

# Our Value Proposition

Enabling agencies to effectively deliver services and meet the priorities of the Government

Adopting one-sector thinking and central leadership on building and infrastructure projects, procurement, office accommodation, revenue collection and concessions

Analysing data to drive tax efficacy, better asset management and reduce government expenditure

Capability building across government around commercial and negotiation skills, contract management, procurement planning and project management

Transitioning to online by design to provide customers with greater convenience and lower cost services

Driving practical, cost-effective and quality outcomes across government to benefit Western Australians

# Our Agency Performance

Delivering Value >

Leading and Supporting Cross-Government Initiatives >

Quality Services >

Building for the Community >

Our People and Organisation >

Significant Issues and Future Outlook >

# Delivering Value

The Department of Finance constantly evaluates program and service delivery to maximise benefits for government and the community.

This year, **Government Procurement** examined the State's vehicle fleet to identify cost reduction drivers and policy levers to reduce overall fleet costs.

Initiatives such as longer vehicle lease terms, mandating lower cost vehicle selection, and putting in place a new contract for the management of the fleet commencing from 1 July 2018, have resulted in forecast savings of around \$50 million to government over the forward estimates without compromising agency service delivery. These savings have been reflected in individual agency budget reductions from 2018-19.

In addition, the vehicle acquisitions contract has been re-tendered and finalised. State Fleet will use this new contract to pursue 'group buys' opportunities on regularly ordered vehicles to achieve better value for government and ultimately the taxpayer.

The not-for-profit community services sector is vitally important to Western Australians. Finance continues to provide value to this sector through the administration of the Delivering Community Services in Partnership Policy (DCSP Policy) and the provision of policy and practice support.

This year, the Department led a review of the DCSP Policy, undertaking consultation with not-for-profit peak organisations and government agencies through meetings, collaborative workshops and a survey.

The review, which has been submitted to Government for consideration, identified areas where the DCSP Policy could be enhanced to improve outcomes and formalise practice improvements made over the last seven years.

**State Revenue** has continued the implementation of its Early Dispute Resolution Strategy, which seeks to prevent unnecessary tax disputes and aid in future voluntary compliance.

The strategy focuses on early engagement with taxpayers through effective conversations and communication, gaining a clear understanding of taxpayer's circumstances and assisting taxpayers to better understand decisions.

Recent initiatives include a dispute triaging approach, which identifies matters with a high risk of dispute as early as possible during an investigation, and improvement in the content and language of investigation outcome advice to make it clear and concise for customers.

A strong focus on delivering value to customers is reflected in the Revenue Systems Consolidation and Enhancement Program, which provided significantly improved digital service functionality for duties clients this year.

Benefits of the Program include:

- ✦ increased payment channels for customers;
- ✦ new document management and automated client correspondence systems; and
- ✦ business intelligence capabilities to enable better cross matching of information from internal and external data sets.

The program has also resulted in more efficient compliance activities through improved detection and data matching techniques for investigations.

The introduction of a point of consumption wagering tax and foreign buyer surcharge in late-2018 will require additional program enhancements to ensure efficient administration and collection.

The migration to a better technology platform contributes to the on-going consolidation and reliability of State Revenue systems that collect around \$7 billion annually.

# Increasing the Economic Participation of Aboriginal-Owned Businesses

**Government Procurement** has led the Government's commitment to increase economic participation of Aboriginal businesses through the introduction of the Aboriginal Procurement Policy.

The Policy requires agencies to award one per cent of contracts to registered Aboriginal businesses from 1 July 2018, increasing to two per cent on 1 July 2019, and three per cent on 1 July 2020. The targets apply to all agencies, including government trading enterprises, when purchasing goods, services, community services and works.

## Improving Economic Participation

The Western Australia (WA) Government, as a major employer, investor, and purchaser of goods and services in WA, will lead by example in creating opportunities for contracting with Aboriginal-owned businesses.

The WA Government procured over \$300 million of goods and services from Aboriginal businesses between 2012 and 2017 and the Aboriginal Procurement Policy will increase this further.

As Aboriginal businesses are more likely (than non-Aboriginal businesses) to employ Aboriginal people, the Policy is also expected to contribute to improved Aboriginal employment outcomes across WA.

## Stakeholder Consultation

To ensure a practical and achievable policy, the Department undertook consultation with government agencies and the Aboriginal business sector, as well as briefing the Western Australian Aboriginal Advisory Council. Agencies and Aboriginal businesses were invited to provide feedback on the Policy guidelines, and implementation and education strategies.

Education and training sessions were held in Perth and nine regional locations, focusing on practical strategies to assist Aboriginal businesses in taking advantage of government tendering opportunities. Briefing sessions were also provided to government agencies to ensure the requirements of the Policy were understood and could be effectively implemented. Participants in these sessions provided positive feedback, outlining how the training will help them achieve the intended Policy outcomes.

## Engagement Events

The Department hosted the Aboriginal Business Expo on 29 March 2018 to launch the Policy, showcase the range of quality goods and services available to government, and strengthen business relationships between agencies and the Aboriginal business sector. The Expo was a huge success and stands featured more than 60 Aboriginal businesses with approximately 200 government representatives in attendance.

Following the commencement of the Policy, the Department will administer \$500,000 a year in grants to build skills and capability in Aboriginal businesses across WA. A consultation process will ensure this funding achieves practical and positive outcomes for Aboriginal businesses.



Aboriginal Business Expo

# Leading and Supporting Cross-Government Initiatives

The Department of Finance leads and supports important cross-government initiatives to deliver enhanced benefits to government, industry and the community.

In July 2017, Finance commenced the five-year Government Office Accommodation Reform Program in support of Government's Debt Reduction Strategy.

The Program, led by **Building Management and Works**, is expected to reduce government office accommodation by around 50,000 square metres and realise gross savings of over \$140 million over a five-year period. Savings for the 2017-18 period exceeded the financial year's target.

Initiatives being pursued as part of the Reform Program include:

- ✦ maximising existing space and limiting the procurement of new space;
- ✦ cost reduction through negotiation of reduced lease costs, reduced fit-out costs, and improved efficiency and use of existing space;

- ✦ development of an information management framework to collect and analyse accommodation information and assist in the identification of underutilised space; and

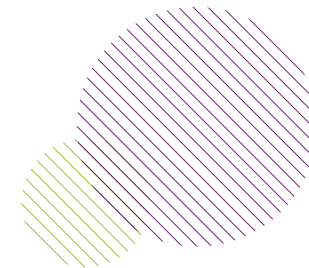
- ✦ development of an asset management platform to enhance decision-making and evidence-based savings opportunities.

Innovative relocation and decentralisation strategies are a core focus for **Building Management and Works**, demonstrated through the development of metropolitan activity centres in Joondalup and Fremantle.

Throughout this year, Finance worked closely with the Department of Water and Environmental Regulation to determine their future workplace design and oversaw the construction of the office building which was completed by the developer in May 2018. Fit-out works commence in July 2018 with an anticipated completion date of December 2018.

The relocation of approximately 800 staff from the Department of Water and Environmental Regulation to new office space in Joondalup in early 2019 will see a reduction in government's office accommodation footprint of approximately 3,800 square metres.

The Fremantle relocation project will also deliver significant savings for government, accommodating around 1,350 staff from the Department of Communities, currently located in the Perth central business district and surrounding area, and approximately 180 Department of Transport staff moving from an older building in Fremantle.



The Department focused on the base-building construction phase this year, appointing the lead consultant for the workplace design and undertaking extensive consultation with the Department of Communities on their future needs to inform the design process.

The new office building in Fremantle will be designed to meet a five-star Green Star rating, providing substantial improvements in workplace quality for staff and reducing agency operating costs.

Construction of the building is expected to be completed in October 2019, with agency staff commencing relocations in early 2020 once fit-out works are complete.

The Department has collaborated with the Department of Education (Education) this year to examine new software applications across a shared technology platform to improve the planning, management and maintenance of Education's vast portfolio of buildings.

Current asset management software applications used by Finance and Education vary in functionality, hosting arrangements and digital services capability, with limited ability to easily share building related information.

In early 2018, Finance and Education established combined high-level system requirements and went to market through a formal Request for Information (RFI) process to understand the breadth and suitability of commercially available asset management software solutions. The RFI generated significant interest and response from industry which was reviewed and incorporated into a preliminary business case.

The preliminary business case was then subject to a Gateway review in June 2018, providing an independent assessment of the proposal. The review made recommendations to assist Finance and Education to refine the scope of the proposal and progress to a full business case.

The potential benefits for improved asset management offered by modern asset management applications is not limited to Finance and Education and there may be scope for other government agencies to benefit from access to a shared technology platform offering advanced systems functionality.

Security of payment is a priority for Government. The Department of Finance is well placed to assist given its experience in implementing numerous

security of payment initiatives and providing advice to agencies on the implementation and operation of project bank accounts.

The Department is currently the only works agency using project bank accounts and these have been applied to the majority of departmental works contracts since September 2016.

Finance has shared its experience with agencies considering security of payment measures and recently assisted the Department of Biodiversity, Conservation and Attractions in the application of project bank accounts for a contract related to the Kalbarri National Park.

The Department sits on the recently convened Industry Advisory Group, the formation of which was announced by the Minister for Commerce and Industrial Relations in February 2018. This group will inform the review into security of payment in the building and construction sector being led by Mr John Fiocco.

Finance is also working with other government agencies to identify further opportunities to improve security of payment on government projects.



**Government Procurement** continued its efforts to achieve value-for-money outcomes for government and has established a Better Value Procurement Working Group comprising representatives of seven major agencies with the highest goods and services expenditure.

While Common Use Arrangements (CUAs) provide a level of aggregation, there is potential for increased savings by taking a consolidated whole-of-government approach. This achieves better value-for-money by:

- ✦ leveraging volumes and government's significant market power to renegotiate better pricing with suppliers;
- ✦ identifying opportunities to aggregate agency purchasing; and
- ✦ sharing pricing information across government to ensure agencies always pay below market rates.

Interagency collaboration through the Working Group, combined with the adoption of more sophisticated expenditure analytics by Government Procurement, will provide agencies with improved insight into buyer behaviour as well as highlighting best practice and opportunities for better procurement outcomes. Other benefits include the potential to aggregate services across agencies, analysis of market trends, and opportunities for agencies to leverage each others' expertise.

The Department of Finance has worked collaboratively with the Department of Jobs, Tourism, Science and Innovation (JTSI) this year to progress the implementation of the *Western Australian Jobs Act 2017* and the Western Australian Industry Participation Strategy.

Representatives from Government Procurement and Building Management and Works are members of a working group (led by JTSI) charged with establishing an implementation strategy including the development of supporting tools and guides.

The Department of Primary Industries and Regional Development appointed regionally-based Local Content Advisors to support the Western Australian Industry Participation Strategy. Each quarter, Government Procurement provides State-wide reports on the proportion of contracts awarded to suppliers inside or outside each region. These reports enable a better understanding of the factors that lead to the appointment of contractors internal or external to a region, and are expected to help Local Content Advisors increase the level of local industry participation over time.

The 2017 Machinery of Government changes to the public sector provided an important opportunity for the Department to use its expertise in procurement and asset management to assist affected agencies.

### **Building Management and Works**

provided each newly formed agency with office accommodation and operational facility information to assist them in planning for future accommodation needs.

Building Management and Works also consulted with the newly formed agencies to understand their operational needs and service delivery methods. This helped to inform options for improving the utilisation of existing government office accommodation. Various options were considered including co-location of similar functions and the consolidation of accommodation where a number of agencies were combined to form a new agency.

**Government Procurement** ensured that agencies received comprehensive data about existing contracts to gain oversight of expiring contracts for similar services and identify aggregation opportunities. Expenditure data for individual CUAs was also provided to affected agencies.

Government Procurement also worked with agencies to identify opportunities for optimising vehicle fleets and this work will continue in the coming year as more sophisticated telematics tools become available under a new fleet management contract.

## Special Inquiry into Government Programs and Projects

In May 2017, the State Government launched the Special Inquiry into Government Programs and Projects (the Special Inquiry) examining governance arrangements, decision-making processes and financial consequences for 31 infrastructure and other projects initiated by the previous State Government.

The Department of Finance seconded six staff to the Special Inquiry and performed several functions including the executive role of 'Public Sector Lead' which established and led a project team under the direction of the Special Inquirer. Finance staff contributed valuable skills, knowledge and experience in the areas of leadership and governance, procurement and contract management, project management, investigations, reviews and executive support.

In addition to providing support for the Special Inquiry process, Finance also had oversight of numerous programs and projects that were the subject of the Special Inquiry. This required input from many areas of the Department and all requests for information were provided within timeframes specified by the Special Inquirer.

Special mention was made of **Strategic Projects**, which had oversight of six of the major projects reviewed by the Special Inquirer, requiring its involvement over many months. The Special

Inquiry sourced a large volume of information from Strategic Projects in relation to Fiona Stanley Hospital, the Queen Elizabeth II Medical Centre Car Parking project, Midland Health Campus, Karratha Health Campus, Perth Children's Hospital and Optus Stadium.

This significant undertaking required coordination between Strategic Projects and multiple agencies, with staff working in collaboration to provide hundreds of documents that addressed numerous requests for information about each project.

To protect commercial interests and confidentiality, Strategic Projects engaged with the State Solicitor's Office for clarification on the release of information, having particular regard to public interest immunity and legal professional privilege.

Mr John Langoulant AO (Special Inquirer) acknowledged Strategic Projects for the application of strong principles of project management and the robust standard and completeness of its documentation:

*"The Special Inquirer has found that the disciplines used by Strategic Projects are consistent with the Strategic Asset Management Framework, have useful tools, are used*

*consistently across projects, can be applied in a flexible way and apply strong principles of project management."*

*(Special Inquiry into Government Programs and Projects – Final Report Volume 1 page 102, February 2018).*

The Special Inquirer presented his 900-page final report to the Public Sector Commission in December 2017. The report included 154 recommendations which were designed to better prepare the State Government for the challenges of a contemporary business environment, limit wasteful expenditure and offer an increased level of accountability to taxpayers.

The delivery of this report could not have been achieved without the significant support and detailed analysis provided by the Department of Finance Special Inquiry team members.

## CEO Working Group Report on Public Sector Efficiency

The CEO Working Group on Public Sector Efficiency was formed as part of a suite of initiatives under the Government's Public Sector Renewal Program. The Working Group, chaired by the Director General of Finance, included CEOs from the Departments of Transport; Local Government, Sport and Cultural Industries; and Planning, Lands and Heritage.

The Working Group was tasked with identifying opportunities to reduce internal red tape, waste and inefficiencies across the public sector.

The Department's **Strategy and Coordination Unit** provided secretariat support for the Working Group through a project team that also conducted research, collated findings and drafted the final report. The research process was highly consultative and provided numerous opportunities for individuals and agencies to provide their insights through workshops, public online surveys, a forum for 'quick win' ideas, and interviews.

The Working Group found that red tape is widespread and entrenched across the public sector in Western Australia and whilst this is not a unique problem, it is a substantial one. It was acknowledged that rules and processes to support good governance and probity have a place but excessive legislation and regulation,

along with agency policies and practices can impose costs and limit innovation. Instead of taking a risk-based approach to governance, many rules were found to be overly-prescriptive with processes and approvals often over-engineered and out-of-date.

The Working Group suggested the perennial problems caused by red tape are best tackled by adopting innovative thinking and key reforms that include:

- ✦ one-sector thinking including agency collaboration, and better sharing of best practices and data;
- ✦ stronger leadership from central agencies and centres of expertise to support sector-wide capability building;
- ✦ improved rule-making and reviewing practices to help drive innovation and efficiency, and rethinking the role of audit to go beyond compliance to efficiency; and
- ✦ embracing digital solutions to speed up processes, improve reliability and enable better performance data.

Along with these key reforms were 30 recommendations, mostly in the four priority areas of recruitment, procurement, financial reporting and cumulative reform.

While the implementation of many recommendations is ongoing, numerous initiatives have been progressed, including:

- ✦ the updating of Treasurer's Instructions;
- ✦ the Department of Finance has begun to adopt whole-of-sector policies along with rationalising, consolidating and simplifying human resource policies;
- ✦ recruitment policies in the Departments of Finance; Planning, Lands and Heritage are under review;
- ✦ the Department of Finance's Government Procurement is progressing a strategic reassessment of Common Use Arrangements;
- ✦ a 'myth-busting fact sheet' is being created by the State Records Office to improve record keeping;
- ✦ the Department of Mines, Industry Regulation and Safety is progressing their own red tape reduction initiatives; and
- ✦ the Department of Treasury is undertaking a review of the Outcome Based Management framework and key performance indicators, an outcome which was also recommended in Government's Service Priority Review and reflects the collaborative approach to cross-sector reform.



# Quality Services

The Department of Finance is committed to providing exceptional services and strategic advice to deliver enhanced stakeholder value.

**Government Procurement** provides advice and expertise across government to achieve service delivery through the procurement of goods and services. The following insights showcase the length and breadth of Government Procurement's activities this year.

The State Government tasked the Department of Primary Industries and Regional Development with securing the future of Albany as a renewable energy city, which led to the Albany Wave Energy Technology Development project.

The Project's primary objective was to advance the development of wave energy technology through the installation of a wave energy convertor off the coast of Albany to produce energy for the South West Integrated System grid.

Government Procurement's Strategic Project Support Services shaped the project's procurement strategy to ensure that industry proposals would deliver innovative solutions, and strong capital and financial investment.

The approach to market was based on a public-private-partnership model with the State Government contributing \$19.5 million towards the project. Given the requirements for a hybrid procurement process covering public works and goods and services, the structure and content of contract documents had to effectively manage risk to the State.

The procurement outcome ensures significant contribution from the successful proponent to support local jobs and development in the South West. The project is also expected to deliver in-situ infrastructure for other domestic and international companies to progress wave energy technology development, which has the potential to create jobs and economic benefits in the region.

**Government Procurement** also assisted the Small Business Development Corporation (SBDC) to award an Advisory Services Contract for its flagship program, the Business Local Service. The contract provides an outreach service that gives free advice and guidance to current and aspiring small-business owners in Western Australia. Incorporating nine regions State-wide, the contract is valued at \$15.6 million.

Recognising the contract would be awarded in early 2018-19, staff from the Department notified the SBDC of the impending Aboriginal Procurement Policy effective from 1 July 2018. A registered Aboriginal business, Indigenous Professional Services, was subsequently successful in its bid for the Peel and South West regions, winning a contract valued at \$4.25 million for delivering business advice to both non-indigenous and indigenous organisations.

The State's health services sector continued to seek advice and support from **Government Procurement** this year to help it implement significant technological improvements including a medical imaging replacement program and a robotic surgery system.

Health Support Services engaged Government Procurement to assist in the purchase of a new medical imaging system for WA Health. The new system replaces a core clinical system for electronic management, and access to diagnostic reports and images. The system covers scheduling, billing, and storage of images for procedures such as X-rays, MRIs and CT scans.

Initially planned for metropolitan hospitals, with subsequent roll out to country hospitals and private facilities, the new system will allow clinicians to access multiple image types for their patients through one system, conduct analysis using various tools, and make appointments.

With an estimated value of \$83 million, the purchase of this new system is critical to the delivery of health services to Western Australians. Staff from the Department are facilitating and assisting with the procurement process, which is currently under evaluation and expected to be implemented by October 2019.

The Department of Health has been complimentary of the valuable advice and assistance provided by Government Procurement throughout this process.

**Government Procurement** is working with Fiona Stanley Hospital to procure the da Vinci Robotic Surgery System. This procurement aligns with key priorities identified in the South Metropolitan Health Service Strategic Plan 2017-2020 and will see the first surgical robot in a Western Australian public hospital.

The Robotic System uses small incisions to insert miniaturised wristed-instruments and a high-definition camera, with the surgeon operating from a seated console.

Staff from the Department provided expert advice and facilitated an innovative approach to the procurement process that will deliver anticipated savings of half a million dollars.

The da Vinci Robotic Surgery System is expected to arrive in July 2018 and is expected to perform the first robotic surgery in October 2018.

With competency and capability critical to an effective public sector, Finance collaborated with the Public Sector Commission on the development of a Procurement Competency Matrix and a Chief Procurement Officer's Success Profile and associated measurement guidelines.

The Procurement Competency Matrix defines the competencies required by procurement professionals in the Western Australian public sector. It supports sector-wide strategies for building consistent capability in the procurement workforce through common language and uniform expectations. Agencies will also be able to use the matrix to support recruitment and performance management.

The Success Profile is a guide that defines the expectations and accountabilities of a Chief Procurement Officer and provides consistent standards for procurement leadership positions. It was developed to address agency feedback that Chief Procurement Officer roles in the Western

Australian public sector are ambiguous. The Profile is one of a suite of success profiles for key agency roles such as Chief Executive Officers, Chief Human Resource Officers and Chief Financial Officers.

Through the Success Profile, the Department seeks to elevate the important role Chief Procurement Officers play in achieving value-for-money outcomes for government.

**Building Management and Works** continues to strive to achieve the highest standards and quality of work on government's non-residential buildings and ensure compliance with government policy objectives. To achieve this and better manage supplier performance, Building Management and Works recently upgraded and expanded the Contractor Sanctions Scheme which was originally introduced in October 2015 and rebadged as the Supplier Demerit Scheme.

The Scheme gives the Department a mechanism to deal with reported instances of especially poor performance by suppliers including contractors and consultants. It provides for infractions where suppliers fail to meet important contract requirements, demerit points that are incurred for infractions, and sanctions where a supplier incurs three demerit points.

When issued, sanctions can include downgrade or suspension of a contractor's prequalification status or contracting framework membership, downgrade or suspension of a consultant's panel membership or revocation of eligibility for the awarding of contracts.

Suppliers are afforded the opportunity to outline mitigating circumstances before demerit points are issued and also have the right of appeal where a demerit point or sanction is applied.

**State Revenue's PAYMEX** system aims to improve the administration of payment arrangements by enabling taxpayers to apply for an extension of time or instalment plan by completing an online application form.

The accessibility and efficiencies created by the introduction of PAYMEX has allowed taxpayers the ability to conveniently meet their on-going tax obligations.

From its release in January 2018, over 80 per cent of applications for extensions and instalments, equating to almost 1,100 applications, have been lodged through PAYMEX.

The system assesses each application against a set of qualification parameters, automatically approving the requested arrangement without manual intervention from State Revenue officers, for almost 50 per cent of applications.

It also allows the monitoring of all payment arrangements, automatically corresponding with clients who have not met the terms of their agreement and providing remediation options.

Continuing the focus on customer convenience, State Revenue expanded the availability of digital services to clients by releasing the Duties Public Lodgment Portal in August 2017.

The portal enables clients who deal with the business on an ad-hoc basis to upload documents, receive and respond to correspondence, pay liabilities and print duty endorsements from the convenience of their home or office, at a time that suits them.

A total of 506 transactions were lodged through the portal in 2017-18 which, when added to transactions lodged through the Revenue Online system, increases the proportion of documents lodged electronically for assessment to almost 50 per cent.

The popularity of digital services continues to grow, with over 95 per cent of approved transactions self-assessed by Revenue Online clients.



## Finance Takes the Lead in Transitioning to Digital WA

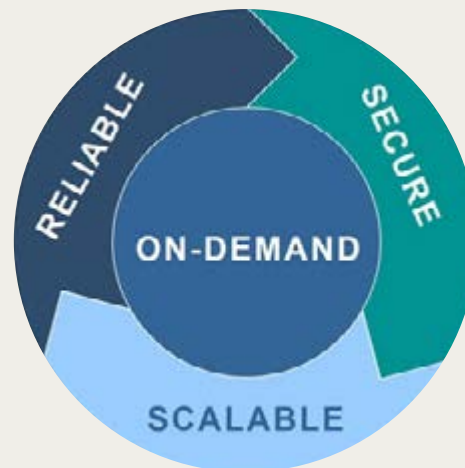
Following the launch of the State Information and Communications Technology (ICT) Strategy [Digital WA](#), the Department of Finance has been an early mover among government departments in aligning its ICT services to this new vision.

With the Department's Corporate Executive identifying the transition to the Digital WA strategy as a business priority, several initiatives commenced to ensure Finance is ready to take advantage of enhanced service delivery outcomes and cost benefits.

Engagement with the previous Office of the Government Chief Information Officer (OGCIO) on this initiative includes participation, as one of nine lead agencies, on the GovNext-ICT Program Board, and representation on the Digital WA Board and the Directors General ICT Council. In addition, the Department has migrated a significant portion of all office software to Microsoft Office 365 and initiated the Digital Finance Transition Program to migrate applications and infrastructure to the public cloud.

The Digital Finance Transition Program will empower the business through a secure, reliable and scalable on-demand consumption-based ICT service model, enabling Finance to achieve its strategic objectives while delivering ongoing efficiencies and savings.

The Digital Finance Transition Program has undertaken independent assurance through the Gateway Review process, which gave the Program a Green rating. The Review team determined there is good evidence the Program is well-placed to deliver on all of the original investment outcomes.



As a central agency servicing other agencies, the Department of Finance is well placed to demonstrate the savings that can be realised by adopting the Digital WA strategy, as well as showcasing what is possible by transforming the way public services are designed, supported and delivered for the community.

Transition benefits are already being realised and include:

- ✦ ICT capital expenditure reduced to zero;
- ✦ decommissioning of three data centres;
- ✦ a 50 per cent reduction in like-for-like infrastructure costs;
- ✦ projected financial benefits of \$16 million over five years; and
- ✦ Finance being the first public agency to adopt 100 per cent IRAP Certified Public Cloud.

# Building for the Community

Providing physical, social and economic infrastructure to Western Australians in a cost-effective manner remains a key focus for the Department of Finance.

This year saw the transition of **Strategic Projects** from the Department of Treasury to Finance, consolidating the Department's project and contract management expertise and offering more efficient and comprehensive service delivery across government.

Strategic Projects oversaw the delivery of several major infrastructure projects this year, notably Optus Stadium and the surrounding Stadium Park, and the Perth Children's Hospital.

**Building Management and Works** managed the delivery of a community infrastructure works program valued at almost half a billion dollars and collaborated closely with Strategic Projects and agencies across government, including the Departments of Health and Education.

## Perth Children's Hospital

The formal opening ceremony for the Perth Children's Hospital took place on 12 May 2018, with staged commencement of clinical services from 14 May 2018.

The 298-bed hospital is world-class with 12 multi-use theatres, parent beds in each standard inpatient room, parent lounges on every floor, green spaces and entertainment facilities.

On 10 June 2018, inpatients were transferred from Princess Margaret Hospital, which subsequently closed. Mental health patients from the Bentley Adolescent Unit were transferred on 17 June 2018.

The transition to clinical operations follows the granting of practical completion to the Managing Contractor, John Holland Pty Ltd on 13 April 2017.

Addressing elevated lead levels in the potable water system has been a major focus for the Department, involving a major program of remedial work. The success of the program was confirmed with the Chief Health Officer announcing on 27 March 2018 that he was satisfied the drinking water supply was safe.

In addition to overseeing the completion of minor defects and other outstanding works, **Strategic Projects** will continue to manage the resolution of commercial claims to complete commercial closure of the project.

This complex and significant project has experienced many challenges, but the Department is pleased this world-class facility is now available for the delivery of health services to children.



Photo supplied by  
Perth Children's Hospital



## Karratha Health Campus

The Karratha Health Campus will replace the aging Nickol Bay Hospital with a modern, purpose-built facility that is designed to facilitate patient-centred care underpinned by contemporary models of care.

The project is integral to the Western Australian Country Health Service's (WACHS) overarching strategy to provide the West Pilbara District with a more effective service delivery model for both Emergency and Ambulatory Health Care.

**Strategic Projects'** oversight of the project in the early phases of the project has resulted in a

relatively issue-free construction phase, which is progressing well and is on track for completion in July 2018, and within budget. Strategic Projects has provided project and contract management support and advice to WACHS throughout the year, including oversight of final testing and commissioning in June 2018.

**Strategic Projects** will continue to provide ongoing support to WACHS in the next financial year, including completion of project documentation and deliverables, and overseeing the two-year defects liability period up to final completion.



## Western Australian Museum

The \$395.9 million New Museum Project within the Perth Cultural Centre (PCC) is being delivered under a two-stage Managing Contractor procurement model, awarded to Multiplex Constructions Pty Ltd (Multiplex) in July 2016.

Throughout the financial year, **Strategic Projects** oversaw the completion of the early works program which included:

- ✦ the removal of museum content;
- ✦ protection of heritage fabric;
- ✦ demolition of non-heritage buildings;
- ✦ civil works and commissioning of a Central Energy Plant that will service the New Museum and key facilities within the PCC; and
- ✦ installation of the majority of the concrete superstructure and the start of the structural steel installation.

Construction of the New Museum is scheduled for completion in late 2019, enabling installation of content and exhibitions to proceed ahead of an official opening date targeted for October 2020.

## Eastern Goldfields Regional Prison

With the Eastern Goldfields Regional Prison 'Design, Build, Finance and Maintain' contract now into its 25-year operational phase (managed by the Department of Justice), **Strategic Projects** has continued to support the Department of Justice throughout the year including contract and commercial oversight, and identification and rectification of defects.

The new 350-bed prison facility has been widely acclaimed. In August 2017, a report by the Office of the Inspector of Custodial Services hailed the new prison as, "a world-class, state-of-the-art facility," which, "...balances modern security technology with excellent design for service delivery".



## Casuarina Prison Expansion

In early 2018, **Strategic Projects** commenced work on the \$96.3 million Casuarina Prison Expansion Project. The project will provide an additional 512 high-security beds at the existing Casuarina Prison facility, with a challenging completion target of late 2019.

The project will be designed and constructed under a Managing Contractor procurement model. The associated request for proposals to appoint a Managing Contractor were released in May 2018, targeting contract award by August 2018.



## Inner City College

In June 2017, the State Government announced that the new Inner City College (ICC) would be built on the Kitchener Park site in Subiaco. Stage One of the ICC will open for the start of the 2020 school year with a capacity of 1,000 pupils. Under Stage Two, the ICC will expand to ultimately have capacity for 2,000 students by the 2024 school year.

A joint **Strategic Projects** and **Building Management and Works** project team was assembled to manage delivery of the project with the project being procured on a 'fast tracked' basis to meet the challenging delivery timetable.

Early works, including sewer and stormwater diversion, earth works and piling works, commenced in February 2018 and are nearing completion.

The College will be a central hub for the Subiaco community, providing important social infrastructure for Subiaco East and surrounding areas. The school and its access points have been designed to enable and promote community use of the school facilities and grounds after hours. Project design includes site access strategies allowing the gymnasium, central courtyard, cafeteria and teaching spaces to operate independently outside school hours.

## WA Schools Public Private Partnership

Managed by **Strategic Projects**, the WA Schools Public Private Partnership (PPP) is delivering four primary schools and seven secondary school stages over a seven-year construction program.

Four primary schools and one secondary school were delivered prior to the start of the 2017 school year with Strategic Projects directing its focus to three secondary schools throughout the 2017-18 financial year.

Stage One construction at Aveley Secondary College was completed on 8 December 2017 and opened to students in February 2018. Stage Two will be delivered in 2020 for opening in 2021.

Stage One construction at Coastal Lakes College commenced in June 2017 and has progressed to schedule throughout the year. It will be completed in December 2018, in time for the start of the 2019 school year.

Surrounding works for the Hammond Park Secondary School Stage One project commenced in March 2018. The builder took possession of the site on 1 June 2018 and began relocating fauna in preparation for the start of construction in July 2018.

The PPP contractor is required to deliver each school in early December of the year preceding the school opening, facilitating a smooth transition to operations.





## Public Infrastructure

On behalf of the Department of Education, **Building Management and Works** managed the delivery of four new primary schools and one high school, plus major redevelopments and additions at a further four high schools. These include:

- ✦ Wellard Primary School (\$15.3 million);
- ✦ Rapids Landing Primary School (\$17.6 million);
- ✦ Doubleview Primary School Replacement (\$15.4 million);
- ✦ Honeywood Primary School (\$16.1 million);
- ✦ Carnarvon Community College additions (\$17.6 million);
- ✦ Fremantle College major additions (\$31.2 million);
- ✦ Yanchep Secondary School – Stage 1 (\$43.5 million);
- ✦ Churchlands Senior High School major additions (\$33.9 million); and
- ✦ Kalgoorlie-Boulder Community High School and Education Support Redevelopment Stage 1 (\$45.8 million).

**Building Management and Works** also continued the successful delivery of the \$330 million Southern Inland Health Initiative capital works program, in collaboration with the WA Country Health Service.

Several district hospitals were delivered during the 2017-18 financial year including:

- ✦ Dalwallinu District Hospital;
- ✦ Jurien Bay Health Centre;
- ✦ Wongan Hills District Hospital;
- ✦ Moora Hospital;
- ✦ York Hospital;
- ✦ Beverly Hospital; and
- ✦ Pingelly Health Centre.

Works to two police stations were also delivered on behalf of the Western Australia Police Force:

- ✦ Kalgoorlie Police Station refurbishment work (\$5 million); and
- ✦ Kimberley District Police Complex (\$8.4 million).

**Building Management and Works** also managed the delivery of Challenger Institute of Technology Murdoch (Stage Four) at a total value of \$46.7 million, plus the development of new basketball and football facilities and infrastructure upgrade at HBF Arena valued at \$23.1 million.



Kalgoorlie Police Station

## Perth (Optus) Stadium – A ‘Fans First’ Venue

On 1 January 2018, the Department officially delivered the new Optus Stadium and its surrounding Stadium Park allowing operations to commence two months ahead of schedule.

Early completion allowed the Stadium to start generating revenue sooner than expected through cricket matches held in January and February 2018 – one cricket season earlier than the original schedule, two Ed Sheeran concerts and a National Rugby League (NRL) Double Header in March 2018; all ahead of the original opening target, the start of the 2018 Australian Football League (AFL) season.

Given the Stadium Project delivered scope elements that were not included in the Project Definition Plan (including those that increased the revenue potential of the Stadium), these time and cost outcomes represent a significant achievement, particularly for a project of this magnitude.

### Stakeholder Engagement

The overarching Stakeholder and Community Engagement Strategy was delivered through open, transparent and inclusive engagement practices including a structured approach enabling significant stakeholder involvement in planning, design and delivery of the Stadium Project.

Key stakeholders and the wider community were actively engaged during the delivery phase of the Stadium Project. Consultation with nine user groups representing end users of the Stadium, including sporting codes, media, emergency services, as well as people with disabilities and WA sports fans, was integral to the project.

Engagement with the Whadjuk Working Party, representing the Traditional Owners of the Burswood Peninsula site, was formalised through the Stadium’s Aboriginal Engagement Strategy, which recognised the Whadjuk

people’s traditional ties to the land and identified opportunities to encourage business and employment participation by the Aboriginal community during the planning, design and construction phases of the Stadium Project.

The Strategy was formally executed by representatives of the Whadjuk Working Party, South West Aboriginal Land and Sea Council and the co-chairs of the Perth Stadium Steering Committee in June 2015. It has since been adopted as a model for Aboriginal engagement on other major infrastructure projects.





### Key Stadium Features

- ❖ Five levels;
- ❖ 60,000 seats in AFL mode with an additional 5,000 drop-in seats for rectangular sports;
- ❖ Provision for future expansion to 70,000 AFL mode seats or more (without removing the roof structure);
- ❖ Striking bronze façade reflecting the State's geology;
- ❖ A light weight 'halo' roof;
- ❖ 85 per cent of seats behind the roof drip line;
- ❖ State-of-the-art LED lights able to show home team colours by night;
- ❖ The two biggest stadium screens in the southern hemisphere, measuring 340 square metres each;
- ❖ Five team changing rooms (two dedicated to local AFL teams), plus additional changing rooms for officials and concert performers;
- ❖ Facilities for cricket including five drop-in cricket wickets to accommodate International Test Cricket matches;

- ❖ Wide range of premium product facilities (that can be used for functions in non-event mode);
- ❖ More than 50 food and beverage outlets in event mode;
- ❖ A 300 metres long arbour that reflects Aboriginal stories in its design and provides a partially covered link from the new stadium train station (in the east) to the entrance of the new Matagarup Bridge over the Swan River (at the western end of the park) ;

- ❖ A distinctively landscaped, activity precinct around the Stadium in non-event mode, including two restaurants, a community oval, rehabilitated parkland and picnic areas, a nature playground, a sensory playground design for children with disabilities, and a grass-sloped amphitheatre; and
- ❖ A comprehensive public art program, implemented through the Percent for Art Scheme.



Photo courtesy of Gatecrasher

# Our People and Organisation

Our people are our most important asset and we strive to create an environment where they can achieve their best.

On 28 April 2017, the Premier announced the first round of Machinery of Government changes to the Public Sector. As part of this Public Sector Renewal initiative, the Department of Treasury formally transferred the Strategic Projects business unit (excluding the Asset Sales function) to the Department of Finance on 1 July 2017. Functions from the Office of the Government Architect transferred from Finance to the Department of Planning, Lands and Heritage early in 2018.

Having **Building Management** and **Works** and **Strategic Projects** business units in one department has provided opportunities for improved resource and knowledge sharing on building projects and more efficient service delivery through pooling capability and eliminating duplication.

This is reflected in the consolidation of the resources dedicated to Statutory Planning, Land Services and Asset Planning within the Strategic Projects business unit, enabling Finance to better support its client agencies in the critical planning phase of their infrastructure projects.

As a result, Finance is well-placed to function as a centralised lead advisor in statutory planning and approvals, land assembly, asset planning and related project management and project delivery activities.

Building on the consolidation of asset planning and land assembly, and recognising an opportunity to deliver better client services, Building Management and Works has realigned functions into three core areas to provide a single point of accountability and contact for clients and stakeholders.

The Department continues to examine ways to leverage leadership, technical and policy skills across business units to deliver better services to clients.

Finance has a strong commitment to innovation and seeks to embrace technology that improves how people work, which ultimately delivers better outcomes for customers.

During the year, **Corporate Services** implemented a new business intelligence and

analytics platform using Microsoft PowerBI and supporting Azure tools, enabled mobility through deployment of Windows 10 built laptops, commenced migration to Office 365 and implemented follow-me-printing to reduce print costs and increase security.

The deployment of this contemporary technology supports the Department's adoption of activity-based working and efforts to create a bold and innovative culture.

Developing our people is core to our success. Key programs contributing to this are the Graduate and Traineeship Programs, and the Interagency Mentoring Program.

The Department of Finance participated in the Public Sector Commission's Traineeship Programs by accommodating three trainees: two with a disability (vision and hearing impaired), as well as an Aboriginal trainee. With support and guidance from supervisors, two of the trainees have successfully completed their Certificate III in Government.

One trainee secured a permanent position within **Building Management and Works** and the other trainee is on a 12-month contract in **Corporate Services**. One Aboriginal trainee commenced in **Government Procurement** in May 2018 and is also undertaking a Certificate III in Government.

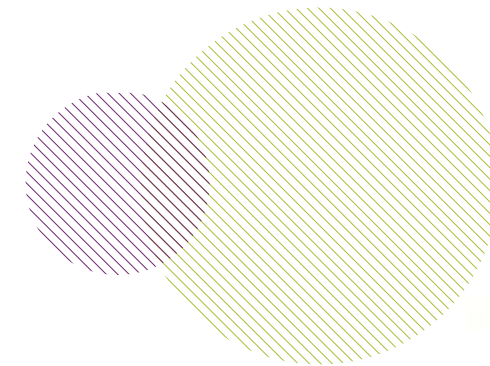
The Department of Finance strives to encourage diversity in the workplace. The Graduate and Traineeship Programs facilitate this involvement through careful consideration of how we can assist our people feel comfortable in their working environment, enabling them to reach their potential, achieve their own personal and professional goals and inevitably add value across the Department.

**State Revenue's** Succession Management Program demonstrates the Department's commitment to invest in our people and build capability. The program identifies employees who have the potential to develop specific skills and knowledge to fill critical roles in the business that may become vacant through retirement or natural attrition.

Twenty-eight employees have participated in the Program since it began in 2008, and have been exposed to other areas of the business to develop a holistic understanding of the organisation. After completing the Program, employees are included in an alumni program for continual professional development and higher duties opportunities where practical.

The **Interagency Mentoring Program** is led and supported by the Department of Finance. Seven agencies across the public sector participate, where mentors and mentees are paired from different agencies, providing opportunities to grow employee networks and facilitate future collaboration. In addition to facilitating the program, Department of Finance participated in the Program.

An additional communications stream is being piloted for 2018, with 13 agencies participating with 20 mentors and 20 mentees contributing to the Program.





## Graduate Program

In 2018, the Department of Finance's Graduate Program was recognised by the Australian Association of Graduate Employers as a leading national Graduate Program, being ranked 13th out of 75 organisations in Australia. This ranking was determined by graduates who provided feedback on their experience working with these private and public sector organisations.

Finance's Graduate Program stands out for the inclusive way in which it considers graduates from all disciplines. Over 2017 and 2018, the Department employed 15 graduates from a variety of tertiary backgrounds including Engineering, Pharmacology, Law, Actuarial Science, History, Architecture and German. Recruiting from a diverse set of disciplines has many benefits, including broadening Finance's capabilities through harnessing diverse perspectives that inspire innovative approaches to the way we do business.

Throughout the year, each graduate rotates through three business units where they gain knowledge and experience in areas such as policy, procurement, taxation, project management and data analysis.

Graduates also participate in the Public Sector Commission's Graduate Development Program. This Program exposes participants to a broad range of high-profile, sector-wide projects and agency-specific functions through presentations by agencies and site visits. This cross-sector collaboration and networking supports graduates to gain a better understanding of the breadth of public sector operations and the unique role played by central agencies such as Finance.

The Finance Graduate Program is an investment in the future leaders of the Department and graduates are encouraged to be proactive and open to the diverse career opportunities available to them. At the completion of the graduate program, Finance graduates experience a high rate of success in obtaining positions across the Department and the entire 2017 cohort secured permanent positions in Government Procurement, State Revenue or Building Management and Works. Over several years of the graduate program, many graduates have also gone on to secure higher duties opportunities and promotions.

The 2018 graduate cohort of seven are enjoying their rotations and are eagerly approaching the beginning of their last rotation. The Program equips participants with the training and skills required to build a career in and make a valuable contribution to the public sector. The graduates' experience across different business units builds diverse skills and knowledge, and supports Finance's ability to drive practical, cost-effective and quality outcomes across government to benefit Western Australians.



# Significant Issues and Future Outlook

Further opportunities exist for Finance to reshape its role, lead by example and become known as a functional leader that is sought out by agencies for its practical support and advice on sector-wide functions.

The future outlook will be heavily focused on enabling government reform through Finance leading and contributing to priority initiatives. Finance will also invest in workforce diversity and lead the way in implementing innovative ways of working which will reduce its accommodation footprint and deliver significant savings to government.

## Enabling Government Reform

The State Government's program of Public Sector Reform seeks to drive significant reform and cultural change across the public sector to create a high-performing and collaborative sector that delivers quality services to the Western Australian community.

The Public Sector Reform program is informed by the outcomes of various reviews, inquiries and working groups conducted during the year, which have culminated in a substantial suite of recommendations for reform.

Governance arrangements for the Public Sector Reform program include a Public Sector Reform Steering Committee and a Public Sector Reform Working Group, both of which Finance is a standing member. The Public Sector Reform Unit has also been established in the Department of the Premier and Cabinet and this will co-ordinate agency contributions to the overall reform effort.

Finance will establish an internal project management function to oversee delivery of recommendations assigned to the Department and to liaise with, and report to the Department of the Premier and Cabinet.

A total of 20 sector-wide priority initiatives have been identified by government. Internal resources and expert technical leads will be assigned to reform initiatives as required.

Enhancing procurement policy and practice for goods, services and works is a priority initiative and the Department is expected to lead this reform across the sector.

The Department is also expecting to contribute to other sector-wide priority initiatives, including the review of temporary personnel services and the development of the functional leadership framework.

The coming year represents a significant opportunity for the Department to provide sector-wide leadership, practical advice and continued collaboration with other central agencies on priority reform initiatives.

Work is already underway in **Government Procurement** to address recommendations made by the Service Priority Review and Special Inquiry into Government Programs and Projects to develop the commercial acumen and negotiation capability of the sector. The strategy includes a combination of centre-led approaches with decentralised responsibility.

The Department will also collaborate with agencies that undertake their own works procurement to identify challenges arising from the current fragmented legislative structure, and assist in developing a more effective procurement framework for the State.

As well as delivering better value-for-money procurement outcomes, a more consistent and simplified procurement approach will make it easier for industry, especially local small businesses, to participate.



## Enhancing Workforce Diversity

In 2017, the Department's Corporate Executive commissioned an evidence-based review by the **Strategy and Coordination** business unit on the nature and cause of the under-representation of women in management positions. This review led to the identification of barriers to women's progression and the development of a suite of recommendations to improve the situation and achieve the Department's target of 50 per cent women in management roles.

The Government's Service Priority Review noted the underrepresentation of women in the senior echelons of the public sector and recommended this be addressed in the interests of a capable and well performing sector.

The Corporate Executive is committed to a diverse organisation and the coming year will see the implementation of a Gender Equity Action Plan to break down the barriers that make it difficult for women to progress. This will require innovative approaches to address behaviours, practices and processes, and includes initiatives such as flexible working arrangements for management roles including part-time arrangements, improving recruitment practices, unconscious bias training for

decision-makers, and more rigorous and frequent reporting on gender metrics.

The review provides opportunities for leadership in the public sector with Finance presenting its findings to the Directors General Leadership Council and receiving subsequent requests for briefings to other departments to share learnings.

## Innovative Ways of Working

As part of the Government Office Accommodation Reform Program, the Department has commenced internal implementation of an activity-based workplace over three floors of the Optima Centre in Osborne Park, with the fit-out scheduled for completion in November 2018.

This follows a successful trial of a simulated activity-based working area in the Optima Centre in 2017 and will be the first time a fit-for-purpose fit-out of this type will be employed in a Western Australian government agency.

It is expected this initiative will encourage other agencies to follow the Department of Finance's lead in developing new and innovative ways to work while reducing government's accommodation footprint.

In addition to space and cost savings, anticipated benefits include a more productive and satisfying workplace for staff, improved collaboration between staff from different business units and the consolidation of approximately half of the Department's staff into one building. The new fit-out will progress incrementally with the sixth floor expected to be completed in July 2018, the fifth floor in September 2018 and the fourth floor in November 2018.

The Department's **Corporate Services** staff will relocate to the Optima Centre from its current location at 140 William Street in August 2018, further reducing the overall size and cost of the Department's government office accommodation.

# Performance Management Framework

## Relationship to Government Goals

Government goals are supported at agency level by specific outcomes. Agencies deliver services to achieve these outcomes. The following table illustrates the relationship between the agency's services and desired outcomes, and the Government goal it contributes to. The key effectiveness indicators measure the extent to which service delivery has achieved desired outcomes. The key efficiency indicators monitor the relationship between the services delivered and the resources used to produce the service.

## Shared Responsibilities with Other Agencies

Integral to the success of both the Department and the Government is the ability to partner with others.

As a central agency, the Department drives practical, cost-effective and quality outcomes across government to benefit Western Australians.

This is achieved through providing leadership and strategic advice to government on initiatives to improve the operations and management of services across the public sector.

Government Goals	Desired Outcomes	Services
<b>Sustainable Finances</b>		
Responsible financial management and better service delivery.	Due and payable revenue is collected and eligible grants, subsidies and rebates paid.	Revenue assessment and collection, and grants and subsidies administration.
	Value-for-money from public sector procurement.	Development and management of Common Use Contract Arrangements, State Fleet leasing and disposal and providing facilitation service for agency specific contracts.
	Efficient and effective corporate services to client agencies.	Corporate services to client agencies.
	Value-for-money from the management of the Government's non-residential buildings and public works.	
Leads the planning and delivery of new government buildings.		

# Summary of Non-Financial Performance for 2017-18

## Outcome

Key Effectiveness Indicator	Unit	Target	Actual	Page
Extent to which due revenue is collected	%	88	89	<a href="#">100</a>
Extent to which correct grants, subsidies and rebates are paid	%	100	100	<a href="#">100</a>
Profitability of the State's light vehicle fleet (\$'000) <sup>(a)</sup>	\$	15,000	15,910	<a href="#">102</a>
Extent to which client agencies agree that their agency contracts and Common Use Contract Arrangements achieved value-for-money	%	92	93	<a href="#">102</a>
An effectiveness indicator is not reported for this outcome		N/A	N/A	-
Percentage of significant projects in the New Buildings Program delivered within 10% of approved budget	%	100	100	<a href="#">104</a>
Percentage of significant projects in the New Buildings Program delivered within approved:				
Budget	%	100	100	<a href="#">106</a>
Timeframe <sup>(b)</sup>	%	100	50	<a href="#">106</a>

(a) State Fleet's profitability has exceeded the 2017-18 target due to better than forecast sales proceeds from the disposal of State Fleet vehicles.

(b) Five of the ten major projects overseen by Strategic Projects that were active during 2017-18 have been, or are expected to be, completed within approved timeframes. Further information available on Page [106](#).

## Service

Key Efficiency Indicator	Unit	Target	Actual	Page
Cost per \$100 of revenue raised	\$	0.85	0.83	<a href="#">101</a>
Average cost per application/claim processed <sup>(c)</sup>	\$	10.53	10.84	<a href="#">101</a>
Cost of facilitating the development and management of agency specific contracts as a percentage of the contract award value	%	1.7	1.6	<a href="#">103</a>
Average administrative cost per vehicle for financing and managing the State Fleet service <sup>(d)</sup>	\$	118	112	<a href="#">103</a>
Cost of developing and managing whole-of-government Common Use Contract Arrangements as a percentage of the total annual value of purchases through the arrangements <sup>(e)</sup>	%	1.5	1.6	<a href="#">103</a>
An efficiency indicator is not reported for this service		N/A	N/A	-
Percentage of significant projects in New Buildings Program delivered within three months of approved timeframe	%	90	100	<a href="#">105</a>
Percentage of maintenance services delivered within 10% of approved timeframe	%	80	78	<a href="#">105</a>
Average office accommodation floor space per work point (wp) <sup>(f)</sup>	m <sup>2</sup>	15.00	14.65	<a href="#">105</a>
Cost as a percentage of the total annual value of the planning and delivery of capital works projects <sup>(g)</sup>	%	0.7	0.9	<a href="#">107</a>

(c) The three per cent increase in the average cost (\$) per application/claim processed in 2017-18 due to a slight increase in costs.

(d) Average administrative cost per vehicle is lower than budget as a result of both operational and fleet efficiencies.

(e) The higher than target result is due to a reduction in CUA turnover which was partially offset by lower than estimated costs.

(f) Improvement is due to the termination of leases (21,993m<sup>2</sup>) with poor average workspace density (15.33m<sup>2</sup>/wp) and the completion of fit-out works (17,504m<sup>2</sup>) where the average workspace density was below the benchmark density (11.90m<sup>2</sup>/wp).

(g) The increase in cost as a percentage of the value of capital works projects is a result of a reduction in the overall value of the major project portfolio.

# Summary of Financial Performance for 2017-18

The Department of Finance 2017-18 estimated total cost of services allocation was approximately \$1.44 billion, funded largely through the charging of other government departments for building works, maintenance and leasing. The other key funding sources are appropriations of \$0.17 billion and other revenue sources of \$0.14 billion.

The \$1.44 billion in expenses estimate primarily relates to building works across the whole-of-government (\$1.15 billion), employee expenses (\$0.12 billion) and depreciation (\$0.08 billion).

Actual results versus estimate	Estimate <sup>(a)</sup> \$000	Actual \$000	Variance \$000	Reason for significant variation between actual and estimate
Total cost of services (expense limit)	1,435,195	1,377,832	(57,363)	Actual expenditure was below estimate primarily due to a reduction in the whole-of-government capital works program delivered by Building Management and Works on behalf of government agencies.
Net cost of services	(151,322)	(184,722)	33,400	The 2018 actual was higher than estimate due to the write down of the Department's land and building assets as a result of the annual valuation process.
Total equity	1,184,373	1,094,947	(89,426)	Total equity has been reduced by a downward revaluation of government accommodation assets and lower capital investment.
Net increase/(decrease) in cash held	29,365	(27,197)	(56,562)	Cash balances are lower than estimate due to lower than forecast State Fleet receipts and a reduction in payables.
Approved salary expense level	120,336	103,244	(17,092)	Reduced expenditure on salaries was as a result of the severance program and higher than forecast vacancy levels.
Agreed borrowing limit	88,597	79,918	(8,679)	Reduction due to State Fleet reforms reducing the purchasing of new vehicles.
Working cash limit	66,838	63,391	(3,447)	The working cash limit is 5% of budgeted recurrent payments (operating and financing) and the variation reflects the reduction in cost of services.

(a) Approved as part of the 2017-18 State Budget process.

Further explanations are contained in Note 44 of the financial statements.