

Financial Statements Overview

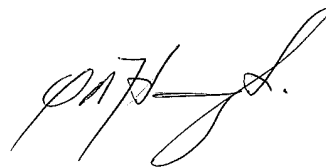
CERTIFICATION OF FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2007

The accompanying financial statements of the Department of Local Government and 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 ending 30 June 2007 and the financial position as at 30 June 2007.

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



L Nagy
Chief Finance Officer
Date: 3 September 2007



Q Harrington
Accountable Authority
Date: 3 September 2007

Financial Statements Overview

DEPARTMENT OF LOCAL GOVERNMENT & REGIONAL DEVELOPMENT
INCOME STATEMENT
FOR YEAR ENDED 30 JUNE 2007

	Note	2007 \$000	2006 \$000
COST OF SERVICES			
Expenses			
Employee benefits expense	5	8,727	7,963
Supplies and services	6	3,081	2,673
Depreciation and amortisation expense	7	165	189
Accommodation expenses	8	910	730
Grants and subsidies	9	25,463	21,042
Capital user charge	10	176	1,695
Other expenses	11	1	1
Total cost of services		38,523	34,293
Income			
Revenue			
Commonwealth grants and contributions	12	1,605	89
State grants	13	620	861
User charges and fees	14	194	192
Other revenue		338	142
Total revenue		2,757	1,284
NET COST OF SERVICES		35,766	33,009
INCOME FROM STATE GOVERNMENT			
Service appropriation	15	28,615	53,992
Liabilities assumed by the Treasurer		42	24
Resources received free of charge		271	121
Total income from State Government		28,928	54,137
SURPLUS/(DEFICIT) FOR THE YEAR		(6,838)	21,128

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

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

Financial Statements

DEPARTMENT OF LOCAL GOVERNMENT & REGIONAL DEVELOPMENT
BALANCE SHEET
AS AT 30 JUNE 2007

	Note	2007 \$000	2006 \$000
ASSETS			
Current Assets			
Cash and cash equivalents	25	28,610	35,944
Restricted cash and cash equivalents	16	57	25
Receivables	17	282	323
Amounts receivable for services	18	438	318
Total Current Assets		29,387	36,610
Non-Current Assets			
Office equipment and computer hardware	19	261	266
Total Non-Current Assets		261	266
TOTAL ASSETS		29,648	36,876
LIABILITIES			
Current Liabilities			
Payables	21	1,060	1,590
Provisions	22	1,364	1,194
Other current liabilities	23	28	137
Total Current Liabilities		2,452	2,921
Non-Current Liabilities			
Provisions	22	828	843
Total Non-Current Liabilities		828	843
Total Liabilities		3,280	3,764
Net Assets			
Equity			
Contributed equity	24	454	360
Accumulated surplus		25,914	32,752
Total Equity		26,368	33,112
TOTAL LIABILITIES AND EQUITY		29,648	36,876

The Balance Sheet should be read in conjunction with the accompanying notes.

Financial Statements

DEPARTMENT OF LOCAL GOVERNMENT & REGIONAL DEVELOPMENT
STATEMENT OF CHANGE IN EQUITY
AS AT 30 JUNE 2007

	Note	2007 \$000	2006 \$000
	24		
Balance of equity at start of period		33,112	11,860
CONTRIBUTED EQUITY			
Balance at start of period		360	236
Capital contribution		94	124
Balance at end of period		454	360
ACCUMULATED SURPLUS			
Balance at start of period		32,752	11,624
Surplus/(Deficit) for the period		(6,838)	21,128
Balance at end of period		25,914	32,752
Balance of equity at end of period		26,368	33,112
Total income and expenses for the period (a)		(6,838)	21,128

(a) The aggregate net amount attributable to each category of equity is: deficit \$6,838,000, (2006: surplus \$21,128,000).

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

Financial Statements

DEPARTMENT OF LOCAL GOVERNMENT & REGIONAL DEVELOPMENT
CASH FLOW STATEMENT
FOR THE YEAR ENDED 30 JUNE 2007

	Note	2007 \$000	2006 \$000
CASH FLOWS FROM STATE GOVERNMENT			
Service appropriation		28,413	53,868
Capital contributions		176	124
Net cash provided by State Government		<u>28,589</u>	<u>53,992</u>
Utilised as follows:			
CASH FLOWS FROM OPERATING ACTIVITIES			
Payments			
Employee benefits		(8,570)	(7,735)
Supplies and services		(3,569)	(2,875)
Capital User Charge		(528)	(1,219)
Grants and Subsidies		(25,844)	(21,042)
Receipts			
Other receipts		2,752	2,057
Net cash provided by/(used in) operating activities		<u>(35,759)</u>	<u>(30,814)</u>
CASH FLOWS FROM INVESTING ACTIVITIES			
Purchase of non-current physical assets		(132)	(76)
Net cash provided by/(used in) investing activities		<u>(132)</u>	<u>(76)</u>
Net increase/(decrease) in cash and cash equivalents		(7,302)	23,102
Cash and cash equivalents at the beginning of period		35,969	12,867
CASH AND CASH EQUIVALENTS AT THE END OF PERIOD	25	<u>28,667</u>	<u>35,969</u>

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

Financial Statements

DEPARTMENT OF LOCAL GOVERNMENT & REGIONAL DEVELOPMENT SCHEDULE OF INCOME AND EXPENSES BY SERVICE FOR THE YEAR ENDED 30 JUNE 2007

	Implementation of government policy		Improved access to services and capacity for development in regional communities		Better local government		Total	
	2007 \$000	2006 \$000	2007 \$000	2006 \$000	2007 \$000	2006 \$000	2007 \$000	2006 \$000
COST OF SERVICES								
Expenses								
Employee benefits expense	2,137	1,752	3,913	3,396	2,677	2,815	8,727	7,963
Supplies and services	632	356	1,827	1,523	622	794	3,081	2,673
Depreciation and amortisation expense	41	45	72	77	52	67	165	189
Accommodation expenses	226	173	397	298	287	259	910	730
Grants and subsidies	151	29	24,568	20,960	744	53	25,463	21,042
Capital User Charge	44	402	76	689	56	604	176	1,695
Other expenses	-	-	1	1	-	-	1	1
Total cost of services	3,231	2,757	30,854	26,944	4,438	4,592	38,523	34,293
Income								
Commonwealth grants and contributions	-	-	1,500	-	105	89	1,605	89
State grants	-	-	620	861	-	-	620	861
User charges and fees	-	-	194	192	-	-	194	192
Other revenue	46	27	242	92	50	23	338	142
Total income other than income from State Government	46	27	2,556	1,145	155	112	2,757	1,284
NET COST OF SERVICES	3,185	2,730	28,298	25,799	4,283	4,480	35,766	33,009
INCOME FROM STATE GOVERNMENT								
Service appropriation	7,129	12,872	12,464	21,899	9,022	19,221	28,615	53,992
Liabilities assumed by the Treasurer	11	6	18	9	13	9	42	24
Resources received free of charge	68	29	117	49	86	43	271	121
Total income from State Government	7,208	12,907	12,599	21,957	9,121	19,273	28,928	54,137
Surplus/(deficit) for the period	4,023	10,177	(15,699)	(3,842)	4,838	14,793	(6,838)	21,128

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

Financial Statements

DEPARTMENT OF LOCAL GOVERNMENT & REGIONAL DEVELOPMENT SUMMARY OF CONSOLIDATED FUND APPROPRIATIONS AND INCOME ESTIMATES FOR THE YEAR ENDED 30 JUNE 2007

	2007 Estimate \$000	2007 Actual \$000	Variation \$000	2007 Actual \$000	2006 Actual \$000	Variation \$000
DELIVERY OF SERVICES						
Item 111 Net amount appropriated to deliver services	41,129	28,073	(13,056)	28,073	53,811	(25,738)
Amount Authorised by Other Statutes -Salaries and Allowances Act 1975	183	196	13	196	181	15
Total appropriations provided to deliver services	41,312	28,269	(13,043)	28,269	53,992	(25,723)
CAPITAL						
Item 177 Capital Contribution	94	94	-	94	124	(30)
ADMINISTERED TRANSACTIONS						
Item 112 Administered grants, subsidies and other transfer payments	1,316	1,316	-	1,316	250	1,066
Total administered transactions	1,316	1,316	-	1,316	250	1,066
GRAND TOTAL	42,722	29,679	(13,043)	29,679	54,366	(24,687)
Details of Expenses by Service						
Implementation of government policy	3,289	3,231	(58)	3,231	2,757	474
Improved access to services and capacity for development in regional communities	48,294	30,854	(17,440)	30,854	26,944	3,910
Better local government	4,945	4,438	(507)	4,438	4,592	(154)
Total Cost of Services	56,528	38,523	(18,005)	38,523	34,293	4,230
Less: total income	(997)	(2,757)	1,760	(2,757)	(1,284)	1,473
Net Cost of Services	55,531	35,766	(19,765)	35,766	33,009	2,757
Adjustments	(14,219)	(7,495)	(6,724)	(7,495)	20,983	(28,478)
Total appropriations provided to deliver services	41,312	28,271	(13,041)	28,271	53,992	(25,721)
Capital Expenditure						
Purchase of non-current physical assets	144	160	16	160	75	85
Adjustment for other funding sources	(50)	(66)	(16)	(66)	49	(115)
Capital Contribution (appropriation)	94	94	-	94	124	(30)
DETAILS OF INCOME ESTIMATES						
Income disclosed as Administered income	1,316	1,316	-	1,316	250	1,066

Adjustments comprise movements in cash balances and other accrual items such as receivables, payables and superannuation

Note 30 ' Explanatory statement' provides details of any significant variations between estimates and actual results for 2007 and between the actual results for 2006 and 2007.

Financial Statements

NOTES TO THE FINANCIAL STATEMENT FOR THE YEAR ENDED 30 JUNE 2007

1. Departmental mission and funding

The Department's mission is to provide an increased capacity of our multicultural communities to develop good government, economic growth, social well being and environmental sustainability.

The Department is predominantly funded by Parliamentary appropriations. The financial statements encompass all Funds through which the Department controls resources to carry on its functions.

2. Australian equivalents to International Financial Reporting Standards

General

The Department's financial statements for the year ended 30 June 2007 have been prepared in accordance with Australian equivalents to International Financial Reporting Standards (AIFRS), which comprise a Framework for the Preparation and Presentation of Financial Statements (the Framework) and Australian Accounting Standards (including the Australian Accounting Interpretations).

In preparing these financial statements the Department has adopted, where relevant to its operations, new and revised Standards and Interpretations from their operative dates as issued by the AASB and formerly the Urgent Issues Group (UIG).

The Australian Accounting Interpretations are adopted through AASB 1048 'Interpretation and Application of Standards' and are classified into those corresponding to IASB Interpretations and those applicable in Australia.

The AASB has decided to maintain statements of accounting concepts (SAC 1 and SAC 2) and has continued to revise and maintain accounting standards and the interpretations that are of particular relevance to the Australian environment, especially those that deal more specifically with not-for-profit entity issues and/ or do not have equivalent IASB Standard of Interpretation.

Early adoption of standards

The Department cannot early adopt an Australian Accounting Standard or Australian Accounting Interpretation unless specifically permitted by TI1101 'Application of Australian Accounting Standards and Other Pronouncements'. No Standards and Interpretations that have been issued or amended but are not yet effective have been adopted by the Department for the annual reporting period ended 30 June 2007.

3. Summary of significant accounting policies

(a) General Statement

The financial statements constitute a general purpose financial report which has been prepared in accordance with the Australian Accounting Standards, the Framework, Statements of Accounting Concepts and other authoritative pronouncements of the Australian Accounting Standards Board 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 and the Treasurer's Instructions are legislative provisions governing the preparation of financial statements and take precedence over the Accounting Standards, the Framework, Statements of Accounting Concepts and other authoritative pronouncements of the Australian Accounting Standards Board.

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

(b) Basis of Preparation

The financial statements have been prepared in accordance with Accounting Standard AAS 29 'Financial Reporting by Government Departments' on the accrual basis of accounting using the historical cost convention.

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

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

The Judgements that have been made in the process of applying the Department's accounting policies that have the most significant effect on the amounts recognised in the financial statements are disclosed.

The key assumptions made concerning the future, and other key sources of estimation uncertainty at the balance sheet date that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are disclosed.

(c) Reporting Entity

The reporting entity comprises the Department of Local Government and Regional Development.

The Department administers assets, liabilities, income and expenses on behalf of Government which are not controlled by, nor integral to the function of the Department. These administered balances and transactions are not recognised in the principal financial statements of the Department but schedules are prepared using the same basis as the financial statements and are

presented at note 35 'Administered expenses and income' and note 36 'Administered assets and liabilities'.

(d) Contributed Equity

UIG Interpretation 1038 'Contributions by Owners Made to Wholly-Owned Public Sector Entities' requires transfers in the nature of equity contributions 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 contributions (appropriations) have been designated as contributions by owners by TI 955 'Contributions by Owners made to Wholly Owned Public Sector Entities' and have been credited directly to Contributed Equity.

(e) Income

Revenue recognition

Revenue is measured at the fair value of consideration received or receivable. Revenue is recognised for the major 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 control transfer to the purchaser and can be measured reliably.

Rendering of services

Revenue is recognised upon delivery of the service to the client or by reference to the stage of completion of the transaction.

Service Appropriations

Service Appropriations are recognised as revenues 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 into the Department's bank account or credited to the holding account held at the Department of Treasury and Finance. See note 15 'Income from State Government' for further detail.

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 2005-2006 Budget Statements, the Department retained \$2.757 million in 2007 (\$1.284 million in 2006) from the following:

- proceeds from fees and charges;
- Commonwealth specific purpose grants and contributions;
- 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 which is 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.

Where contributions recognised as revenues during the reporting period were obtained on the condition that they be expended in a particular manner or used over a particular period, and those conditions were undischarged as at the balance sheet date, the nature of, and amounts pertaining to, those undischarged conditions are disclosed in the notes.

(f) Office Equipment and Computer Hardware

Capitalisation/Expensing of assets

Items of office equipment and computer hardware costing \$1,000 or more are recognised as assets and the cost of utilising assets is expensed (depreciated) over their useful lives. Items of office equipment and computer hardware costing less than \$1,000 are immediately expensed direct to the Income Statement (other than where they form part of a group of similar items which are significant in total).

Initial recognition and measurement

All items of office equipment and computer hardware are initially recognised at cost.

For items of office equipment and computer hardware acquired at no cost or for nominal consideration, the cost is their fair value at the date of acquisition.

Subsequent measurement

All items of office equipment and computer hardware are carried at historical cost less accumulated depreciation.

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

Office equipment	5 to 10 years
Computer Hardware	3 years

(g) Impairment of Assets

Office equipment and computer hardware are tested for any indication of impairment at each balance sheet date. 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. As the Department is a not-for-profit entity, unless an 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 asset's future economic benefits and to evaluate any impairment risk from falling replacement costs.

The recoverable amount of assets identified as surplus assets is the higher of fair value less costs to sell and the present value of future cash flows expected to be derived from the asset. Surplus assets carried at fair value have no risk of material impairment where fair value is determined by reference to market-based evidence.

(h) Leases

The Department holds operating leases for head office. Lease payments are expensed on a straight line basis over the lease term as this represents the pattern of benefits derived from the leased properties.

(i) Financial Instruments

The Department has two categories of financial instrument:

- Receivables (cash and cash equivalents, receivables); and
- Financial liabilities (payables).

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.

(j) Cash and Cash Equivalents

For the purpose of the Cash Flow Statement, cash and cash equivalents includes restricted cash and cash equivalents. These are comprised of 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.

(k) Accrued Salaries

The accrued salaries suspense account (see note 16 'Restricted cash and cash equivalents')

consists of amounts paid annually into a suspense account over a period of 10 financial years to largely meet the additional cash outflow in each eleventh year when 27 pay days occur instead of the normal 26. No interest is received on this account.

Accrued salaries (refer note 22 'Other liabilities') represent the amount due to staff but unpaid at the end of the financial year, as the pay date for the last pay period for that financial year does not coincide with the end of the financial year. Accrued salaries are settled within a fortnight of the financial year end. The Department considers the carrying amount of accrued salaries to be equivalent to its net fair value.

(l) Amounts Receivable for Services (Holding Account)

The Department receives appropriation funding on an accrual basis that recognises the full annual cash and non-cash cost of services. The appropriations are paid partly in cash and partly as an asset (Holding Account receivable) that is accessible on the emergence of the cash funding requirement to cover items such as leave entitlements and asset replacement.

See also note 15 'Income from State Government' and note 18 'Amounts receivable for services'.

(m) Receivables

Receivables are recognised and carried at original invoice amount less an allowance for uncollectible amounts (i.e. impairment). The collectability of receivables is reviewed on an ongoing basis and any receivables identified as uncollectible are written-off. The allowance for uncollectible amounts (doubtful debts) is raised when there is objective evidence that the Department will not be able to collect the debts. The carrying amount is equivalent to fair value as it is due for settlement within 30 days. See note 3(i) 'Financial Instruments' and note 17 'Receivables'.

(n) Payables

Payables are recognised 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 they are generally settled within 30 days. See note 3(i) 'Financial Instruments' and note 21 'Payables'.

(o) Provisions

Provisions are liabilities of uncertain timing and amount and are recognised where there is a present legal, equitable or constructive obligation as a result of a past event and when the outflow of economic benefits is probable and can be measured reliably. Provisions are reviewed at each balance sheet reporting date. See note 22 'Provisions'

(i) Provisions - Employee Benefits

Annual Leave and Long Service Leave

The liability for annual and long service leave expected to be settled within 12 months after the end of the balance sheet date is recognised and measured at the undiscounted amounts expected to be paid when the liabilities are settled. Annual and long service leave expected to be settled

more than 12 months after the end of the balance sheet date is measured at the present value of amounts expected to be paid when the liabilities are settled. Leave liabilities are in respect of services provided by employees up to the balance sheet date.

When assessing expected future payments consideration is given to expected future wage and salary levels including non-salary components such as employer superannuation contributions. In addition, the long service leave liability also considers the experience of employee departures and periods of service.

A liability for long service leave is recognised after an employee has completed two years of service. An actuarial assessment of long service leave undertaken by PricewaterhouseCoopers in 2005 determined that the liability measured using the short hand method was not materially different from the liability measured using the present value of expected future payments.

All annual leave and 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 balance sheet date.

Superannuation

The Government Employees Superannuation Board (GESB) administers the following superannuation schemes.

Employees may contribute to the Pension Scheme, a defined benefit pension scheme now closed to new members or the Gold State Superannuation Scheme (GSS), a defined benefit lump sum scheme also closed to new members. The Department has no liabilities for superannuation charges under the Pension or the GSS Schemes as the liability has been assumed by Treasurer.

Employees commencing employment prior to 16 April 2007 who are not members of either the Pension or the GSS Schemes 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). Both of these schemes are accumulation schemes. The Department makes concurrent contributions to GESB on behalf of employees in compliance with the Commonwealth Government's Superannuation Guarantee (Administration) Act 1992. These contributions extinguish the liability for superannuation charges in respect of the WSS and GESBS Schemes.

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

See also note 3(p) 'Superannuation expense'.

(ii) Provisions - Other

Employment On-Costs

Employment on-costs, including workers' compensation insurance, are not employee benefits and are recognised separately as liabilities and expenses when the employment to which they relate has occurred. Employment on-costs are included as part of 'Other expenses' and are not included as part of the Department's 'Employee benefits expense'. The related liability is included in 'Employment on-costs provision'. *See note 11 'Other Expenses' and note 22 'Provisions'.*

(p) Superannuation Expense

The following elements are included in calculating the superannuation expense in the Income Statement:

- (a) Defined benefit plans - Change in the unfunded employer's liability (i.e. current service cost and, actuarial gains and losses) assumed by the Treasurer in respect of current employees who are members of the Pension Scheme and current employees who accrued a benefit on transfer from that Scheme to the Gold State Superannuation Scheme (GSS); and
- (b) Defined contribution plans - Employer contributions paid to the West State Superannuation Scheme (WSS), and the equivalent of employer contributions to the GSS.

Defined benefit plans - in order to reflect the true cost of services, the movements (i.e. current service cost and, actuarial gains and losses) in the liabilities in respect of the Pension Scheme and the GSS Scheme transfer benefits are recognised as expenses directly in the Income Statement. As these liabilities are assumed by the Treasurer (refer note 3(o)(i)), a revenue titled 'Liabilities assumed by the Treasurer' equivalent to the expense is recognised under Income from State Government in the Income Statement. See note 15 'Income from State Government'.

The superannuation expense does not include payment of pensions to retirees, as this does not constitute part of the cost of services provided in the current year.

Defined contribution plans - in order to reflect the Department's true cost of services, the Department is funded for the equivalent of employer contributions in respect of the GSS Scheme (excluding transfer benefits). These contributions were paid to the GESB during the year and placed in a trust account administered by the GESB on behalf of the Treasurer. The GESB subsequently paid these employer contributions in respect of the GSS Scheme to the Consolidated Account.

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

(q) Resources Received Free of Charge or for Nominal Cost

Resources received free of charge or for nominal cost that can be reliably measured are recognised as revenues and as assets or expenses as appropriate, at fair value.

(s) Comparative Figures

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

4. Disclosure of changes in accounting policy and estimates

Initial application of an Australian Accounting Standard

The Department has applied the following Australian Accounting Standards and Australian Accounting Interpretations effective for annual reporting periods beginning on or after 1 July 2006:

1. AASB 2005-9 'Amendments to Australian Accounting Standards [AASB 4, AASB 1023, AASB 139 & AASB 132]' (Financial guarantee contracts). The amendment deals with the treatment of financial guarantee contracts, credit insurance contracts, letters of credit or credit derivative default contracts as either an "insurance contract" under AASB 4 'Insurance Contracts' or as a "financial guarantee contract" under AASB 139 'Financial Instruments: Recognition and Measurement'. The Department does not currently undertake these types of transactions, resulting in no financial impact in applying the Standard.
2. UIG Interpretation 4 'Determining whether an Arrangement Contains a Lease' as issued in June 2005. This Interpretation deals with arrangements that comprise a transaction or a series of linked transactions that may not involve a legal form of a lease but by their nature are deemed to be leases for the purposes of applying AASB 117 'Leases'. At balance sheet date, the Department has not entered into any arrangements as specified in the Interpretation, resulting in no impact in applying the Interpretation.
3. UIG Interpretation 9 'Reassessment of Embedded Derivatives'. This Interpretation requires an embedded derivative that has been combined with a non-derivative to be separated from the host contract and accounted for as a derivative in certain circumstances. At balance sheet date, the Department has not entered into any contracts as specified in the Interpretation resulting in no impact in applying the Interpretation.

The following amendments are not applicable to the Department as they have no impact or do not apply to not-for-profit entities:

AASB Standards and Interpretations	
2005-1	'Amendments to Australian Accounting Standard' (AASB 139-Cash flow hedge accounting of forecast intragroup transactions)
2005-5	'Amendments to Australian Accounting Standards [AASB 1 & AASB 139]'
2006-1	'Amendments to Australian Accounting Standards [AASB 121]'
2006-3	'Amendments to Australian Accounting Standards [AASB1045]'
2006-4	'Amendments to Australian Accounting Standards [AASB134]'
2007-2	'Amendments to Australian Accounting Standards arising from AASB Interpretation 12[AASB1, AASB117, AASB118, AASB120, AASB 121, AASB127, AASB131 & AASB139]'- paragraph 9
UIG 5	'Rights to Interests arising from Decommissioning, Restoration and Environmental Rehabilitation Funds'.
UIG 6	'Liabilities arising from Participating in a Specific Market – Waste Electrical and Electronic Equipment'.
UIG 7	'Applying the Restatement Approach under AASB 129 Financial Reporting in Hyperinflationary Economies'.
UIG 8	'Scope of AASB 2

Future Impact of Australian Accounting Standards not yet operative

The Department cannot early adopt an Australian Accounting Standard or Australian Accounting Interpretation unless specifically permitted by TI 1101 'Application of Australian Accounting Standards and Other Pronouncements'. Consequently, the Department has not applied the following Australian Accounting Standards and Australian Accounting Interpretations that have been issued but are not yet effective. These will be applied from their application date:

1. AASB 7 'Financial Instruments: Disclosures' (including consequential amendments in AASB 2005-10 'Amendments to Australian Accounting Standards [AASB 132, AASB 101, AASB 114, AASB 117, AASB 133, AASB 139, AASB 1, AASB 4, AASB 1023 & AASB 1038]'). This Standard requires new disclosures in relation to financial instruments. The Standard is considered to result in increased disclosures, both quantitative and qualitative of the Department's exposure to risks, enhanced disclosure regarding components of the Department's financial position and performance and possible changes to the way of presenting certain items in the financial statements. The Department does not expect any financial impact when the Standard is first applied to annual reporting periods beginning on or after 1 January 2007
2. AASB 2005-10 'Amendments to Australian Accounting Standards (AASB 132, AASB 101, AASB 114, AASB 117, AASB 133, AASB139, AASB1, AASB 4, AASB 1023, & AASB 1038)'. The amendments are as a result of the issue of AASB 7 'Financial Instruments: Disclosures', which amends the financial instrument disclosure requirements in these standards. The Department does not expect any financial impact when the Standard is first applied. The Standard is required to be applied to annual reporting periods beginning on or after 1 January 2007.

3. AASB101 'Presentation of Financial Statements'. This Standard was revised and issued in October 2006 so that AASB 101 has the same requirements as IAS 1 'Presentation of Financial Statements (as issued by the IASB) in respect of for-profit entities. The Department is a not-for-profit entity and consequently does not expect any financial impact when the Standard is first applied. The Standard is required to be applied to annual reporting periods beginning on or after 1 January 2007.
4. AASB 2007-4 'Amendments to Australian Accounting Standards arising from ED151 and Other Amendments (AASB 1, 2, 3, 4, 5, 6, 7, 102, 107, 108, 110, 112, 114, 116, 117, 118, 119, 120, 121, 127, 128, 129, 130, 131, 132, 133, 134, 136, 137, 138, 139, 141, 1023 & 1038)'. This Standard introduces policy options and modifies disclosures. These amendments arise as a result of the AASB decision that, in principle, all options that currently exist under IFRSs should be included in the Australian equivalents to IFRSs and additional Australian disclosures should be eliminated, other than those now considered particularly relevant in the Australian reporting environment. The Department of Treasury and Finance has indicated that it will mandate to remove the policy options added by this amending Standard. This will result in no impact as a consequence of application of the Standard. The Standard is required to be applied to annual reporting periods beginning on or after 1 July 2007.
5. AASB 2007-5 'Amendment to Australian Accounting Standard – Inventories Held for Distribution by Not-for-Profit Entities (AASB 102)'. This amendment changes AASB 102 'Inventories' so that inventories held for distribution by not-for-profit entities are measured at cost, adjusted when applicable for any loss of service potential. The Department does not have any inventories held for distribution so does not expect any financial impact when the Standard is first applied. The Standard is required to be applied to annual reporting periods beginning on or after 1 July 2007.
6. AASB Interpretation 4 'Determining whether an Arrangement Contains a Lease [revised]'. This Interpretation was revised and issued in February 2007 to specify that if a public-to-private service concession arrangement meets the scope requirements of AASB Interpretation 12 'Service Concession Arrangements' as issued in February 2007, it would not be within the scope of Interpretation 4. At balance sheet date, the Department has not entered into any arrangements as specified in the Interpretation or within the scope of Interpretation 12, resulting in no impact when the Interpretation is first applied. The Interpretation is required to be applied to annual reporting periods beginning on or after 1 January 2008.
7. AASB Interpretation 12 'Service Concession Arrangements'. This Interpretation was issued in February 2007 and gives guidance on the accounting by operators (usually a private sector entity) for public-to-private service concession arrangements. It does not address the accounting by grantors (usually a public sector entity). It is currently unclear as to the application of the Interpretation to the Department if and when public-to-private service concession arrangements are entered into in the future. At balance sheet date, the Department has not entered into any public-to-private service concession arrangements resulting in no impact when the Interpretation is first applied. The Interpretation is required to be applied to annual reporting periods beginning on or after 1 January 2008.

8. AASB Interpretation 129 'Service Concession Arrangements: Disclosures [revised]'. This Interpretation was revised and issued in February 2007 to be consistent with the requirements in AASB Interpretation 12 'Service Concession Arrangements' as issued in February 2007. Specific disclosures about service concession arrangements entered into are required in the notes accompanying the financial statements, whether as a grantor or an operator. At balance sheet date, the Department has not entered into any public-to-private service concession arrangements resulting in no impact when the Interpretation is first applied. The Interpretation is required to be applied to annual reporting periods beginning on or after 1 January 2008.
9. AASB 2007-6 "Amendments to Australian Accounting Standards arising from AASB 123 [AASB 1, AASB 101, AASB 107, AASB 111, AASB 116 & AASB 138 and Interpretations 1 & 12]". This Standard was issued on 14 June 2007 and applies to annual reporting periods beginning on or after 1 January 2009; and
10. AASB 2007-7 "Amendments to Australian Accounting Standards [AASB 1, AASB 2, AASB 4, AASB 5, AASB 107 & AASB 128]". This Standard was issued on 28 June 2007 and applies to annual reporting periods beginning on or after 1 July 2007.

The following Australian Accounting Standards and Interpretations are not applicable to the Department as they will have no impact or do not apply to not-for-profit entities:

AASB Standards and Interpretations	
AASB 8	'Operating Segments'
AASB 1049	'Financial Reporting of General Government Sectors by Governments'
AASB 2007-1	'Amendments to Australian Accounting Standards arising from AASB Interpretation 11 [AASB 2]'
AASB 2007-2	'Amendments to Australian Accounting Standards arising from AASB Interpretation 12 [AASB 1, AASB 117, AASB 118, AASB 120, AASB 121, AASB 127, AASB 131 & AASB 139]' – paragraphs 1 to 8
AASB 2007-3	'Amendments to Australian Accounting Standards arising from AASB 8 [AASB 5, AASB 6, AASB 102, AASB 107, AASB 119, AASB 127, AASB 134, AASB 136, AASB 1023 & AASB 1038]'
Interpretation 10	'Interim Financial Reporting and Impairment'
Interpretation 11	'AASB 2 – Group and Treasury Share Transactions'

	2007 \$000	2006 \$000
5. Employee benefits expense		
Wages and salaries ^(a)	7,731	7,086
Superannuation – defined contribution plan ^(b)	710	677
Superannuation – defined benefit plans ^{(c)(d)}	42	24
Long service leave	3	90
Annual leave	88	(10)
Other related expenses	153	96
	8,727	7,963
<p>(a) Includes the value of the fringe benefit to the employee plus the fringe benefit tax component.</p> <p>(b) Defined contribution plans include West State and Gold State (contributions paid)</p> <p>(c) Defined benefit plans include Pension scheme and Gold State (pre-transfer benefit)</p> <p>(d) An equivalent notional income is also recognised (see note 15 'Income from State Government')</p>		
6. Supplies and services		
Consultants and contractors	580	369
Resources received free of charge	271	121
Legal	12	180
Travel	409	298
Satellite services	449	453
Materials	179	157
Printing and advertising	230	265
Insurance	-	50
Repairs and maintenance	59	53
Communication	191	225
Consumables	182	122
Other	519	380
	3,081	2,673
7. Depreciation		
Furniture	82	96
Computer Hardware	83	93
	165	189
8. Accommodation expenses		
Lease rentals	853	666
Other	57	64
	910	730

	2007 \$000	2006 \$000
9. Grants and subsidies		
<u>Recurrent</u>		
Regional Development Scheme, Western Australian Regional Initiatives Scheme and Regional Infrastructure Funding Program	15,746	16,582
Telecentre Programs	2,859	2,613
Community Facilities Grant Program	900	148
Other	5,958	1,699
	25,463	21,042

10. Capital User Charge

Capital user charge

The charge was a levy applied by Government for the use of its capital. In 2006-07, the final year in which the charge was levied, a single payment was made equal to the appropriation for 2006-07 less any adjustment relating to 2005-2006

11. Other expenses

Employment on-costs ^(a)	1	1
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(a) 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 22 'Provisions'. Superannuation contributions accrued as part of the provision for leave are employee benefits and are not included in employment on-costs.

12. Commonwealth grants and contributions

Recurrent	1,605	89
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13. State Grants

Recurrent	620	861
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14. User charges and fees

Satellite Revenue	194	192
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	2007 \$000	2006 \$000
15. Income from State Government		
Appropriation received during the year:		
Service appropriations ^(a)	28,615	53,992
The following liabilities have been assumed by the Treasurer during the financial year:		
- Superannuation ^(b)	42	24
Total liabilities assumed by the Treasurer	42	24
Resources received free of charge ^(c)		
Determined on the basis of the following estimates provided by agencies:		
Landgate (formerly Department of Land Information)	12	1
Crown Solicitors Office	259	120
Total resources received free of charge	271	121
	28,928	54,137

- (a) Service appropriations are accrual amounts reflecting the full cost of services delivered. The appropriation revenue comprises a cash component and a receivable (asset). The receivable (holding account) comprises the depreciation expense for the year and any agreed increase in leave liability during the year.
- (b) The assumption of the superannuation liability by the Treasurer is a notional income to match the notional superannuation expense reported in respect of current employees who are members of the Pension Scheme and current employees who have a transfer benefit entitlement under the Gold State Superannuation Scheme. (The notional superannuation expense is disclosed at note 5 'Employee Benefits Expense').
- (c) Where assets or services have been received free of charge or for nominal cost, the Department recognises revenues (except where the contributions of assets or services are in the nature of contributions by owners in which case the Department shall make a direct adjustment to equity) equivalent to the fair value of the assets and/or the fair value of those services that can be reliably determined and which would have been purchased if not donated, and those fair values shall be recognised as assets or expenses, as applicable.

	2007 \$000	2006 \$000
16. Restricted cash and cash equivalents		
<u>Non-current</u>		
Accrued salaries suspense account ^(a)	57	25

(a) Amount held in the suspense account is only to be used for the purpose of meeting the 27th pay in a financial year that occurs every 11 years.

17. Receivables

Current		
Receivables	52	37
Allowance for impairment of receivables	(10)	(10)
GST receivable	240	296
	282	323

18. Amount Receivable for Services

Current	438	318
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Represents the non-cash component of service appropriations. See note 3(l) 'Amounts receivable for services (Holding Account)'. It is restricted in that it can only be used for asset replacement or payment of leave liability.

19. Office Equipment and Computer Hardware

Office equipment		
At cost	730	729
Accumulated depreciation	(531)	(466)
	199	263
Computer Hardware		
At cost	759	718
Accumulated depreciation	(697)	(715)
	62	3
Total of office equipment and computer hardware	261	266

19. Office Equipment and Computer Hardware (Cont'd)

Reconciliation of the carrying amounts of office equipment and computer hardware at the beginning and end of the reporting period are set out below.

	\$000	\$000	\$000
	Office Equipment	Computer Hardware	Total
2007			
Carrying amount at start of year	263	3	266
Additions	18	142	160
Disposals	-	-	-
Depreciation	(82)	(83)	(165)
Carrying amount at end of year	199	62	261
2006			
Carrying amount at start of year	328	52	380
Additions	31	45	76
Disposals	-	(1)	(1)
Depreciation	(96)	(93)	(189)
Carrying amount at end of year	263	3	266

20. Impairment of assets

There were no indications of impairment to office equipment and computer hardware at 30 June 2007.

	2007	2006
	\$000	\$000

21. Payables

Current		
Trade payables	1,060	1,590

22. Provisions

<u>Current</u>		
Employee benefits provision		
Annual leave ^(a)	663	573
Long service leave ^(b)	574	510
	1,237	1,083
Other provisions		
Employment on-costs ^(c)	127	111
	127	111
	1,364	1,194

	2007 \$000	2006 \$000
22. Provisions (Cont'd)		
<u>Non-current</u>		
Employee benefits provision		
Long service leave ^(b)	704	745
Deferred salary scheme	64	34
	768	779
 <u>Other provisions</u>		
Employment on-costs ^(c)	60	64
	828	843
	2,192	2,037

(a) Annual leave liabilities have been classified, as current as there is no unconditional right to defer settlement for at least 12 months after reporting date.

(b) Long service leave liabilities have been classified, as current as there is no unconditional right to defer settlement for at least 12 months after reporting date.

(c) The settlement of annual and long 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 is included in the note 5 'Employee benefit expense'.

23. Other liabilities

<u>Current</u>		
Accrued salaries	28	137

24. Equity

Equity represents the residual interest in the net assets of the Department. The Government holds the equity interest in the Department on behalf of the community.

Contributed equity

Balance at the start of the year	360	236
Capital contributions (i)	94	124
Closing balance	454	360

i) From 1 July 2001, capital appropriations, term Capital Contributions, have been designated as contributions by owners and are credited directly to equity in the Balance sheet.

	2007 \$000	2006 \$000
Accumulated surplus		
Opening balance	32,752	11,624
Change in net assets	(6,838)	21,128
Closing balance	25,914	32,752

25. Notes to the Cash Flow Statement

(a) Reconciliation of cash

Cash at the end of the financial year as shown in the Cash Flow Statement is reconciled to the related items in the Balance Sheet as follows:

Cash and cash equivalents	28,606	35,940
Cash on hand	4	4
	28,610	35,944
Restricted cash and cash equivalents (see note 16)	57	25
	28,667	35,969

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

Net cost of services	(35,766)	(33,009)
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Non-cash items:		
Depreciation and amortisation expense	165	189
Resources received free of charge	271	121
Superannuation expense	42	
Other expenses from ordinary activities	-	1
(Increase)/decrease in assets:		
Current receivables	41	897
Increase/(decrease) in liabilities:		
Current payables	(558)	758
Current provisions	170	(101)
Other liabilities	(109)	137
Non-current provisions	(15)	193
Net cash provided by/(used in operating activities)	(35,759)	(30,814)

26. Resources provided free of charge

No services were provided free of charge

	2007	2006
	\$000	\$000

27. Commitments

Lease commitments

Commitments in relation to leases contracted for at the reporting date but not recognised in the financial statements are payable as follows:

Within 1 year	829	735
Later than 1 year and not later than 5 years	3,036	2,720
Later than 5 years	738	1,339
	<u>4,603</u>	<u>4,794</u>

Representing:

Cancellable operating leases	173	108
Non-cancellable operating leases	4,430	4,686
	<u>4,603</u>	<u>4,794</u>

Commitments for minimum lease payments are payable as follows:

Within 1 year	738	669
Later than 1 year and not later than 5 years	2,954	2,678
Later than 5 years	738	1,339
	<u>4,430</u>	<u>4,686</u>

The property lease is a non-cancellable lease with a ten year term, with rent payable monthly in advance.

These commitments are all inclusive of GST.

28. Contingent liabilities and contingent assets

In addition to the assets incorporated in the financial statements, the Department has pending litigation that may effect the financial position to the value of \$ 50,000 in relation to a prosecution under Animal Welfare Act 2002. There are no contingent liabilities.

	2007 \$000	2006 \$000
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29. Indian Ocean Territories

The Agreement, pursuant to Section 23 of the Financial Management Act, between the Treasurer and the Accountable Officer provides for the retention of moneys received by the Department from the Commonwealth in respect of the Indian Ocean Territories. Revenue retained pursuant to this agreement is to be applied to the Department's Services. Moneys received by the Department in respect of the services provided shall be credited to the Department's operating account.

Opening balances	12	31
Plus: Gross revenues	105	89
	<u>117</u>	<u>120</u>
Less: Gross expenditures	133	108
Closing balances	<u>(16)</u>	<u>12</u>

30. Explanatory statement

The Summary of Consolidated Fund Appropriations and Revenue Estimates disclose appropriations and other statutes expenditure estimates, the actual expenditures made and revenue estimates and payments into the Consolidated Fund. Appropriations are now on an accrual basis.

The following explanations are provided in accordance with Treasurer's Instruction 945. Significant variations are considered to be those greater than 10% and \$100,000.

(i) Significant variances between estimate and actual :

	2007 Estimate \$000	2006 Actual \$000	Variation \$000
Total appropriations provided to deliver services	41,312	28,269	(13,043)

The variance is primarily due to a realignment of cash flows associated with the Regional Investment Fund.

Total revenues from ordinary activities

The variance is due in the main to additional Commonwealth and State revenue grants.

(ii) Significant variances between actual and prior year actual –:

	2007 Estimate \$000	2006 Actual \$000	Variation \$000
Total appropriation to deliver services	28,269	53,992	(25,723)

The variance is primarily due to the additional Funding provided in 2006 for the commencement of Regional Investment Fund Phase 2.

Total revenues from ordinary activities

The variance is due to a higher than expected recoupment from the Commonwealth for expenditure incurred with regards to Commonwealth and State initiatives.

(iii) Significant variances between estimate and actual – Capital Contribution: No significant variances

(iv) Significant variances between actual and prior year actual –

	2007 Estimate \$000	2006 Actual \$000	Variation \$000
Capital Contribution	94	124	(30)

The variance was due to the Department of Treasury and Finance appropriating capital contribution to assist the Department in replacing its ageing computers and office equipment.

(v) Significant variances between estimate and actual, and actual and prior year actual. Total administered appropriations: No significant variance

(vi) Significant variances between estimate and actual, and actual and prior year actual. Administered revenues: No significant variance

31. Financial Instruments

(a) Financial Risk Management Objectives and Policies

Financial instruments held by the Department are cash and cash equivalents, finance leases, Treasurer's advances and receivables and payables. The Department has limited exposure to financial risks. The Department's overall risk management program focuses on managing the risks identified below.

Credit risk

The Department trades only with recognised, creditworthy third parties. The Department has policies in place to ensure that sales of products and services are made to customers with an appropriate credit history. In addition, receivable balances are monitored on an ongoing basis with the result that the Department's exposure to bad debts is minimal. There are no significant concentrations of credit risk.

Liquidity risk

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.

Cash flow interest rate risk

The Department is not exposed to interest rate risk because cash and cash equivalents and restricted cash are non-interest bearing and have no borrowings other than the Treasurer's advance (non-interest bearing) and finance leases (fixed interest rate).

(b) Financial Instruments disclosures

Interest Rate Risk Exposure

The Department's exposure to interest rate risk, repricing maturities and the effective interest rates on financial instruments are:

	Weighted Average Effective Interest Rate %	Non interest bearing	Total
<u>2007</u>		\$'000	\$'000
Financial Assets			
Cash and cash equivalents	5.75%	28,606	28,606
Receivables	-	282	282
		<hr/>	<hr/>
		28,888	28,888
Financial Liabilities			
Payables	-	1,060	1,060
		<hr/>	<hr/>
		1,060	1,060

	Weighted Average Effective Interest Rate %	Non interest bearing	Total
<u>2006</u>		\$'000	\$'000
Financial Assets			
Cash and cash equivalents	-	35,944	35,944
Receivables	-	323	323
		<hr/>	<hr/>
		36,267	36,267
Financial Liabilities			
Payables	-	1,590	1,590
		<hr/>	<hr/>
		1,590	1,590

Net Fair Values

All financial assets and liabilities recognised in the balance sheet, 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.

	2007 \$000	2006 \$000
32. Remuneration of senior officers		
<u>Remuneration</u>		
The number of senior officers, whose total of fees, salaries, superannuation, non-monetary benefits and other benefits for the financial year, fall within the following bands are:		
\$		
20,001 – 30,000	-	1
100,001 – 110,000	-	2
110,001 – 120,000	1	-
120,001 – 130,000	1	1
130,001 – 140,000	2	1
140,001 – 150,000	-	2
210,001 – 220,000	-	1
220,001 – 230,000	1	-
290,001 – 300,000	1	-
The total remuneration of senior officers is:	1,028	1,000

The total remuneration includes the superannuation expense incurred by the Department in respect of senior officers.

No senior officers are members of the Pension Scheme.

33. Remuneration of auditor

Remuneration payable to the Auditor General for the financial year is as follows:

Auditing the accounts, financial statements and performance indicators	37	42
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34. Special Purpose Accounts

Special Purpose Account section 16(1)(c) of FMA

Wittenoom Relocation Trust Account

The purpose of this account is to hold funds for the purpose of purchasing property in the Wittenoom town site, relocating residents, demolition and disposal of acquired property.

<i>Balance at the start of the year</i>	-	-
Receipts	400	-
Payments	132	-
<i>Balance at the end of the year</i>	268	-

Local Government Scholarship Scheme Trust Fund

The purpose of this account is to hold funds for the purpose of awarding scholarships to local government officers for attendance at the managerial study courses.

Balance at the start of the year	35	27
Receipts	20	20
Payments	30	12
<i>Balance at the end of the year</i>	25	35

35. Administered expenses and income

Expenses

Grants and subsidies	773	728
Total administered expenses	773	728

Income

Receipts	80	-
Appropriations	1,316	250
Total administered income	1,396	250

2007	2006
\$000	\$000

36. Administered assets and liabilities

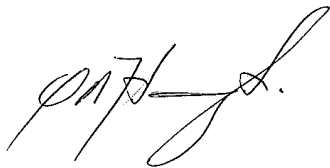
Current Assets

Cash and cash equivalents	2,635	2,005
Receivables	4	11
Total administered current assets	2,639	2,016
Total administered assets	2,639	2,016

Performance Indicators

CERTIFICATION OF PERFORMANCE INDICATORS FOR THE YEAR ENDED 30 JUNE 2007

I hereby certify that the performance indicators are based on proper records, are relevant and appropriate for assisting users to assess the Department of Local Government and Regional Development's performance, and fairly represent the performance of the Department of Local Government and Regional Development for the financial year ended 30 June 2007.



Q Harrington
Accountable Authority

Date: 3 September 2007

Financial Statements

DEPARTMENT OF LOCAL GOVERNMENT & REGIONAL DEVELOPMENT KEY EFFICIENCY INDICATORS

2003-04 Actual	2004-05 Actual	2005-06 Actual		2006-07 Target	2006-07 Actual	Comments
			Service 1: Implementation of Government Policy			
\$626	\$660	\$921	Average cost per piece of written advice requiring Minister's attention	\$1,724	\$789	Higher number of ministerial correspondence than expected.
\$51,600	\$12,611	\$40,833	Average cost of legislative amendments drafted	\$49,800	\$50,600	
			Service 2: Improved Access to Services and Capacity for Development in Regional Communities			
\$9,861	\$12,217	\$5,665	Average cost per application evaluated	\$8,619	\$6,023	Estimated expenses and number of applications lower than expected.
\$3,433	\$4,285	\$3,903	Average cost per local government assessed	\$3,295	\$2,925	Costs incurred by Grants Commission were lower than estimated.
\$6,283	\$4,225	\$4,163	Average internal cost per satellite site supported	\$4,403	\$3,889	Estimated expenses and number of satellite sites were lower than expected.
\$58,939	\$35,743	\$47,313	Average value of grant approved for local and regional communities	\$80,358	\$64,039	Lower number of grant applications funded and the average values lower than expected.
			Service 3: Better Local Government			
\$1,421	\$2,626	\$3,739	Average cost per inquiry and investigation	\$1,785	\$829	Number of inquires and investigations was higher than anticipated.
\$4,656	\$5,312	\$4,141	Average cost of monitoring each local government	\$3,779	\$3,585	
\$3,872	\$6,481	\$15,192	Average cost per dealing with an application for boundary change	\$5,606	\$14,183	Corporate Services costs were higher than expected.

Performance Indicators

KEY OUTCOME:

To enhance the development and capacity of communities through good government, economic growth and social well being.

The Department of Local Government and Regional Development has a broad range of administrative, economic and social functions associated with local government, regional development and satellite communication services. This is reflected in the broad nature of the key outcomes to be achieved.

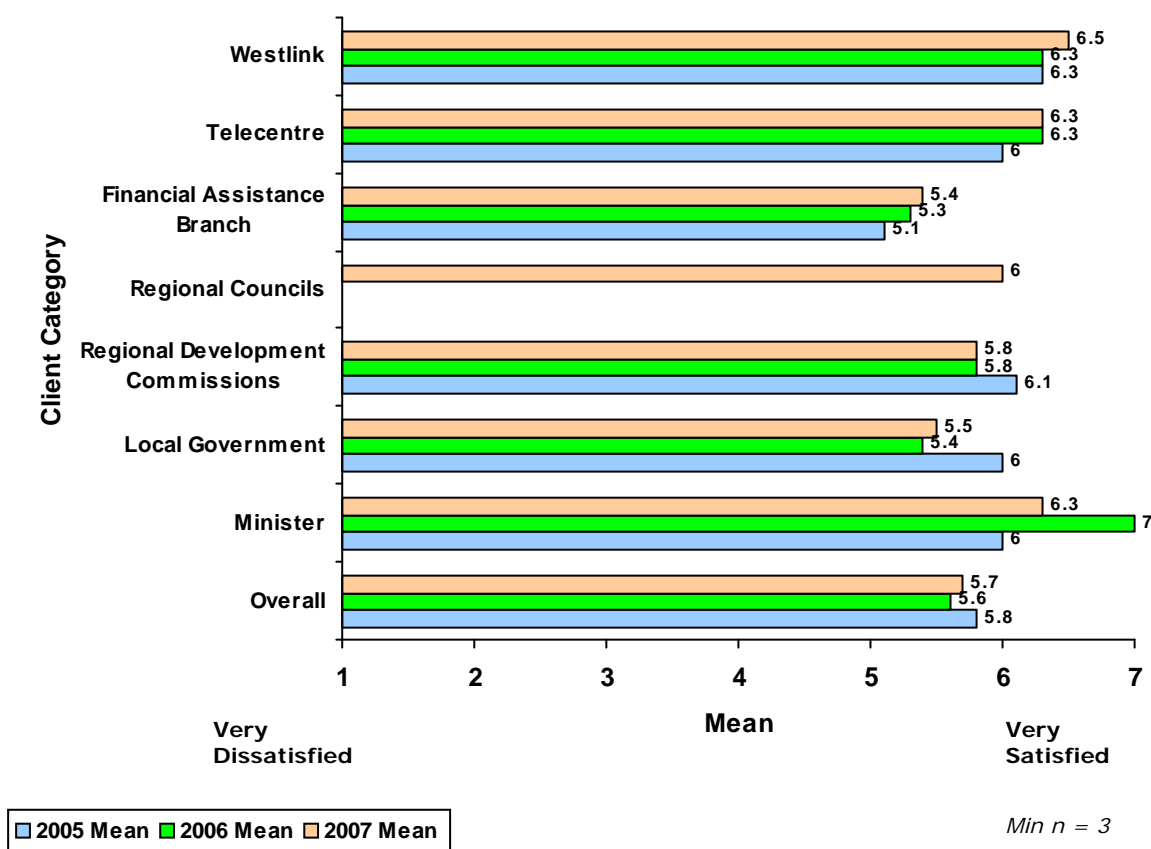
Appropriately, Local Governments, Regional Development Commissions and communities have the role of establishing and maintaining good government at a local level together with the activities that foster economic development and social well being. Primarily the Department's role is to enhance the capacity of local governments and communities to fulfil their roles. It does this by developing policy and legislation, monitoring local government operations and providing advice, information and support services. The recipients of these services include nine Regional Development Commissions, clients of Westlink video/DVD production and video conferencing services, Telecentre clients, Financial Assistance Branch clients, eleven Regional Councils and 142 Western Australian local governments plus, by agreement with the Commonwealth Government, the Indian Ocean Territories of Cocos (Keeling) and Christmas Islands.

Targets and measurements of capacity enhancement cannot be established objectively, as many elements are subjective; information accessibility, confidence, quality of advice and the development of leadership skills being but a few examples. Consequently, any assessment of the effectiveness of the Department's services in enhancing community capacity must rely considerably upon the views and perceptions of the recipients of those services. Therefore, it was considered important to obtain the level of client satisfaction with both the quality and timeliness of verbal, written and in-person advice, plus their perceived value of the web site content together with any suggestions related to perceived shortcomings or potential improvements.

Figure 1 below shows the overall mean score of satisfaction with the Department for the total population (all the client groups averaged together) and the six separate audiences for the 2005, 2006 and 2007 survey reports. This overall question was first introduced in the 2005 survey. Respondents were asked to rate their overall satisfaction with the Department on a scale of 1 to 7. Only those who responded to the question were included in the calculation of the mean.

Overall, it shows that clients are satisfied with the Department, with all client groups returning average ratings well within the satisfied range. Compared to the ratings in 2005 and 2006, there have only been minor variations in client responses.

Figure 1. Overall Client Satisfaction with the Dept. Of Local Government & Regional Development



Methodology

The Department commissioned independent consultant Advantage Communications, to undertake a client satisfaction survey on its behalf.

For consistency in reporting, the consultant used the survey questionnaires developed in previous periods, with some slight modifications. The survey covered the target groups of:

- Past and Current Ministers (3)
- Local Government CEOs (144)
- Regional Development Commission CEOs (9)
- Regional Council CEOs (11)*
- Financial Assistance Branch Clients (261)
- Westlink Clients (25)
- Telecentres (94)

** This client group was added for the first time this year*

Surveys were conducted over the telephone, with the exception of Minister's Office staff, Regional Councils and Regional Development Commissions where questionnaires were initially posted allowing them to respond by reply paid mail, by fax, or by waiting to be contacted by an interviewer during the following weeks. A total of 408 surveys were completed from the population of 547 clients. This is a response rate of 75% and gives a maximum standard error ratio of +/-2.7% at the 95% confidence level. Figure 2 below breaks the response rate down by client type.

All survey participants were requested to rate specific aspects of the Department's service delivery on a 7 point scale comprising *"Very dissatisfied"*, *"Dissatisfied"*, *"Slightly Dissatisfied"*, *"Neither Satisfied nor Dissatisfied"*, *"Slightly Satisfied"*, *"Satisfied"* and *"Very Satisfied"*.

It was considered important that the survey reflect client attitudes towards service delivered in the 2006/07 financial year. Consequently, responses were elicited from those respondents that had experienced dealings with the Department in the preceding 12 months. Respondents were given the opportunity to indicate whether a particular question was *"Not Relevant/Can't Say"*. This enabled the consultant to separate those who were neither satisfied nor dissatisfied from those to whom the question was not relevant or where an opinion could not be given. It also enabled the elimination of any potential bias that would arise from large numbers of *"Not Relevant/Can't Say"* responses.

Figure 2: Summary of Sample Response Rates and Survey Error

Client Type	Population	Returned Sample	Response Rate	Associated Sample Error
Local Governments	144	105	73%	+5.0%
Regional Development Commissions	9	9	100%	-
Regional Councils	11	11	100%	-
Ministerial contacts (past and current minister)	3	3	100%	-
Telecentres	94	76	81%	+5.0%
Financial Assistance Branch clients	261	180	69%	+4.1%
Westlink clients	25	24	96%	+4.1%
Total	547	408	75%	+2.7%

Key Effectiveness Indicators

	2004/05	2005/06	2006/07	2006/07	Comments
	Actual	Actual	Actual	Target	
Ministerial office satisfaction with policy and legislative advice	86%	86%	90%	71%	Previously shown as a numeric score from a 7-point rating scale. Now shown as a percentage rating from a 7-point rating scale.
Client satisfaction with information and services	83%	83%	81%	71%	
Conclusions drawn from Departmental investigations are substantially accepted by the appropriate authority	86%	93%	81%	80%	

Other Financial Disclosures

Pricing policies of services provided

The Department charges for goods and services rendered on a partial cost recovery basis, however as part of a Westlink review, completed in April 2005, new charges will be implemented from July 1 2007. These charges were approved by the Treasurer in 2006.

Capital works

No capital projects were completed during 2006-07.

Contracts with Senior Officers

At the date of reporting, other than normal contracts of employment of service, 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 and Senior Officers.