		
At fair value <sup>(a)</sup>	8,845	9,440
	8,845	9,440
<u>Office equipment</u>		
At cost	97	97
Accumulated depreciation	(79)	(69)
	18	28
<u>Computer hardware</u>		
At cost	1,607	1,600
Accumulated depreciation	(1,513)	(1,207)
	94	393
<u>Furniture and fittings</u>		
At cost	240	240
Accumulated depreciation	(110)	(87)
	130	153

	<b>2017</b>	<b>2016</b>
	<i>\$000</i>	<i>\$000</i>
<u>Communications</u>		
At cost	65	65
Accumulated depreciation	(31)	(21)
	34	44
<u>Other equipment</u>		
At cost	6	6
Accumulated depreciation	(6)	(5)
	-	1
<u>Leased improvements</u>		
At cost	14,868	14,868
Accumulated depreciation	(8,827)	(6,968)
	6,041	7,900
	<b>15,701</b>	<b>17,959</b>

<sup>(a)</sup> Land and buildings were revalued as at 1 July 2016 by the Western Australian Land Information Authority (Valuation Services). The valuations were performed during the year ended 30 June 2017 and recognised at 30 June 2017. Fair value of land was determined on the basis of comparison with market value (\$139,100) and the current use of land value (\$400,000). Fair value of buildings was determined on the basis of depreciated replacement cost.

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

## Asset Reconciliation

	Land	Buildings	Office equipment	Computer hardware	Furniture and fittings	Communications	Other equipment	Leased improvements	Total
<b>2017</b>	\$000	\$000	\$000	\$000	\$000	\$000	\$000	\$000	\$000
Carrying amount at start of period	-	9,440	28	393	153	44	1	7,900	17,959
Additions	539	-	-	7	-	-	-	-	546
Transfer from intangible WIP	-	-	-	-	-	-	-	-	-
Depreciation	-	(586)	(10)	(306)	(23)	(10)	(1)	(1,859)	(2,795)
Impairment losses <sup>(a)</sup>	-	(9)	-	-	-	-	-	-	(9)
Carrying amount at end of period	<b>539</b>	<b>8,845</b>	<b>18</b>	<b>94</b>	<b>130</b>	<b>34</b>	<b>-</b>	<b>6,041</b>	<b>15,701</b>

	Land	Buildings	Office equipment	Computer hardware	Furniture and fittings	Communications	Other equipment	Leased improvements	Total
<b>2016</b>	\$000	\$000	\$000	\$000	\$000	\$000	\$000	\$000	\$000
Carrying amount at start of period	-	12,034	23	439	176	2	2	9,758	22,434
Additions	-	-	13	109	-	44	-	-	166
Transfer from intangible WIP	-	-	-	336	-	-	-	-	336
Depreciation	-	(697)	(8)	(491)	(23)	(2)	(1)	(1,858)	(3,080)
Impairment losses <sup>(a)</sup>	-	(1,897)	-	-	-	-	-	-	(1,897)
Carrying amount at end of period	<b>-</b>	<b>9,440</b>	<b>28</b>	<b>393</b>	<b>153</b>	<b>44</b>	<b>1</b>	<b>7,900</b>	<b>17,959</b>

<sup>(a)</sup> Recognised in the Statement of Comprehensive Income as there was no previously recognised revaluation surplus. Where a previously revalued asset is written down to recoverable amount, the loss is recognised as a revaluation decrement in other comprehensive income

## Note 24. Fair value measurements

	Level 1	Level 2	Level 3	Fair Value at end of period
	\$000	\$000	\$000	\$000
<b>Assets measured at fair value :</b>				
<b>2017</b>				
Land (see Note 23)	-	139	400	539
Buildings (see Note 23)	-	-	8,845	8,845
	<b>-</b>	<b>139</b>	<b>9,245</b>	<b>9,384</b>
	Level 1	Level 2	Level 3	Fair Value at end of period
	\$000	\$000	\$000	\$000
<b>Assets measured at fair value :</b>				
<b>2016</b>				
Land (see Note 23)	-	-	-	-
Buildings (see Note 23)	-	-	9,440	9,440
	<b>-</b>	<b>-</b>	<b>9,440</b>	<b>9,440</b>

There were no transfers between Levels 1, 2 or 3 during the current and previous periods.

### Valuation techniques to derive Level 2 fair values

Level 2 fair values of Land are derived using the market approach. Market evidence of sales prices of comparable land in close proximity is used to determine price per square metre.

### Fair value measurements using significant unobservable inputs (Level 3)

	2017 Land	2017 Buildings
	\$000	\$000
Fair value at start of period	-	9,440
Additions	400	-
Revaluations increments/(decrements) recognised in Profit or Loss	-	(9)
Revaluations increments/(decrements) recognised in Other Comprehensive Income	-	-
Transfers (from/(to) Level 2)	-	-
Disposals	-	-
Depreciation Expense	-	(586)
<b>Fair Value at end of period</b>	<b>400</b>	<b>8,845</b>
Total gains or losses for the period included in profit or loss, under 'Other Gains'	-	-

	2016 Lands \$000	2016 Buildings \$000
Fair value at start of period	-	12,034
Additions	-	-
Revaluations increments/(decrements) recognised in Profit or Loss	-	(1,897)
Revaluations increments/(decrements) recognised in Other Comprehensive Income	-	-
Transfers (from/(to) Level 2)	-	-
Disposals	-	-
Depreciation Expense	-	(697)
<b>Fair Value at end of period</b>	<b>-</b>	<b>9,440</b>
Total gains or losses for the period included in profit or loss, under 'Other Gains'	-	-

### Valuation processes

There were no changes in valuation techniques during the period.

Transfers in and out of a fair value level are recognised on the date of the event or change in circumstances that caused the transfer. Transfers are generally limited to assets newly classified as non-current assets held for sale as Treasurer's instructions require valuations of land, buildings and infrastructure to be categorised within Level 3 where the valuations will utilise significant Level 3 inputs on a recurring basis.

### Land (Level 3 fair values)

Fair value for restricted use land is based on comparison with market evidence for land with low level utility (high restricted use land). The relevant comparators of land with low level utility is selected by the Western Australian Land Information Authority (Valuation Services) and represents the application of a significant Level 3 input in this valuation methodology. The fair value measurement is sensitive to values of comparator land, with higher values of comparator land correlating with higher estimated fair values of land.

### Buildings (Level 3 fair values)

Fair value for existing use specialised buildings and infrastructure assets is determined by reference to the cost of replacing the remaining future economic benefits embodied in the asset, i.e. the depreciated replacement cost. Depreciated replacement cost is the current replacement cost of an asset less accumulated depreciation calculated on the basis of such cost to reflect the already consumed or expired economic benefit, or obsolescence, and optimisation (where applicable) of the asset. Current replacement cost is generally determined by reference to the market observable replacement cost of a substitute asset of comparable utility and the gross project size specifications.

Valuation using depreciation replacement cost utilises the significant Level 3 input, consumed economic benefit/obsolescence of asset which is estimated by the Western Australian Land Information Authority (Valuation Services). The fair value measurement is sensitive to the estimate of consumption/obsolescence, with higher values of the estimate correlating with lower estimated fair values of buildings and infrastructure.

## Note 25. Intangible assets

	2017 \$000	2016 \$000
<u>Computer software</u>		
At cost	5,480	5,668
Accumulated amortisation	(5,148)	(4,408)
	332	1,260
<u>Work in progress <sup>(a)</sup></u>		
At cost	162	216
	<b>494</b>	<b>1,476</b>
<b>Reconciliation:</b>		
<u>Computer software</u>		
Carrying amount at start of period	1,260	763
Transfer from work in progress	-	2,922
Additions	139	-
Transfer out (see Note 33)	(96)	-
Derecognised to expense (see Note 13)	(43)	-
Amortisation expense	(928)	(2,425)
<b>Carrying amount at end of period</b>	<b>332</b>	<b>1,260</b>

	2017 \$000	2016 \$000
<u>Work in progress <sup>(a)</sup></u>		
Carrying amount at start of period	216	3,799
Additions	-	228
Transfer to computer software	-	(2,922)
Transfer to computer hardware	-	(336)
Derecognised to expense (see Note 13)	(54)	(553)
Amortisation expense	-	-
<b>Carrying amount at end of period</b>	<b>162</b>	<b>216</b>
	<b>494</b>	<b>1,476</b>

<sup>(a)</sup> Works in progress includes the recognition of costs for the development of computer software.

## Note 26. Impairment of assets

There were no indications of impairment to property, plant and equipment or intangible assets at 30 June 2017.

During the year ended 30 June 2017, Landgate has assessed the fair value of the Garrjang Workers' Accommodation Village situated at Lot 501 Victoria Highway, Kununurra at \$8,845,000 (2016 - \$9,440,000). Consequently the carrying value of this asset was written down by \$9,407 (2016 - \$1,897,000). See also Note 13. 'Other expenses'.

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

## Note 27. Payables

	2017 \$000	2016 \$000
<u>Current</u>		
Trade payables	45	71
Accrued expenses	368	102
Accrued salaries	64	-
<b>Total current</b>	<b>477</b>	<b>173</b>

See also Note 2(q) 'Payables' and Note 38 'Financial instruments'.

## Note 28. Borrowings

### Current

Finance lease liabilities

### **Total current**

### Non-Current

Finance lease liabilities

### **Total non-current**

	2017 \$000	2016 \$000
Finance lease liabilities	2,447	2,397
<b>Total current</b>	<b>2,447</b>	<b>2,397</b>
Finance lease liabilities	5,893	8,340
<b>Total non-current</b>	<b>5,893</b>	<b>8,340</b>

See Note 22 (a) 'Other current assets' and Note 34 'Commitments'.

## Note 29. Provisions

	2017	2016
	\$000	\$000
<u>Current</u>		
<i>Employee benefits provision</i>		
Annual leave <sup>(a)</sup>	1,334	1,283
Long service leave <sup>(b)</sup>	1,717	2,020
Purchased leave <sup>(c)</sup>	36	28
	3,087	3,331
<i>Other provisions</i>		
Employment on-costs <sup>(d)</sup>	40	44
	40	44
	<b>3,127</b>	<b>3,375</b>
<u>Non-current</u>		
<i>Employee benefits provision</i>		
Long service leave <sup>(b)</sup>	955	1,035
Purchased leave <sup>(c)</sup>	7	7
	962	1,042
<i>Other provisions</i>		
Employment on-costs <sup>(d)</sup>	13	14
	13	14
	<b>975</b>	<b>1,056</b>

<sup>(a)</sup> 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  
More than 12 months after the end of the reporting period

<sup>(b)</sup> 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:

Within 12 months of the end of the reporting period  
More than 12 months after the end of the reporting period

<sup>(c)</sup> Purchase 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. Actual settlement of liabilities is expected to occur as follows:

Within 12 months of the end of the reporting period  
More than 12 months of the end of the reporting period

	2017	2016
	\$000	\$000
	919	884
	415	399
	<b>1,334</b>	<b>1,283</b>
	1,963	2,228
	709	827
	<b>2,672</b>	<b>3,055</b>
	43	35
	-	-
	<b>43</b>	<b>35</b>

<sup>(d)</sup> 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 unwinding of the discount (finance cost), is disclosed in Note 13 'Other expenses'.

### Movements in other provisions

Movements in each class of provisions during the period, other than employee benefits, are set out below.

#### Employment on-cost provision

	2017 \$000	2016 \$000
Carrying amount at start of period	58	33
Additional/(reversals of) provisions recognised	(5)	25
Payments/other sacrifices of economic benefits	-	-
<b>Carrying amount at end of period</b>	<b>53</b>	<b>58</b>

### Note 30. Other liabilities

#### Current

	2017 \$000	2016 \$000
Paid parental leave	1	-
	<b>1</b>	<b>-</b>

### Note 31. Equity

The Western Australian 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. The asset revaluation surplus represents that portion of equity resulting from the revaluation of non-current assets.

	2017 \$000	2016 \$000
<b>Contributed equity</b>		
Balance at start of period	63,351	63,351
<u>Contributions by owners</u>		
Capital appropriation	-	-
<u>Other contributions by owners</u>		
Department of Lands - Administered <sup>(a)</sup>	539	-
<b>Total contributions of owners</b>	<b>539</b>	<b>-</b>
<b>Balance at end of period</b>	<b>63,890</b>	<b>63,351</b>
<b>Accumulated surplus/(deficit)</b>		
Balance at start of period	8,842	(3,030)
Result for the period	(3,202)	11,872
<b>Balance at end of period</b>	<b>5,640</b>	<b>8,842</b>
<b>Total Equity at end of period</b>	<b>69,530</b>	<b>72,193</b>

<sup>(a)</sup> Department of Lands Administered transferred parcels of land to the value of \$539,100 to the Department of Regional Development in 2016-17 under a management order for reserve 51265 Garrjang Village.

## Note 32. 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:

	2017 \$000	2016 \$000
Restricted cash and cash equivalents (see Note 19 'Total current')	45,800	34,042
Restricted cash and cash equivalents (see Note 19 'Total non-current')	64	-
	<b>45,864</b>	<b>34,042</b>

### Reconciliation of net cost of services to net cash flows provided by/(used in) operating activities

Net cost of services	(80,326)	(226,793)
----------------------	----------	-----------

#### Non-cash items

Depreciation and amortisation expense (see Note 9 'Depreciation and amortisation expense')	3,723	5,505
Services received free of charge (see Note 18 'Income from State Government')	264	372
Impairment loss	9	1,897
Derecognise intangible asset (see Note 25)	97	550
Finance cost - net interest	21	68
Intangibles - transfer out (see Note 25)	96	-

#### (Increase)/decrease in assets

Current receivables	71	(287)
Other current assets	356	(260)

#### Increase/(decrease) in liabilities

Current payables <sup>(a)</sup>	304	(1,878)
Current provisions	(248)	(267)
Other current liabilities	1	(9)
Non-current provisions	(81)	(120)
Change in GST in receivables/payables <sup>(b)</sup>	13,428	(3,665)

### **Net cash provided by/(used in) operating activities**

<b>(62,285)</b>	<b>(224,887)</b>
-----------------	------------------

<sup>(a)</sup> 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.

<sup>(b)</sup> This reverses out the GST in receivables and payables.

### Note 33. Services or other contributions provided free of charge

During the period the following assets were provided to other agencies free of charge for functions outside the normal operations of the Department:

	2017 \$000	2016 \$000
Department of Culture and the Arts - transfer of software license	96	-
	<u>96</u>	<u>-</u>

### Note 34. Commitments

#### Finance lease commitments

Minimum lease payments commitments in relation to the finance leases are payable as follows:

	2017 \$000	2016 \$000
Within 1 year	2,882	2,949
Later than 1 year and not later than 5 years	6,391	9,273
Later than 5 years	-	-
Minimum finance lease payments	9,273	12,222
Less future finance charges	(933)	(1,485)
<b>Present value of finance lease liabilities</b>	<b><u>8,340</u></b>	<b><u>10,737</u></b>

The present value of finance leases payable is as follows:

	2017 \$000	2016 \$000
Within 1 year	2,447	2,397
Later than 1 year and not later than 5 years	5,893	8,340
Later than 5 years	-	-
<b>Present value of finance lease liabilities</b>	<b><u>8,340</u></b>	<b><u>10,737</u></b>
<b>Included in the financial statements as:</b>		
Current (Note 28 'Borrowings')	2,447	2,397
Non-current (Note 28 'Borrowings')	5,893	8,340
	<b><u>8,340</u></b>	<b><u>10,737</u></b>

The Department of Regional Development, on behalf of the State, has entered into a lease agreement with the Baiyungu Aboriginal Corporation. The lease is in relation to the Royalties for Regions funded Coral Bay Services Workers Accommodation project. The lease is a 10 year lease that expires in 2020. See Note 22 'Other current assets' and Note 28 'Borrowings'.

#### Non-cancellable operating lease commitments

	2017 \$000	2016 \$000
Commitments for minimum lease payments are payable as follows:		
Within 1 year	1,489	1,586
Later than 1 year and not later than 5 years	5,353	5,443
Later than 5 years	3,743	5,163
	<b><u>10,585</u></b>	<b><u>12,192</u></b>

The Department has entered into a property lease which is a non-cancellable lease with a five year term, with rent payable monthly in advance. Contingent rent provisions within the lease agreement require that the minimum lease payments shall increase by the lower of CPI or 4% per annum. An option exists to renew the lease at the end of the five year term for an additional term of five years.

The commitments values are exclusive of GST.

### **Other expenditure commitments**

The Department has no other expenditure commitments as at the 30 June 2017.

## **Note 35. Contingent liabilities and contingent assets**

At the reporting date, the Department has no contingent liabilities or contingent assets.

## **Note 36. Events occurring after the end of the reporting period**

On 28 April 2017, the Premier of Western Australia announced significant changes to the public sector aimed at creating collaborative departments focused on whole-of-Government objectives. As of the 1 July 2017, the Departments of Agriculture and Food, Fisheries, and Regional Development amalgamated to establish the Department of Primary Industries and Regional Development (DPIRD). Staff (excluding the CEO's and Board Members) from the nine Regional Development Commissions transferred to the new Department, although the Regional Development commissions remain as legal entities.

## Note 37. Explanatory statement

All variances between estimates (original budget) and actual results for 2017, and between the actual results for 2017 and 2016 are shown below. Narratives are provided for key variations selected from observed major variances, which are generally greater than:

\* 5% and \$1.8 million for the Statements of Comprehensive Income and Cash Flows; and,

\* 5% and \$1.1 million for the Statement of Financial Position

	Variance Note	Estimate 2017 \$000	Actual 2017 \$000	Actual 2016 \$000	Variance between estimated and actual \$000	Variance between actual results for 2017 and 2016 \$000
<b>Statement of Comprehensive Income</b>						
<b>Expenses</b>						
Employee benefits expense	A	20,363	21,969	20,161	1,606	1,808
Supplies and services	1	27,267	22,871	23,628	(4,396)	(757)
Depreciation and amortisation expense		2,654	3,723	5,505	1,069	(1,782)
Finance cost		552	552	663	-	(111)
Accommodation expenses		1,606	2,261	2,202	655	59
Grants and subsidies	2,B	35,584	31,424	186,307	(4,160)	(154,883)
Other expenses	3,C	2,278	371	5,769	(1,907)	(5,398)
<b>Total cost of services</b>		<b>90,304</b>	<b>83,171</b>	<b>244,235</b>	<b>(7,133)</b>	<b>(161,064)</b>
<b>Income</b>						
Revenue						
User charges and fees	D	2,015	1,762	4,049	(253)	(2,287)
Commonwealth grants and contributions		380	110	115	(270)	(5)
Other revenue	E	1,014	973	13,278	(41)	(12,305)
<b>Total Revenue</b>		<b>3,409</b>	<b>2,845</b>	<b>17,442</b>	<b>(564)</b>	<b>(14,597)</b>
<b>Total income other than income from State Government</b>		<b>3,409</b>	<b>2,845</b>	<b>17,442</b>	<b>(564)</b>	<b>(14,597)</b>
<b>NET COST OF SERVICES</b>		<b>86,895</b>	<b>80,326</b>	<b>226,793</b>	<b>(6,569)</b>	<b>(146,467)</b>

	Variance Note	Estimate 2017 \$000	Actual 2017 \$000	Actual 2016 \$000	Variance between estimated and actual \$000	Variance between actual results for 2017 and 2016 \$000
<b>Income from State Government</b>						
Service appropriation		6,435	6,435	7,092	-	(657)
Services received free of charge		205	264	372	59	(108)
Royalties for Regions Fund	F	70,758	70,425	231,201	(333)	(160,776)
Grants received from Other State Agencies		-	-	-	-	-
<b>Total income from State Government</b>		<b>77,398</b>	<b>77,124</b>	<b>238,665</b>	<b>(274)</b>	<b>(161,541)</b>
<b>SURPLUS/(DEFICIT) FOR THE PERIOD</b>		<b>(9,497)</b>	<b>(3,202)</b>	<b>11,872</b>	<b>6,295</b>	<b>(15,074)</b>
<b>Statement of Financial Position</b>						
<b>ASSET</b>						
<b>Current Assets</b>						
Restricted cash and cash equivalents	4,G	13,993	45,800	34,042	31,807	11,758
Receivables	H	846	1,293	14,782	447	(13,489)
Other current assets		2,817	2,727	3,093	(90)	(366)
<b>Total Current Assets</b>		<b>17,656</b>	<b>49,820</b>	<b>51,917</b>	<b>32,164</b>	<b>(2,097)</b>
<b>Non-Current Assets</b>						
Restricted cash and cash equivalents		-	64	-	64	64
Amounts receivable for services	I	10,930	10,930	8,322	-	2,608
Property, plant and equipment	5,J	17,831	15,701	17,959	(2,130)	(2,258)
Intangible assets	6	3,799	494	1,476	(3,305)	(982)
Other non-current assets	K	5,442	5,441	7,860	(1)	(2,419)
<b>Total Non-Current Assets</b>		<b>38,002</b>	<b>32,630</b>	<b>35,617</b>	<b>(5,372)</b>	<b>(2,987)</b>
<b>TOTAL ASSETS</b>		<b>55,658</b>	<b>82,450</b>	<b>87,534</b>	<b>26,792</b>	<b>(5,084)</b>

	Variance Note	Estimate 2017 \$000	Actual 2017 \$000	Actual 2016 \$000	Variance between estimated and actual \$000	Variance between actual results for 2017 and 2016 \$000
<b>LIABILITIES</b>						
<b>Current Liabilities</b>						
Payables	7	1,704	477	173	(1,227)	304
Borrowings		2,453	2,447	2,397	(6)	50
Provisions		3,617	3,127	3,375	(490)	(248)
Other current liabilities		278	1	-	(277)	1
<b>Total Current Liabilities</b>		<b>8,052</b>	<b>6,052</b>	<b>5,945</b>	<b>(2,000)</b>	<b>107</b>
<b>Non-Current Liabilities</b>						
Borrowings	L	5,888	5,893	8,340	5	(2,447)
Provisions		1,168	975	1,056	(193)	(81)
Other		8	-	-	(8)	-
<b>Total Non-Current Liabilities</b>		<b>7,064</b>	<b>6,868</b>	<b>9,396</b>	<b>(196)</b>	<b>(2,528)</b>
<b>TOTAL LIABILITIES</b>		<b>15,116</b>	<b>12,920</b>	<b>15,341</b>	<b>(2,196)</b>	<b>(2,421)</b>
<b>NET ASSETS</b>		<b>40,542</b>	<b>69,530</b>	<b>72,193</b>	<b>28,988</b>	<b>(2,663)</b>
<b>EQUITY</b>						
Contributed equity		63,702	63,890	63,351	188	539
Accumulated surplus/(deficit)		(23,160)	5,640	8,842	28,800	(3,202)
<b>TOTAL EQUITY</b>		<b>40,542</b>	<b>69,530</b>	<b>72,193</b>	<b>28,988</b>	<b>(2,663)</b>

	Variance Note	Estimate 2017 \$000	Actual 2017 \$000	Actual 2016 \$000	Variance between estimated and actual \$000	Variance between actual results for 2017 and 2016 \$000
<b>Statement of Cash Flow</b>						
<b>CASH FLOWS FROM STATE GOVERNMENT</b>						
Service appropriation		3,827	3,827	3,721	-	106
Royalties for Regions Fund	M	71,145	70,425	231,201	(720)	(160,776)
<b>Net cash provided by State Government</b>		<b>74,972</b>	<b>74,252</b>	<b>234,922</b>	<b>(720)</b>	<b>(160,670)</b>
Utilised as follows:						
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>						
<b>Payments</b>						
Employee benefits	8	(19,988)	(22,232)	(21,011)	(2,244)	(1,221)
Supplies and services	9,N	(26,378)	(21,887)	(24,410)	4,491	2,523
Accommodation		(1,874)	(2,261)	(2,202)	(387)	(59)
Grants and subsidies	10,O	(35,584)	(31,424)	(186,307)	4,160	154,883
GST payments on purchases	11,P	(10,821)	(5,459)	(20,894)	5,362	15,435
Other payments	12,Q	(2,910)	(308)	(3,872)	2,602	3,564
<b>Receipts</b>						
User charges and fees		2,015	1,762	3,212	(253)	(1,450)
Commonwealth grants and contributions		380	110	115	(270)	(5)
GST receipts on sales		-	322	1,652	322	(1,330)
GST receipts from taxation authority	13,R	10,821	18,589	15,581	7,768	3,008
Other receipts	S	483	503	13,249	20	(12,746)
<b>Net cash provided by/(used in) operating activities</b>		<b>(83,856)</b>	<b>(62,285)</b>	<b>(224,887)</b>	<b>21,571</b>	<b>162,602</b>

Variance Note	Estimate 2017 \$000	Actual 2017 \$000	Actual 2016 \$000	Variance between estimated and actual \$000	Variance between actual results for 2017 and 2016 \$000
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>					
<b>Payments</b>					
Purchase of non-current assets	(737)	(7)	(166)	730	159
Purchase of intangible asset	-	(138)	(227)	(138)	89
<b>Net cash provided by/(used in) investing activities</b>	<b>(737)</b>	<b>(145)</b>	<b>(393)</b>	<b>592</b>	<b>248</b>
Net increase/(decrease) in cash and cash equivalents	(9,621)	11,822	9,642	21,443	2,180
Cash and cash equivalents at the beginning of the period	23,617	34,042	24,399	10,425	9,643
<b>CASH AND CASH EQUIVALENTS AT THE END OF THE PERIOD</b>	<b>13,996</b>	<b>45,864</b>	<b>34,041</b>	<b>31,868</b>	<b>11,823</b>

### Major Estimate and Actual (2017) Variance Narratives for Controlled Operations

- Supplies and Services was lower than estimates by \$4.4 million (16%) due to the Department not spending funds on operational initiatives such as the Regional Development Action Plan, Regional Services Reform Unit and Community Resource Network.
- Grants and Subsidies was lower than estimates by \$4.2 million (11.7%) predominantly due to reallocation of budget of various initiatives approved at Mid Year Review.
- Other expenses was lower than estimates by \$1.9 million (83.7%) predominantly due to a number of expenditure items being reported under supplies and services.
- Restricted cash and cash equivalents exceeded estimates by \$31.8 million predominantly due to return of Royalties of Regions fund from Landcorp for Ord East Kimberley Expansion project which was not included in the original budget but was recognised in the budget at Mid Year Review.
- Property, plant and equipment was lower than estimates by \$2.1 million (12%) due to impairment loss of Garrjang Workers' Accommodation Village buildings in June 2016.
- Intangible assets was lower than estimates by \$3.3 million (87%) due to increase of accumulated amortisation related to the implementation of Information System project.
- Payments to trade creditors being processed on the last day of the financial year resulted in a lower than expected payables amount of \$1.2 million (72%).
- Employee benefits exceeded estimates by \$2.2 million (11%) predominantly due to severance payment of \$1.6 million paid in 2016–17 and additional salaries for WA Open for Business unit.

9. Supplies and services was lower than estimates by \$4.5 million (17%) predominantly due to the Department not spending funds on operational initiatives such as the Regional Development Action Plan, Regional Services Reform Unit and Community Resource Networks.
10. Grants and Subsidies was lower than estimates by \$4.2 million (12%) predominantly due to reallocation of budget of various initiatives approved at Mid Year Review.
11. GST payment on purchases was lower than estimates by \$5.4 million (50%) due to lower trade payables than anticipated in June 2017.
12. Other payments was lower than estimates by \$2.6 million (89%) predominantly due to a number of expenditure items being reported under supplies and services.
13. GST receipts from taxation authority exceeded estimates by \$7.8 million (72%) predominantly due to GST received from ATO in July 2016 related to grants paid in June 2016.

### **Major Actual (2017) and Comparative (2016) Variance Narratives for Controlled Operations**

- A. Employee benefits increased by \$1.8 million (9%) predominantly due to severance payment of \$1.26 million paid in 2016-17.
- B. Grants and subsidies decreased by \$154.9 million predominantly due to large grants expenditure spent on Growing Our South, Goldfields Esperance Revitalisation and Midwest Revitalisation project in 2015-16.
- C. Other expenses decreased by \$5.4 million (94%) due to return of Royalties for Regions fund to Department of Treasury of \$3.7 million and impairment loss of \$1.9 million in 2015-16.
- D. User charges and fees decreased by \$2.3 million (56%) due to decrease in revenue from Service Level Agreement with Department of Lands (DoL) received in 2016-17. DoL ceased using the Department's finance and human resources services during the year.
- E. Other revenue decreased by \$12.3 million mainly due to return of Royalties of Regions fund from Landcorp for Ord East Kimberley Expansion Project of \$11.87 million received in 2015-16.
- F. Royalties for Regions fund decreased by \$160.8 million (70%) mainly due to funds received in 2015-16 related to Growing our South, Goldfields Esperance Revitalisation and Midwest Revitalisation project.
- G. Restricted cash and cash equivalents increased by \$11.8 million mainly due to the Department not spending on initiatives such as Regional Development Action Plan, Regional Services Reform Unit and Community Resource Network.
- H. Receivables decreased by \$13.5 million due to GST receivables on invoice payments of \$14.5 million incurred in June 2016.
- I. Amount receivables for services increased by \$2.6 million due to the recognition of accrual appropriation notional expenditure for depreciation and amortisation on capitalised assets.
- J. Property, plant and equipment decreased by \$2.3 million due to depreciation expense (see also Note 23).
- K. Other non-current assets decreased by \$2.4 million due to decrease in lease prepayments to the Baiyungu Aboriginal Corporation in relation to the Royalties for Regions funded Coral Bay Services Workers Accommodation project.
- L. Borrowings decreased by \$2.4 million (29%) due to decrease in lease prepayments to the Baiyungu Aboriginal Corporation in relation to the Royalties for Regions funded Coral Bay Services Workers Accommodation project.
- M. Royalties for Regions fund decreased by \$160.8 million (70%) mainly due to funds received in 2015-16 related to Growing our South, Goldfields Esperance Revitalisation and Midwest Revitalisation project.
- N. Supplies and services decreased by \$2.5 million (10%) mainly due to the Department not spending funds on operational initiatives such as the Regional Development Action Plan and ICT capital projects.
- O. Grants and subsidies decreased by \$154.9 million predominantly due to large grants expenditure spent on Growing Our South, Goldfields Esperance Revitalisation and Midwest Revitalisation project in 2015-16.

- P. GST payments on purchases decreased by \$15.4 million (74%) mainly due to high level of invoices paid in June 2016 which resulted in GST payment of \$14.5 million.
- Q. Other payments decreased by \$3.6 million (92%) mainly due to return of Royalties for Regions fund to Department of Treasury of \$3.7 million.
- R. GST receipts from taxation authority increased by \$3 million (19%) due to GST received from ATO in July 2016 related to grants paid in June 2016.
- S. Other receipts increased by \$12.8 million due to the return of Royalties for Regions fund from Landcorp for Ord East Kimberley Expansion Project of \$11.87 million received in 2015–16.

## Note 38. Financial instruments

### (a) Financial risk management objectives and policies

Financial instruments held by the Department are restricted cash and cash equivalents, receivables, payables and finance lease/borrowings. 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 those assets inclusive of any allowance for impairment as shown in the table at Note 38 (c) 'Financial instrument disclosures' and Note 20 'Receivables'.

Credit risk associated with the Department's financial assets is minimal because the main receivable is the amounts receivable for services (holding account). For receivables other than government, the Department trades only with recognised, creditworthy third parties. The Department has policies in place to ensure that 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.

#### 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.

#### 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 value of its holdings of financial instruments. The Department does not trade in foreign currency and is not materially exposed to other price risks.

### (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:

	2017 \$000	2016 \$000
<u>Financial Assets</u>		
Restricted cash and cash equivalents	45,864	34,042
Loans and receivables <sup>(a)</sup>	230	291
Amounts receivable for services	10,930	8,322
Lease prepayments	7,859	10,278
<u>Financial Liabilities</u>		
Financial liabilities measured at amortised cost	8,817	10,910

<sup>(a)</sup> The amount of loans and receivables excludes GST recoverable from the ATO (statutory receivable).

## (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

	Carrying Amount \$000	Not past due and not impaired \$000	Past due but not impaired					Impaired financial assets \$000
			Up to 1 months \$000	1-3 months \$000	3 month to 1 year \$000	1-5 years \$000	More than 5 years \$000	
<b>2017</b>								
Restricted cash and cash equivalents	45,864	45,864	-	-	-	-	-	-
Receivables <sup>(a)</sup>	230	48	182	-	-	-	-	-
Amounts receivable for services	10,930	10,930	-	-	-	-	-	-
	<b>57,024</b>	<b>56,842</b>	<b>182</b>	-	-	-	-	-
<b>2016</b>								
Restricted cash and cash equivalents	34,042	34,042	-	-	-	-	-	-
Receivables <sup>(a)</sup>	291	89	5	197	-	-	-	-
Amounts receivable for services	8,322	8,322	-	-	-	-	-	-
	<b>42,655</b>	<b>42,453</b>	<b>5</b>	<b>197</b>	-	-	-	-

<sup>(a)</sup> The amount of receivables excludes the GST recoverable from the ATO (statutory receivable).

**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 exposure and maturity analysis of financial assets and financial liabilities**

	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
<b>2017</b>											
<u>Financial Assets</u>											
Restricted cash and cash equivalents	-	45,864	-	-	45,864	45,864	45,800	-	-	-	64
Receivables <sup>(a)</sup>	-	230	-	-	230	230	230	-	-	-	-
Amounts receivable for services	-	10,930	-	-	10,930	10,930	-	-	-	-	10,930
Lease Prepayment	5.09	7,859	7,859	-	-	9,272	240	480	2,161	6,391	-
		<b>64,883</b>	<b>7,859</b>	<b>-</b>	<b>57,024</b>	<b>66,296</b>	<b>46,270</b>	<b>480</b>	<b>2,161</b>	<b>6,391</b>	<b>10,994</b>
<u>Financial Liabilities</u>											
Payables	-	477	-	-	477	477	477	-	-	-	-
Finance lease liabilities	6.28	8,340	8,340	-	-	9,272	240	480	2,161	6,391	-
		<b>8,817</b>	<b>8,340</b>	<b>-</b>	<b>477</b>	<b>9,749</b>	<b>717</b>	<b>480</b>	<b>2,161</b>	<b>6,391</b>	<b>-</b>

<sup>(a)</sup> The amount of receivables excludes the GST recoverable from the ATO (statutory receivable).

**Interest rate sensitivity analysis**

None of the Department's financial assets and financial liabilities at the end of the reporting period are sensitive to movements in interest rates (fixed interest rates), hence movements in the interest rates have no bottom line impact on the Department's surplus or equity.

### 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 exposure and maturity analysis of financial assets and financial liabilities

	Weighted Average Effective Interest Rate %	Carrying Amount \$000	Interest rate exposure			Maturity Dates					
			Fixed interest rate \$000	Variable interest rate \$000	Non-Interest Bearing \$000	Nominal Amount \$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
<b>2016</b>											
<u>Financial Assets</u>											
Restricted cash and cash equivalents	-	34,042	-	-	34,042	34,042	34,042	-	-	-	-
Receivables <sup>(a)</sup>	-	291	-	-	291	291	291	-	-	-	-
Amounts receivable for services	-	8,322	-	-	8,322	8,322	-	-	-	-	8,322
Lease Prepayment	5.09	10,278	10,278	-	-	12,222	246	492	2,212	9,272	-
		<b>52,933</b>	<b>10,278</b>	<b>-</b>	<b>42,655</b>	<b>54,877</b>	<b>34,579</b>	<b>492</b>	<b>2,212</b>	<b>9,272</b>	<b>8,322</b>
<u>Financial Liabilities</u>											
Payables	-	173	-	-	173	173	173	-	-	-	-
Finance lease liabilities	6.28	10,737	10,737	-	-	12,222	246	492	2,212	9,272	-
		<b>10,910</b>	<b>10,737</b>	<b>-</b>	<b>173</b>	<b>12,395</b>	<b>419</b>	<b>492</b>	<b>2,212</b>	<b>9,272</b>	<b>-</b>

<sup>(a)</sup> The amount of receivables excludes the GST recoverable from the ATO (statutory receivable).

### Interest rate sensitivity analysis

None of the Department's financial assets and financial liabilities at the end of the reporting period are not sensitive to movements in interest rates, hence movements in the interest rates have no bottom line impact on the Department's surplus or equity.

### 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.

## Note 39. Remuneration of auditor

Remuneration paid or payable to the Auditor General in respect of the audit for the current financial year is as follows:

	2017	2016
	\$000	\$000
Auditing the accounts, financial statements and key performance indicators	137	135
	<b>137</b>	<b>135</b>

## Note 40. Related bodies

The Department had no related bodies during the financial year 2016–17.

## Note 41. Affiliated bodies

The Community Resource Centre Network is an affiliated body that received administrative support through contracts for service for \$10,130,551 (2016 \$10,405,335) and grant funding of \$2,060,423 (2016 \$1,858,295) from the Department. The Community Resource Centres are not subject to operational control by the Department.

## Note 42. Special purpose account (administered)

### Regional Reform Fund Special Purpose Account <sup>(a)</sup>

The purpose of this account is to hold capital and recurrent funds for expenditure on approved Regional Reform Fund projects as authorised by the Treasurer and the Minister, pursuant to section 9(1) (a), (b) and (c) of the *Royalties for Regions Act 2009* to be charged to the Royalties for Regions Fund and credited to the Account.

	2017	2016
	\$000	\$000
Balance at start of period	100,000	50,000
Receipts	-	50,000
Payments	(170)	-
<b>Balance at the end of period <sup>(b)</sup></b>	<b>99,830</b>	<b>100,000</b>

<sup>(a)</sup> Established under section 16(1)(d) of FMA.

## Note 43. Supplementary financial information

### (a) Write-offs

During the financial year \$2,000 (2016: \$0) was written off the Department's asset register under the authority of:

	2017 \$000	2016 \$000
The accountable authority	2	-
The Minister	-	-
	<b>2</b>	<b>-</b>

### (b) Losses through theft, defaults and other causes

There have been no losses of public money and other property through theft or default.

### (c) Gifts of public property

There have been no gifts of public property provided by the Department.

## Note 44. Administered assets and liabilities

	2017 \$000	2016 \$000
<u>Current Assets</u>		
Restricted cash and cash equivalents <sup>(a)</sup>	99,830	100,000
<b>Total Administered Current assets</b>	<b>99,830</b>	<b>100,000</b>
<b>TOTAL ADMINISTERED ASSETS</b>	<b>99,830</b>	<b>100,000</b>
<u>Current Liabilities</u>		
<b>Total Administered Current Liabilities</b>	<b>-</b>	<b>-</b>
<b>TOTAL ADMINISTERED LIABILITIES</b>	<b>-</b>	<b>-</b>

<sup>(a)</sup> See Note 42. 'Special Purpose account (administered)'.

## Note 45. Explanatory Statement for Administered Items

No budget statement estimate for administered items were included in the budget papers.

## Note 46. Disclosure of administered income and expenses by service

	2017	2016
	<i>\$000</i>	<i>\$000</i>
<u>Income</u>		
Regional Reform Fund <sup>(a)</sup>	-	50,000
<b>Total administered income</b>	<b>-</b>	<b>50,000</b>
<u>Expenses</u>		
Employee benefits expense	70	-
Supplies and services	93	-
Other expenses	7	-
<b>Total administered expense</b>	<b>170</b>	<b>-</b>

<sup>(a)</sup> Appropriated from Royalties for Regions Fund.

# Certification of key performance indicators

For the year ended 30 June 2017

I hereby certify that the key performance indicators are based on proper records, are relevant and appropriate for assisting users to assess the Department of Regional Development's performance and fairly represent the performance of the Department for the financial year ended 30 June 2017.



**Cameron Patterson**

Reporting Officer

Department of Regional Development

8 September 2017

# Performance management framework

## Outcome based management framework

Broad government goals are supported at agency level by specific outcomes and services. The following table shows the relationship between the Department's desired outcome and services and the broad government goal it contributes to.

Government goal	Desired outcome	Services
Greater focus on service delivery, infrastructure investment and economic development to improve the overall quality of life in remote and regional areas	Increased capacity of regional communities to develop economic growth and social wellbeing	<ol style="list-style-type: none"><li>1. Regional Investment</li><li>2. Regional Policy</li></ol>

The Department's Outcome Based Management Framework was approved by the Department of Treasury in June 2014. Under this framework, the Department measures its performance through the following agreed key performance indicators. Key effectiveness indicators measure the effectiveness of the Department in achieving the desired outcome. Key efficiency indicators monitor the relationship between the services delivered by the Department and the resources used to produce those services.

<b>Key Effectiveness Indicator</b>	Client satisfaction with regional development services.	
<b>Key Efficiency Indicators</b>	<b>Service 1:</b> Regional Investment	(a) Average cost per funded initiative administered. (b) Average internal cost per satellite site supported.
	<b>Service 2:</b> Regional Policy	(a) Average cost per item of written advice requiring Minister's attention.

A summary of 2016–17 key performance indicator results is provided in the Agency Performance section of this report. More detailed information is included under Disclosures and Legal Compliance.

## Changes to outcome based management framework

The Department's Outcome Based Management Framework did not change during 2016–17.

## Actual results versus budget targets

### Summary of Key Performance Indicators

	2016–17 Target <sup>(1)</sup>	2016–17 Actual	Variation
<i>Outcome 1: Capacity of regional communities to develop economic growth and social wellbeing is increased</i>			
Key Effectiveness Indicator: <b>Client Satisfaction with Regional Development Services</b>	85%	87%	+2%
<i>Service 1: Regional Investment</i>			
Key Efficiency Indicators: <b>(a) Average Cost per Funded Initiative Administered</b>	\$19,564	\$22,157	\$2,593
<b>(b) Average Internal Cost per Satellite Site Supported</b>	\$4,232	\$4,239	\$7
<i>Service 2: Regional Policy</i>			
Key Efficiency Indicator: <b>Average Cost per Item of Written Advice Requiring Minister's Attention</b>	\$12,674	\$11,112	(\$1,562)

<sup>(1)</sup> As specified in the Budget Statements.

## Detailed information in support of key performance indicators

### Desired outcome:

#### Increased Capacity of Regional Communities to Develop Economic Growth and Social Wellbeing

Key to this desired outcome is for increased capacity in facilitating economic development and fostering of local decision making. This is supported by a variety of departmental services aimed to encourage effective, efficient, sustainable and responsible economic development and local decision making to realise regional community growth.

The Department provides a host of regional development services, including:

- Administration of the Royalties for Regions program.
- Advice and support to the Regional Development Commissions, including the support in the development of the Regional Blueprints and secretariat support.
- Westlink Services.
- Community Development, including advice, funding and support to the Community Resource Centres.
- Support in the development and initiation of new government initiatives.

### Effectiveness indicator:

#### Client Satisfaction with Regional Development Services

To determine the effectiveness of the delivery of the Department's regional development services and programs, an independent survey was conducted gathering feedback from a cross section of the Department's clients including the office of the Minister for Regional Development, government departments, local government bodies, businesses, non-government organisations and regional community groups.

211 surveys were completed from 385 valid stakeholders (a response rate of 55%) giving a maximum standard error ratio of +/-4.5% at the 95% confidence level.

Key Effectiveness Indicator	2014–15 Actual	2015–16 Actual	2016–17 Target	2016–17 Actual
Client Satisfaction with Regional Development Services	90%	86%	85%	87% <sup>(1)</sup>

(Notes)

1. The 2016-17 result continues to exceed the Department's targeted client satisfaction rate. The majority of stakeholders indicated that they were satisfied (either very satisfied, satisfied or slightly satisfied) with the performance of the department during this financial year.

## Efficiency indicators:

### Service 1: Regional Investment

This service empowers regional communities to identify their priorities, needs and solutions, and invest Royalties for Regions resources to improve the quality of life in regional Western Australia. We do this by creating new opportunities through funding initiatives that build infrastructure, facilitate economic development and business opportunities, improve community services, increase skills and capability and grow regional communities.

Our regional investment effort seeks to foster local decision making and increase the capacity of regional communities to enhance both economic growth and social wellbeing. This promotes increased sustainability and a sense of community, resulting in a remote and regional Western Australia where people choose to work, stay, live and raise a family.

Our efficiency indicators gauge the cost of providing these services based on measurable units of quantity, including a cost per funded initiative and per satellite site supported.

The number of open funded initiatives is comprised of the number of Royalties for Regions Agreements signed and funds disbursed. These are projects that are actively reporting to the Department on expenditure. The number of satellite sites refers to the number of customers of the Westlink Satellite Network, which provides interactive one-way video and two-way audio communication to remote areas throughout Western Australia.

Key Efficiency Indicators	2014–15 Actual	2015–16 Actual	2016–17 Target	2016–17 Actual
Average Cost per Funded Initiative Administered	\$17,538	\$16,998	\$19,564	\$22,157 <sup>(1)(2)</sup>
Average Internal Cost per Satellite Site Supported	\$3,368	\$4,661	\$4,232	\$4,239 <sup>(3)(4)</sup>

(Notes)

1. The 2016–17 Average Cost per Funded Initiative Administered has increased compared to 2015–16 Actual result due to lower number of initiatives administered this financial year.
2. The variance between 2016–17 Target and Actual was due lower number of initiatives administered this financial year than budgeted.
3. The 2016–17 Average Internal Cost per Satellite Site Supported is on target.
4. The 2016–17 Average Internal Cost per Satellite Site Supported has decreased compared to 2015–16 Actual result due to the increase in numbers of satellite supported in 2016–17.

## Service 2: Regional Policy

This service focuses on delivering effective government policy to support regional development and service delivery. Regional policy business operates across the department and in collaboration with State and Commonwealth Government agencies and other organisations. Regional policy business addresses the challenges and opportunities of living, working and doing business in the regions and we provide advice to the Minister and the Government on how to deliver this.

Average cost is calculated by the internal costs incurred by the areas responsible for regional policy and divided by the tracked number of written advice items requiring the Minister's attention. The number of written advice requiring the Minister's attention comprises the total number of Ministerial correspondence, advice, briefing notes, Cabinet submissions (e.g. Cabinet, Economic and Expenditure Reform Committee, State Budget), media statements, parliamentary questions, contentious issues and media statements submitted to the Minister for Regional Development.

Key Efficiency Indicators	2014–15 Actual	2015–16 Actual	2016–17 Target	2016–17 Actual
Average Cost per Item of Written Advice Requiring Minister's Attention	\$5,657	\$5,974	\$12,674	\$11,112 <sup>(1)(2)</sup>

(Notes)

1. The variance between 2016–17 Target and Actual was due to the decrease of total cost of services for Regional Policy than estimated. There were 1,473 written advice requiring the Minister's attention during the 2016–17 financial year
2. The 2016–17 Actual has increased compared to 2015–16 Actual result due to the increase in total cost of service due to the establishment of the Regional Services Reform Unit and WA Open for Business Unit.

## Ministerial directives

No Ministerial directives were received during the financial year.

## Other financial disclosures

### Pricing policies of services provided

The Department of Regional Development charges for goods and services rendered on a full or partial cost recovery basis. These fees and charges were determined in accordance with the *Costing and Pricing Government Services: Guidelines for use by Agencies in the Western Australian Public Sector* published by the Department of Treasury.

### Capital Works

#### Capital project incomplete

No capital projects commenced in 2016–17 financial year.

#### Capital works completed

The Department implemented a new electronic correspondence workflow system in 2016–17 to the value of \$0.14 million. The system significantly improves the tracking and visibility of Ministerials and Director General correspondence and integrates with current systems to streamline processes.

The Department of Lands administered transferred parcels of land to the value of \$0.54 million to the Department under a management order relating to reserve 51265 Garrjang Village.

## Employment and industrial relations

### Staff profile

	2016–17 Headcount	2016–17 Actual FTE (approved FTE of 189)
Permanent full-time	102	97.4
Permanent part-time	15	9.3
Temporary full-time	39	37.8
Temporary part-time	5	3
<b>Total</b>	<b>161</b>	<b>147.5</b>

As at 30 June 2017, the Department was operating within its FTE cap of 189.

During the 2016–17 period, the Department finalised major restructure activity. The organisational structure was designed to complement the activities of the Regional Development Reform program and align with salary cap requirements. This is reflective of the gap between the approved FTE and paid FTE.

Post implementation of the restructure, the Department undertook significant recruitment activities however, during this time there was also an increased level of turnover which resulted in a relatively stable paid FTE figure throughout the reporting period.

### Staff development

The Department is committed to ensuring it has a vibrant, talented, engaged and skilled workforce supported by a positive corporate culture and management practices that will attract and retain staff. By doing so, the Department is well placed to meet the current and future workforce challenges facing the public sector.

The Department ensures that it has a capable and effective workforce that supports the achievement of our strategic priorities.

'The DRD Way' is the Department's values statement, developed by staff, and has been incorporated into organisational strategies including the Code of Conduct, and the Department's Strategic Workforce Plan.

'The DRD Way' is reinforced through the Department's corporate induction. Staff continue to be recognised for 'living the values' at executive and staff meetings and through the Department's Recognition and Reward program.

The Department is committed to the ideals behind the values statement and ensuring that it conducts itself and its daily operations in 'The DRD Way'.

'The DRD Way' is to be professional in everything we do, act with confidence and courage, connect with each other, our customers and the community, and show and value appreciation.

### Youth employment

In 2016–17 the Department continued to support youth employment through a number of strategies enabling the Department to further grow diversity in the workplace.

The Department participated in a joint-initiative Graduate Program, alongside the Departments of Mines and Petroleum and State Development. This award winning program provides successful university graduates with meaningful work placements as part of an eighteen month program. During the reporting period the Department provided one graduate a placement on the program and permanent appointment for another.

The Department continued to support the Public Sector Traineeship program, which offers traineeships to young people under the age of 25, and provided a placement for one person.

As part of the School-based Traineeship Program, which offers on-the-job work experience for two days a week over an eighteen month period, the Department recruited one school-based trainee.

## Workers compensation

No workers compensation claims were made during the 2016–17 financial year.

## Governance disclosures

### Contracts with senior officers

At the date of reporting, no senior officers, or firms of which senior officers are members, or entities in which senior officers have substantial interests, had any interests in existing or proposed contracts with the Department other than normal contracts of employment of service.

### Unauthorised use of credit cards

Officers of the Department hold corporate credit cards where their functions warrant usage of this facility. Despite each cardholder being reminded of their obligations annually under the Department's credit card policy, seventeen employees utilised the corporate credit card for personal use. The matter was not referred for disciplinary action as the Chief Financial 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.

	<b>2017</b>
Personal use expenditure for the reporting period	\$987
Personal use expenditure settled by the due date (within 5 days)	\$461
Personal use expenditure settled after the period (after 5 days)	\$526
Personal use expenditure outstanding at balance date	-

## Board and committee remuneration

Rural, Remote and Regional Women's Network Reference Group WA				
Position	Name	Type of remuneration	Period of membership	Gross remuneration
Chair	Maree Gooch	Sitting Fee	01 July 2016 – 31 December 2016	\$2,471
Board Member	Fiona Palmer	Sitting Fee	01 July 2016 – 31 December 2016	\$1,052
	Renee Manning	Sitting Fee	01 July 2016 – 31 December 2016	\$174
	Jackie Jarvis	Sitting Fee	01 July 2016 – 31 December 2016	\$479
	Brenda Garstone	Sitting Fee	01 July 2016 – 31 December 2016	\$442
	Renee Ellis	Sitting Fee	01 July 2016 – 31 December 2016	\$263
	Victoria Castledine	Sitting Fee	01 July 2016 – 31 December 2016	\$441
	Maria Bolten Magnay	Sitting Fee	01 July 2016 – 31 December 2016	\$963
	Deborah Dowden	Sitting Fee	01 July 2016 – 31 December 2016	\$1,052
<b>Total:</b>				<b>\$9,219</b>

Kimberley Strategic Regional Advisory Council				
Position	Name	Type of remuneration	Period of membership	Gross remuneration
Council Member	Martin Sibasado	Sitting Fee	01 July 2016 – 30 June 2017	\$666
	Brenda Garstone	Sitting Fee	01 July 2016 – 30 June 2017	\$1,882
	Patrick Davies	Sitting Fee	01 July 2016 – 30 June 2017	\$3,098
<b>Total:</b>				<b>\$6,088</b>

Pilbara Strategic Regional Advisory Council				
Position	Name	Type of remuneration	Period of membership	Gross remuneration
Council Member	Triscilla Holborow	Sitting Fee	01 July 2016 – 30 June 2017	\$550
	Kate George	Sitting Fee	01 July 2016 – 30 June 2017	\$550
	Nanette Williams	Sitting Fee	01 September 2016 – 30 June 2017	\$333
<b>Total:</b>				<b>\$1,433</b>

Regional Development Council				
Position	Name	Type of remuneration	Period of membership	Gross remuneration
Chairman	Tim Shackleton	Sitting Fee	01 July 2016 – 08 September 2016	\$4491.95
<b>Total:</b>				<b>\$4491.95</b>

## Other legal requirements

### Advertising under the *Electoral Act 1907*

In compliance with section 175ZE of the *Electoral Act 1907*, the Department is required to report on expenditure incurred during the financial year in relation to advertising agencies, market research organisations, polling organisations, direct mail organisations and media advertising organisations.

The details of the Department's expenditure are as follows:

Advertising Agency	Supplier	2016
Market research organisations	Advantage Communications	\$2,511
	Ernst & Young	\$45,536
Polling organisations	-	-
Direct mail organisations	Quickmail	\$6,402
Media advertising organisations	Carat Australia Media Services	\$63,401
	Great Southern Herald	\$173
Other (detail)	Rare Pty Ltd	\$371
<b>Total expenditure</b>		<b>\$118,394</b>

## Disability Access and Inclusion Plan

In accordance with the *Disability Services Act 1993* and Schedule 3 of the *Disability Services Regulations 2004* the Department is required to implement strategies and initiatives that achieve the seven access and inclusion outcomes identified in its *Disability Access and Inclusion Plan*:

1. People with disability have the same opportunities as other people to access the services of and any events organised by the Department.
2. People with disability have the same opportunities as other people to access the Department's buildings and other facilities.
3. People with disability receive information from the Department in a format that will enable them to access the information as readily as other people.
4. People with disability receive the same level and quality of service from the staff of the Department as other people receive.
5. People with disability have the same opportunities as others to make complaints to the Department.
6. People with disability have the same opportunities as others to participate in any public consultation by the Department.
7. People with disability have the same opportunities as other people to obtain and maintain employment within the Department.

The Department's *Disability Access and Inclusion Plan 2015–2019* seeks to ensure that people with a disability, and their families and carers, are able to fully access its information, services and facilities.

Throughout the year the Department has sought to ensure all staff are familiar with the plan and the strategies identified within the plan. This has been achieved through Corporate Induction to welcome new staff, circulation of awareness-raising articles, and information to senior leaders.

Other key strategies have included:

- Survey of agents of the Department and regionally based Community Resource Centres to understand the level of awareness of the *Disability Access and Inclusion Plan* and the implementation of strategies. Results from this survey indicate a high level of awareness and engagement with regards to strategies to improve access and inclusion for people with disabilities in regional Western Australia.
- Ensuring accessibility of events through utilisation of the Creating Accessible Events checklist.
- Providing alternative access options for online content.

The Department has met the reporting obligation under the Act and has submitted an annual progress report to the Disability Services Commission.

## Statement of compliance with Public Sector Standards and Code of Ethics

*Public Sector Management Act 1994, S31 (1)*

The Department is committed to ensuring the highest standards of probity and accountability in all interactions with our customers, community and colleagues.

The Department has a comprehensive Code of Conduct which is widely distributed, publicised and applied in accordance with the *Public Sector Commissioner's Conduct Guide* and *Commissioner's Instruction No. 7: Code of Ethics*.

The Department is committed to the requirement that all public sector employees participate in Accountable and Ethical Decision Making Workshops. As of 30 June 2017, 66 per cent of targeted staff had met this requirement. Ongoing training sessions will be scheduled for the remainder of 2017 to ensure employees new to the Department complete the training. Refresher sessions will be organised in the second half of 2017 for staff who have not attended this training for more than two years.

New staff members are required to attend corporate induction to ensure they are aware of their rights and responsibilities as public sector employees.

The Department has a Conflict of Interest policy and procedure to ensure potential conflicts of interest are considered within an ethical framework and managed accordingly. This policy was recently reviewed to ensure compliance with public sector requirements and direction from the Crime and Corruption Commission.

The Department's human resource management practices and policies are reviewed on a regular basis to ensure the legislative and governance responsibilities are met in regards to managing people.

The Department's Work and Professional Development Plan program encourages open and honest discussion between managers and employees, not only regarding work outcomes and development needs, but acceptable and ethical workplace behaviour. Over 76 per cent of staff have participated in a Work and Professional Development Plan discussion within the 2016–2017 period.

Training opportunities are identified through the Work and Professional Development Plan process. During this reporting period, the Department has supported leadership development participation and relevant workshops, events and conferences.

During 2016–17 there was one request for review under the Public Sector Standards in Human Resource Management. No breach was found as a result of this review.

There was one formal grievance lodged during 2016–17.

## Record keeping plan

The Department is committed to meeting the requirements of the *State Records Act 2000* through the creation and implementation of an appropriate record keeping plan that details policies, practices and standards adopted by the Department. In March 2014, the State Records Commission approved the amended recordkeeping plan. The Department's induction program contains a component of information services, including records management. During the induction, staff learn about record keeping responsibilities expected of Government employees, contractors and board members.

The Information Services branch also delivers one-hour, records specific training sessions which cover a number of topics, including information about the *State Records Act 2000*, the record keeping plan itself, departmental policies, procedures and practices, as well as State Records Office standards and principles which underpin the Department's record keeping activities.

During the financial year the Objective system in-house training program was offered to provide sessions covering the eDRMS structure, its ability to enhance electronic document collaboration, searching skills, working with various types of electronic documents and managing emails. The training program is continually refined to ensure it meets the needs of the audience and it is often tailored for different business units.

The Information Services branch monitors eDRMS activity and provides ongoing, customised support to each organisational division. The effectiveness of the program is measured by analysing the uptake of the eDRMS and the lessening reliance on non-approved record keeping tools, such as network drives and email.

The Department created over 93,000 documents and 960 files in the 2016–2017 financial year showing that the Department still maintains a strong commitment towards full electronic document management and virtual collaboration using the eDRMS Objective.

# Government Policy Requirements

The objective of the State Government’s Policy Framework for Substantive Equality (Policy Framework) is to achieve substantive equality in the Western Australian public sector by:

- Eliminating systemic forms of discrimination in the provision of public sector services.
- Promoting awareness of the different needs of client groups.

The Department’s Substantive Equality Committee met once during 2016–17. The Department will be reviewing its approach to implementing the Policy Framework in 2017–18.

.....

## All advertised positions by the Department continue to state:

“The Department of Regional Development promotes workplace flexibility and diversity, seeking to include and value the contributions of all people. We strongly encourage people from regional areas, Aboriginal Australians and Torres Strait Islanders, people with disabilities and people from culturally and diverse backgrounds to apply.”

.....

## Occupational safety, health and injury management

### Statement of agency commitment to occupational safety, health and injury management

The Department is committed to ensuring that its operational activities are carried out with full regard for the health, safety and welfare of employees, contractors and the public. The Department’s Corporate Executive supports this commitment through participation in relevant training programs, communication of occupational safety, health and injury management (OSH) matters on the Department’s intranet and reporting through Corporate Executive on relevant matters.

The Department has an OSH Committee which meets quarterly to discuss any matters that are identified or referred through health and safety representatives. Regular workplace inspections have been implemented and action is taken through the committee to address any identified matters.

The Department ensures compliance with the injury management requirements of the *Workers’ Compensation and Injury Management Act 1981* through a systematic approach to injury management that combines expert assistance from external providers with the support of the Department’s supervisors and human resource staff.

Relevant policies, processes and systems are outlined on the Department’s intranet. The Department has undertaken a review of the existing systems and policies and monitors this on a regular basis through the committee. There are appropriate systems in place, which includes return to work strategies.

### Formal mechanism for consultation with employees on occupational safety, health and injury management matters

The OSH Committee ensures mechanisms for employee consultation are in place. OSH representatives and the committee are identified as the two main sources by which the consultative process on OSH matters in the workplace will be supported.

The committee facilitates consultation and cooperation between the employer and employees, and is responsible for:

- Making recommendations and providing assistance in the development of strategies to ensure the effective management of OSH.
- Monitoring and reviewing OSH measures (including inspections).
- Assisting in the resolution of OSH issues that arise in the workplace.
- Obtaining information and consulting with the employer about proposed changes that may affect OSH.

- Identifying training needs for employees/volunteers and supervisors/managers.
- Considering matters referred.
- Undertaking other functions assigned by legislation.

### Assessment of occupational safety, health and injury management systems

The human resources officer, in consultation with OSH representatives, ensures regular audits are undertaken to assess the effectiveness of OSH management systems. These audits take into account several factors to determine the level of associated risks to the Department's operations, the effectiveness of the existing systems, their capability to achieve established objectives, and the consequences to the Department.

### Occupational safety, health and injury management performance

Measure	Actual Results		Target
	2015–16	2016–17	
Number of fatalities	0	0	0
Lost time injury and/or disease (LTI/D) incident rate	0	0	0 or 10% improvement on the previous three years
Lost time injury and/or disease severity rate	0	0	0 or 10% improvement on the previous three years reduction
Percentage of injured workers returned to work within:	n/a	n/a	Greater than or equal to 80% return to work within 26 weeks
(i) 13 weeks	n/a	n/a	
(ii) 26 weeks	n/a	n/a	
Percentage of managers and supervisors trained in OSH and injury management responsibilities	79%	70%	Greater than or equal to 80%

Due to the departmental restructure and turnover rates within the reporting period, the number of supervisors required to undertake Managers OSH Training increased slightly. Training sessions were arranged for those new supervisors in the second half of 2016–17. Refresher sessions will be organised in the second half of 2017 for staff who have not attended this training for more than three years.

## Government Building Training Policy

During 2016–17 the Department did not have any contracts within the scope of the Government Building Training Policy in the reporting period.





Wind farm - Wheatbelt

**Department of Primary Industries and Regional Development  
– Regional Development Division**

**Formerly known as Department of Regional Development**

PO Box 1143

WEST PERTH WA 6872

Level 2, Gordon Stephenson House

140 William Street

Perth WA 6000

Web: [www.dpird.wa.gov.au](http://www.dpird.wa.gov.au)

Email: [info@drd.wa.gov.au](mailto:info@drd.wa.gov.au)

Telephone: **(08) 6552 1800**

Free call: **1800 049 155** (Country only)

Facsimile: **(08) 6552 1850**

Facebook: [www.facebook.com/DeptRD](http://www.facebook.com/DeptRD)

Twitter: [@DPIRD\\_WA](https://twitter.com/DPIRD_WA)

**Regional Services Reform Unit**

Regional Services Reform Unit

Karratha | Broome | Kununurra | Perth

Web: [www.regionalservicesreform.wa.gov.au](http://www.regionalservicesreform.wa.gov.au)

Email: [regionalservicesreform@drd.wa.gov.au](mailto:regionalservicesreform@drd.wa.gov.au)