GOVERNMENT OF WESTERN AUSTRALIA

Department of **Agriculture** and **Food**

Annual report 2015

Partnerships for growth

Supporting your success

Statement of compliance

For year ended 30 June 2015

Hon. Ken Baston MLC
Minister for Agriculture and Food

In accordance with section 63 of the *Financial Management Act 2006*, I hereby submit for your information and presentation to Parliament, the annual report of the Department of Agriculture and Food, Western Australia for the financial year ended 30 June 2015.

The annual report has been prepared in accordance with the provisions of the *Financial Management Act 2006* and any other relevant written law.

Rob Delane
Director General
Department of Agriculture and Food, Western Australia

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Guide to this report

This report presents the statutory compliance, performance and operational reporting for the financial year ending 30 June 2015. It consists of four principal sections and an appendix:

Overview — outlines who we are and what we do, the industries and communities we support, and how we go about our business.

Agency performance — outlines what we have achieved along with details of how we performed against targets for the year.

Significant issues — describes current and emerging issues and trends affecting the agrifood sector and our operations.

Disclosures — details our financial situation and performance against our key performance indicators (KPIs) along with reports on staffing, governance and compliance issues. These reports demonstrate how we ensure our operations are ethically, socially and environmentally responsible.

Appendix — statement by the Commissioner of Soil and Land Conservation (as required under the *Soil and Land Conservation Act 1945*).

In this report, we refer to the Department of Agriculture and Food, Western Australia as 'the department' or 'DAFWA'.

A list of acronyms used is provided on the following page.

Partnerships for growth

Acronyms

AEGIC	Australian Export Grains Innovation Centre
CRC	Cooperative Research Centre
DA	Department of Agriculture (Commonwealth) — formerly Department of Agriculture, Fisheries and Forestry
DAFWA	Department of Agriculture and Food, Western Australia
DER	Department of Environment Regulation (WA)
DFES	Department of Fire and Emergency Services (WA)
DoL	Department of Lands
DPW	Department of Parks and Wildlife (WA)
DoP	Department of Planning (WA)
DoW	Department of Water (WA)
EEO	equal employment opportunity
FOI	freedom of information
FPC	Forest Products Commission
FTE	full-time equivalent (staff hours)
GGA	Grower Group Alliance
GIWA	Grains Industry of Western Australia
GM	genetically modified
GRDC	Grains Research and Development Corporation
GVAP	gross value of agricultural production
ILS	Indigenous Landholder Service
IWAA	InvestWest Agribusiness Alliance
KPI	key performance indicator
LCDC	Land Conservation District Committee
MoU	memorandum of understanding
NLIS	National Livestock Identification System
NRM	natural resource management
OSH	occupational safety and health
RBDC	Rural Business Development Corporation
R&D	research and development
RSPCA	Royal Society for the Prevention of Cruelty to Animals
WA	Western Australia
WANDRRA	WA Natural Disaster Relief and Recovery Arrangements
WARMS	WA Rangeland Monitoring System

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Overview

Executive summary

Year at a glance

2014

July

- Released **75 000** trees of **new dark burgundy apple variety** to industry
- Officially **welcomed Grower Group Alliance** to South Perth office as part of $1.2 million funding arrangement

August

- Launched first of **5 major Royalties for Regions agriculture projects** worth **$75 million**

see page 37

- **Announced establishment of GrainsWest**, a not-for-profit company, to harness R&D initiatives

September

- **Presented latest research** to growers at series of **regional field days**

October

- Launched **new intranet**
- **Appointed officer to WA Trade Office in Dubai** as part of ongoing focus on expanding export markets

November

- **Coordinated exhibit** of WA food and beverages at **China's leading trade exhibition** in Shanghai

December

- Completed **closure of 170km gap** in State Barrier Fence

see page 40

- Developed **new Reconciliation Action Plan** and **Disability Access and Inclusion Plan**

2015

January

- Announced **new Executive team** following organisational restructure see page 14

February

- Celebrated **21st anniversary of Crop Updates** see page 25
- Established **Western Barley Genetic Alliance** with Murdoch University
- Launched **new Facebook page**

March

- **Assisted industry recovery** after Cyclone Olwyn hit Carnarvon see page 135
- **Facilitated sublease arrangement** between Indigenous-owned cattle station in east Kimberley and major pastoral company see page 138

April

- Hosted **Northern Beef Futures industry forum** in Broome
- Launched online **canola seeding rate calculator** to maximise yield

May

- **Uploaded 1 millionth document** to electronic document management system

June

- Concluded 2014/15 **European wasp program**, destroying more than **80 nests**
- Launched **new weather app** see page 44

Director General's report

Our focus in this reporting year remained on maximising the value we deliver to WA's agrifood sector to enable it to double its value by 2025.

We aim to do this through a focus on growing markets, profitability, productivity and people while boosting biosecurity and sustaining our state's natural resources. This can only be achieved by working closely with industry through effective and enduring partnerships.

While our department has had to tighten its belt in response to a challenging economic climate, our commitment remained undiminished.

Significant opportunities for growth in the sector continued to present themselves in 2014/15 — including increasing demand and prices for beef and sheepmeat fuelled by the growing middle class populations in Asia. However the tight fiscal environment across government and many businesses meant grasping these opportunities has not been easy.

In recent years, we have focused on supporting businesses and industry to transform the way they operate so they have the ability to lead the growth of the sector. In 2014/15, we continued to increase the capacity and capability of agribusinesses and industry through partnerships.

Internally, we found new ways to work smarter with the resources we have, including resetting priorities and implementing a more streamlined organisational structure led by a new executive team.

Partnerships for growth

To facilitate growth, we partnered with many groups during the financial year, from growers, producers, processors, live exporters, industry bodies and traditional landowners to regional biosecurity groups, international trade offices, education and research institutions, all levels of government and the community.

For example, we worked with the dairy industry to establish the new collaborative hub in Bunbury (set to become operational on 1 July 2015) to drive research, development and extension for the state's dairy industry.

We formed the Western Barley Genetic Alliance with Murdoch University to combine our complementary expertise and resources to collaborate and co-invest in areas of barley genetics research over the next five years.

We completed the first full year of our partnership with the Grower Group Alliance (GGA), where we are allocating $1.2 million over four years to support strategic links between our most progressive growers to maximise the productivity of WA's broadacre agriculture industries.

Additionally, we worked with and funded the Grains Industry of Western Australia (GIWA) to develop the WA Grains Industry Strategy 2025+, which aims to guide investments and projects towards a large increase in the value of the WA grains industry.

Royalties for Regions projects

A highlight for the year was getting the green light to lead five Royalties for Regions projects worth $75 million to support the agrifood sector's pursuit of new market opportunities.

The projects are Northern Beef Futures ($15 million), Boosting Grains Research and Development ($20 million), eConnected Grainbelt ($10 million), Sheep Industry Business Innovation ($10 million) and Boosting Biosecurity Defences ($20 million).

We are working with a range of industry partners and government agencies to deliver these transformational projects that will enable targeted industry sectors to capitalise on increasing global demand for food and to provide a stronger, sustainable future for generations to come.

We also developed business cases for a number of other projects that are still under consideration by State Cabinet. We hope to start rolling these out in 2015/16.

Harnessing technology and communications

We maintained our momentum in developing ways to provide agribusinesses with the latest information and technology at their fingertips, wherever they are, to give them an edge in an increasingly competitive marketplace.

In June 2015 we developed and launched a free smartphone app that draws on live data from more than 130 weather stations across the state, making weather information more mobile and accessible to improve on-farm decision making.

We also increased our focus on using social media to inform our clients and promote the sector, launching a new Facebook page and uploading more content to YouTube and Twitter.

Bolstering our regulatory functions

As part of our organisational restructure in October 2014, we created a dedicated Biosecurity and Regulation Directorate to consolidate and strengthen leadership for our biosecurity and regulatory functions. This will ensure we can continue to strengthen WA's defences against potentially devastating pests and diseases.

We continued to administer and enforce the *Animal Welfare Act 2002*, including ensuring people in charge of animals complied with industry and community standards and providing education to livestock owners and handlers with the aim of improving animal welfare.

Responding to emergencies

Fires, cyclones, biosecurity threats and other disruptions can have a serious impact on producer businesses and other businesses along the entire supply chain. Our ability to respond effectively to several such disruptions during the year helped to minimise the impact of these incidents on business and the community.

A number of staff from across directorates played critical roles throughout the destructive fires that threatened the towns of Northcliffe and Boddington in early 2015.

Some assisted as volunteer fire fighters while others liaised with affected landholders, visiting properties to determine farmers' needs, assessing damage and providing crucial support and access to services.

In Northcliffe, our efforts helped to keep milk flowing for the local dairy industry when roads were closed and power supplies were cut.

A month later, our staff in Carnarvon worked tirelessly to clean up in the aftermath of Cyclone Olwyn, including assessing damage to properties, equipment, crops and livestock, and informing government on the extent of the losses.

Celebrating and supporting our staff

The efforts and achievements of our staff, located from Kununurra to Esperance, highlight their dedication and passion in assisting our clients to achieve business success.

While the tight fiscal climate and reduced resources have made it a challenging and uncertain time for our staff — with many saying goodbye to colleagues through recent voluntary severance processes — they continued to deliver a diverse range of important benefits to the agrifood sector and Western Australians more generally.

To assist our staff, we continued to provide new tools, resources and training to help them do their jobs effectively. We launched a new project management information system to help managers deliver and manage their projects, and we helped another 35 staff complete a Diploma of Project Management, with more than 200 staff now graduated from the course.

We also rolled out an advanced Indigenous Australian Cultural Awareness course in the south-west to help DAFWA staff who work with Aboriginal people better understand Aboriginal perspectives, culture and communication barriers.

Additionally, we committed ourselves to implementing the principles of the Australian Business Excellence Framework (ABEF) by developing a 2015 Business Excellence Action Plan. The ABEF helps us identify and decide how we can best improve our organisational capability and performance.

Assessing our performance

Some of our formal performance indicators were disappointing this year, especially those that gauge industry's views of our contribution to their profitability, sustainability and innovativeness.

To an extent, this is a natural outcome of needing to tighten our belts and the resultant loss of some 300 FTE staff over the past four years. However, more detailed analysis shows it is also a product of our deliberate strategy — as an economic development department — to focus our attention on those businesses that are actively seeking to grow.

We are delivering more 'growth' products and services to those businesses rather than to the sector as a whole. The results show that these businesses remain strongly engaged with our department.

In 2015/16, we will continue to partner closely with industry sectors, businesses and support services that want to join us in driving significant and transformational growth for the agrifood sector of the Western Australian economy.

Rob Delane
Director General

Operational structure

Enabling legislation

The Department of Agriculture and Food, Western Australia was established in 1894 and operates under the *Public Sector Management Act 1994*.

Responsible Minister

The Hon. Ken Baston MLC
Minister for Agriculture and Food

Minister's profile

Ken Baston became the Minister for Agriculture and Food, and joined Cabinet, in March 2013. He was first elected to the Legislative Council in 2005 as a representative for the Mining and Pastoral Region.

As a former pastoralist of 34 years, running Ella Valla sheep station, north-west of Carnarvon, Minister Baston has an intimate knowledge of the agricultural sector. He also has a long history of local community service, with agricultural organisations and the Shire of Carnarvon, including as deputy president. His roles have included leading the Gascoyne branch of the Pastoralists and Graziers Association and a district committee of WAFarmers, as well as serving on several agricultural, pastoral and fishing steering committees and taskforce groups.

In his second year in Cabinet, Minister Baston secured a $23 million state government investment in Doppler radar technology, which will transform the way WA farmers do business.

Minister Baston has also overseen key developments in the state government's $300 million Royalties for Regions investment in agriculture, including the launch of the Northern Beef Futures, the eConnected Grainbelt and the Sheep Industry Business Innovation projects.

These projects will be transformational, providing a legacy beyond the end of the project that will allow industry to continue to build on the opportunities and potential created.

Another highlight has been the launch of The WA Grains Industry Strategy 2025+, a bold vision to double the value of the state's grains industry over the next decade.

Minister Baston has led several trade missions to Asia and the Middle East to build relationships and support WA agribusinesses' endeavours to capture emerging markets.

The Minister acknowledged the good work of DAFWA in building the relationship with China in light of the Federal Government's moves to pave the way for live cattle exports to our state's number one trading partner.

Minister Baston is determined to help agrifood industries to develop top quality, market-oriented products to capitalise on growing worldwide demand for safe, quality agriculture and food products.

That includes a commitment to helping grow markets, profitability and productivity, while boosting biosecurity and sustaining our natural resources.

Department profile

Our role

DAFWA forms part of the state government's efforts to develop the economy in ways that offer long-term benefits to all Western Australians.

We work in partnership with industries, communities and other governments to help grow WA's agriculture and food (agrifood) sector.

We focus on four areas essential for growth — markets, profitability, productivity and people — and we do so in ways that safeguard our land and water resources and our relative freedom from pests, weeds and diseases.

Our vision

A progressive, innovative and profitable agrifood sector that benefits Western Australia.

Our purpose

To support the success of the agrifood sector to benefit Western Australia.

Our support for the agrifood sector

Western Australia's agrifood sector comprises thousands of production, processing, marketing and related businesses. DAFWA is part of the sector, driving government's role in helping the sector to grow and prosper.

We provide innovative support to businesses to help them grow while nurturing the land and water resources entrusted to them. Our work is becoming increasingly targeted, with a focus on aligning individual products with markets that best play to WA's strengths. The increased economic activity and regional resilience this generates will benefit all Western Australians.

Our support for the wider community

Our skills and resources allow us to minimise the impact of exotic pests and diseases that would otherwise threaten human health and amenity; and our environmental capabilities enable us to manage a range of natural resource issues that affect the state as a whole.

Our partners

We work closely with everyone in the agrifood sector, from suppliers of raw materials through to producers, processors, marketers and consumers. We partner with scientists, innovators and regulators throughout the world to make the best use of global advances in agriculture and food.

We also work with people considering a business, investment or career in the sector, and those concerned about agricultural practices or food issues.

Partnerships for growth

Organisation chart

- **Director General**
  Rob Delane
  - **Audit and Risk**
  - **Strategy and Governance**
  - **Biosecurity and Regulation**
    Executive Director
    Kevin Chennell
    - Border Biosecurity
    - Invasive Species
    - Livestock Biosecurity
    - Plant Biosecurity
    - Soil Commissioner
  - **Business Support**
    Executive Director
    Jim Eftos
    - Assets
    - Communications
    - Emergency Management Capability
    - Finance
    - Information
    - People
    - State NRM Office
  - **Grains Industry**
    Executive Director
    Mark Sweetingham
    - Grains Industry Development
    - Grains Production Systems
    - Grains Technology
    - Regional Operations, Central Region
  - **Irrigated Agriculture**
    Executive Director
    John Ruprecht
    - Growing the North
    - Irrigated Agriculture Industries Development
    - Land and Water Assessment
    - Regional Operations, Northern Region
  - **Livestock Industries**
    Executive Director
    Peter Metcalfe
    - Beef Industry Development
    - Food, Trade and Agribusiness
    - Sheep Industry Development
    - Regional Operations, Southern Region

New executive supporting sector's success

Case study

Significant restructuring requires agencies to rethink their basic objectives and means for achieving them.

An overhaul of DAFWA's executive team announced in January 2015 aims to focus on core functions and meet government and industry objectives while managing significant staff reductions.

As part of the restructure, the number of directorates was reduced from six to five and all executive director positions were redefined and advertised.

One executive director was recruited from outside the department while the remaining four executive directors previously held senior roles within the department.

The restructure was undertaken to strengthen the department's client focus, align forward planning with government strategies, clarify new roles and responsibilities of staff, and strengthen leadership for biosecurity and regulatory functions, all the while reflecting the downsizing of the organisation. The department has lost some 300 full-time equivalent staff over the past four years.

DAFWA Executive: (back row) Jim Eftos, Peter Metcalfe and Mark Sweetingham; (front row) John Ruprecht, Director General Rob Delane and Kevin Chennell

The five newly appointed executive directors are:

- Kevin Chennell, Biosecurity and Regulation
- Mark Sweetingham, Grains Industry
- John Ruprecht, Irrigated Agriculture
- Peter Metcalfe, Livestock Industries
- Jim Eftos, Business Support

Jim joined the department team from Polytechnic West where he held the position of General Manager, Resources and Corporate Services.

The team provides strong leadership to our department's ongoing work to grow markets, profitability, productivity and people, while sustaining natural resources and maintaining the state's relative freedom from agricultural pests, weeds and diseases.

"The new executive team has the right mix of skills and experience to support the growth of the agrifood sector and the Western Australian economy."

— Director General Rob Delane

Senior officers

Rob Delane, Director General: Rob was appointed Director General in November 2009 after previously holding a range of executive positions with both the Commonwealth Department of Agriculture, Fisheries and Forestry and DAFWA. He has wide ranging regional, national and international experience along with extensive knowledge and understanding of the agriculture and food sector; the growth and diversification opportunities it faces; and the evolving roles of government and economic development, biosecurity and resource management agencies. He was awarded a Public Service Medal in 2007 for outstanding service to the sector.

Kevin Chennell, Executive Director: A veterinarian with qualifications in education and management, Kevin worked in private practice and in a range of senior government and industry roles before joining the department in 2008. Kevin is passionate about leading change and innovation, and building relationships with industry. Formerly Executive Director Livestock Industries, Kevin was appointed Executive Director Biosecurity and Regulation in February 2015 as part of DAFWA's organisational restructure.

Biosecurity and Regulation: The directorate supports and safeguards the state from biosecurity risks, with DAFWA being the lead hazard management agency for animal and plant diseases in WA. As the demand for safe, quality food continues to grow, it is critical that our agrifood industries can access new markets. We provide risk assessment advice; inspect and certify interstate and intrastate movements; and administer biosecurity and animal welfare regulations that support market access, the environment and the broader community. We also develop partnerships across supply chains that support sustainable economic development through biosecurity surveillance and assurance.

Jim Eftos, Executive Director: Jim joined the department in January 2015 from Polytechnic West, where he held the position of General Manager, Resources and Corporate Services, with responsibility for financial management, human resources and workforce planning, governance and compliance, business systems, and infrastructure. Jim has a background in public policy formulation and evaluation. He has more than 14 years' senior executive experience.

Business Support: The directorate is committed to supporting our staff and client- and industry-focused directorates to ensure DAFWA has the capacity to achieve the priorities outlined in the Agrifood 2025+ Strategic plan 2014–17. The range of services and support provided includes people, asset management, finance, communications and client engagement, legal, and information services as well as improving the department's emergency management capability. The directorate also administers grants through the State National Resource Management (NRM) Office.

Peter Metcalfe, Executive Director: Peter's farming background and more than 25 years in various roles in the department have provided him with a solid understanding of the needs and opportunities of our agrifood industries. He is committed to ensuring work undertaken by DAFWA continually provides value to our clients and enables vital industry development. Formerly Executive Director Regional Operations and Development, Peter replaced Kevin Chennell as Executive Director Livestock Industries in February 2015 as part of DAFWA's organisational restructure.

Livestock Industries Development: We work with businesses that produce, process and market meat, dairy, food and fibre, and who are committed to, and capable of, contributing to doubling the value of the agriculture and food sector by 2025. We deliver products and services that include policy settings; investment attraction and facilitation; technologies, systems and tools; trade and market development; industry and business capacity building; schemes of assistance (including concessional loans); applied R&D; data, information and intelligence; bio-economic modelling; and leadership and relationship management in the southern region.

John Ruprecht, Executive Director: John has more than 30 years' experience in agriculture and water management spanning a range of senior management and policy positions concerning water resource assessment, engineering and remediation, urban development, sustainable agriculture and biosecurity. Formerly Executive Director Agricultural Resource Risk Management, he replaced Terry Hill as Executive Director Irrigated Agriculture in February 2015 as part of DAFWA's organisational restructure.

Irrigated Agriculture: The directorate has a value chain focus supporting the success of irrigated agriculture industries through strategic policy and planning, investment to drive innovation and economic growth, market and agribusiness development, natural resource management, industry-based biosecurity planning and economic analysis. The directorate also has a role in regional leadership and operations for the northern areas of WA.

Mark Sweetingham, Executive Director: Mark has a long involvement in the Australian grains industry and is internationally recognised in crop research and biosecurity. He is passionate about partnering with the private sector to increase the value of the grains industry through research, development and innovation. Mark is committed to ensuring grain businesses have the tools they need to be successful in an increasingly complex and demanding environment.

Grains Industry Development: The directorate works with industry to capitalise on opportunities and manage risks through improved crop genetics, farm practices and business decision making; and by interpreting value chain opportunities to inform policy and infrastructure development. We invest in and work with partner organisations to increase market competitiveness and returns to growers through research and the provision of information to the customers of WA grain.

Administered legislation

The Minister for Agriculture and Food is responsible for administering the following Acts:

Aerial Spraying Control Act 1966
Agricultural and Veterinary Chemicals (Taxing) Act 1995
Agricultural and Veterinary Chemicals (WA) Act 1995
Agricultural Produce Commission Act 1988
Agriculture and Related Resources Protection Act 1976
Animal Welfare Act 2002
Biological Control Act 1986
Biosecurity and Agriculture Management Act 2007
Biosecurity and Agriculture Management Rates and Charges Act 2007
Biosecurity and Agriculture Management (Repeal and Consequential Provisions) Act 2007
Bulk Handling Act 1967
Exotic Diseases of Animals Act 1993
Gene Technology Act 2006
Genetically Modified Crops Free Areas Act 2003
Industrial Hemp Act 2004
Loans (Co-operative Companies) Act 2004
Marketing of Potatoes Act 1946
Ord River Dam Catchment Area (Straying Cattle) Act 1967
Perth Market Act 1926
Royal Agricultural Society Act 1926
Royal Agricultural Society Act Amendment Act 1929
Rural Business Development Corporation Act 2000
Soil and Land Conservation Act 1945
Tree Plantation Agreements Act 2003
Veterinary Chemical Control and Animal Feeding Stuffs Act 1976
Veterinary Surgeons Act 1960
Western Australian Meat Industry Authority Act 1976

Other key legislation impacting on activities

We comply with the following Acts in performing our functions:

Conservation and Land Management Act 1984
Contaminated Sites Act 2003
Corruption and Crime Commission Act 2003
Disability Services Act 1993
Electoral Act 1907
Electronic Transactions Act 2011
Emergency Management Act 2005
Environmental Protection Act 1986
Equal Opportunity Act 1984
Financial Management Act 2006
Firearms Act 1973
Forest Products Act 2000
Freedom of Information Act 1992
Government Employees' Housing Act 1964
Health Act 1911
Industrial Relations Act 1979
Land Administration Act 1997
Library Board of Western Australia Act 1951
Minimum Conditions of Employment Act 1993
Occupational Safety and Health Act 1984
Occupiers' Liability Act 1985
Parliamentary Commissioner Act 1971
Poisons Act 1964
Public Interest Disclosure Act 2003
Public Sector Management Act 1994
Salaries and Allowances Act 1975
State Administrative Tribunal Act 2004
State Records Act 2000
State Superannuation Act 2000
State Supply Commission Act 1991
Transfer of Land Act 1893
Waterways Conservation Act 1976
Wildlife Conservation Act 1950
Workers' Compensation and Injury Management Act 1981

Performance management framework

Outcome-based management framework

The department contributes to **two government goals** — 'Stronger focus on the regions' and 'Social and environmental responsibility'.

We seek to bring about **one outcome**: 'A profitable, innovative and sustainable agrifood sector that benefits Western Australia'; and we do this by way of **three services**. These are shown — along with the indicators by which we assess our performance — in Table 1 on the next page.

Our effectiveness in achieving this outcome and our efficiency in performing the services are detailed in the Summary of key performance indicators and the Detailed information in support of key performance indicators sections of this report.

Our current performance management framework — adopted in April 2012 — reflects our role as an economic development department and our vision as set out in our Agrifood 2025+ Strategic plan 2014–17.

Our three services relate the types of change we seek to foster within the agrifood sector — increased productivity in those industries still having potential to grow; transformation of those that have reached maturity; and mitigating the risks that would otherwise diminish the sector's performance or the environmental qualities of the state as a whole.

To test the viability of irrigated agriculture in the Pilbara region, we set up an irrigation research site on Warrawagine Station near Marble Bar. The research is part of the Pilbara Hinterland Agricultural Development Initiative.

Table 1 **Outcome-based management framework**

Government goals	Desired outcome	Effectiveness indicators	Services	Efficiency indicators
Stronger focus on the regions Greater focus on service delivery, infrastructure investment and economic development to improve the overall quality of life in remote and regional areas **Social and environmental responsibility** Ensuring that economic activity is managed in a socially and environmentally responsible manner for the long-term benefit of the state	A profitable, innovative and sustainable agrifood sector that benefits WA	1. Proportion of co-investment in DAFWA-led initiatives 2. Proportion of businesses that consider DAFWA has positively influenced the profitability of the sector 3. Proportion of businesses that consider DAFWA has fostered innovation in the sector 4. Proportion of businesses and key stakeholders that consider DAFWA has positively influenced the sustainability of the sector	**1. Business and supply chain development** Leadership and provision of specialist expertise that further develop the economic performance of the state's agrifood sector in the short-to-medium term **2. Transformational development** Leadership and provision of specialist expertise that aid in transforming the long-term economic growth of the state's agrifood sector **3. Resource risk management** Leadership and provision of specialist expertise for the assessment and promotion of best practice for managing risks to natural resources, biological assets and product integrity such that the state's agrifood sector can grow and its competitive advantages can be maintained	1.1 Net service cost as a factor of gross value of agricultural production (GVAP) 1.2 Public and private sector co-investment in DAFWA-led business and supply chain initiatives as a factor of the net cost of this service 2.1 Net service cost as a factor of GVAP 2.2 Public and private sector co-investment in DAFWA-led transformational development initiatives as a factor of the net cost of this service 3.1 Net service cost as a factor of GVAP 3.2 Public and private sector co-investment in DAFWA-led resource risk management initiatives as a factor of the net cost of this service

Shared responsibilities with other agencies

We work with a range of national, state and local agencies to serve agrifood industries, related communities and the state. Our major shared responsibilities are outlined below.

Table 2 **DAFWA's shared responsibilities with other agencies**

Area	Collaborating agencies	Mechanisms
Animal welfare	RSPCA; Commonwealth Department of Agriculture (DA); Animal Health Australia (AHA); state agencies	National animal welfare policies, standards and guidelines; promoting livestock stewardship. Ethical use of animals for scientific research
Emergency animal disease	DA; Animal Health Australia; state government agencies	Framework for shared funding and action in emergency animal disease outbreaks and planning
European house borer	Forest Products Commission (FPC); Building Commission; Department of Commerce	European House Borer Program
Export of plant-based commodities and equipment	DA; state and territory quarantine authorities	Assessing and addressing regional pest risks associated with exporting plant commodities and associated equipment
Fertiliser use	Department of Water (DoW); Department of Planning (DoP); Swan River Trust	Fertiliser Action Plan
Import pest risk analysis and subsequent import conditions	DA; state and territory quarantine authorities; industry; community	Assessing and addressing national pest risks associated with importing plant commodities and associated equipment
Land information and inventories	DoW; DoP; DFES; Department of Parks and Wildlife (DPW); Landgate; Department of Regional Development (DRD)	Shared Land Information Platform (SLIP); Kimberley and Nullarbor land inventories
National industry biosecurity plans	DA; AHA; Plant Health Australia (PHA); state and territory quarantine authorities	Identification of key industry national pests and development of industry biosecurity plans
Natural disaster relief and recovery arrangements	State government agencies, Small Business Development Corporation; Australian Attorney-General's Department	Coordination of natural disasters under the Western Australian Natural Disaster Relief and Recovery Arrangements (WANDRRA)

Table 2 **DAFWA's shared responsibilities with other agencies (cont.)**

Area	Collaborating agencies	Mechanisms
Natural resource management	DPW; FPC; DoP; DoW; Department of Aboriginal Affairs; Department of Fisheries	State Natural Resource Management Program
Plant and livestock biosecurity incident response	DA; state/territory quarantine authorities; AHA; PHA	Response to incursion of national and regional quarantine pests. Framework for shared funding and action in emergency outbreaks and planning
Rural water	DoW; Water Corporation, wheatbelt shires	Rural Water Council
Stormwater reuse	DRD; DoW; local governments	Identify stormwater resources and design and install infrastructure for stormwater capture and use

Agency performance

Report on operations

Key achievements

Our key achievements for 2014/15 are reported under the four growth areas set out in our Agrifood 2025+ Strategic plan 2014–17 — markets, profitability, productivity and people — and our commitment to biosecurity and natural resource management.

Growing markets

- We started five major Royalties for Regions projects worth $75 million to assist WA agribusinesses to become trusted suppliers of safe, premium quality agriculture and food products to domestic and export destinations (see case study, p. 37).
- We connected more than 50 local producers with David Jones buyers to increase the department store's sourcing of premium WA products (see case study p. 34).
- We attended the 2015 Seoul International Food Technology Exhibition and started talks with industry to develop product specifications to match South Korean market requirements for Australian chilled pork.
- We appointed a new officer to the WA Trade Office in Dubai to target agribusiness trade opportunities in the Middle East.
- We led the formation of the WA Dairy Industry Growth Steering Committee, in partnership with Western Dairy and with representation from dairy businesses, to plan and implement a 10-year strategy to achieve significant export-led growth.

Growing profitability

- We worked with the Grains Industry Association of WA (GIWA) to develop the WA Grains Industry Strategy 2025+, which seeks to focus the industry on improved market access, efficient supply chains, new technologies, improved farm management and R&D that can significantly increase the industry's value.
- We launched a new weather app to give farm businesses mobile access to current local weather data — drawn from 130 DAFWA weather stations across the state — to allow more informed on-farm decisions and to improve farm profitability (see case study, p. 44).
- We helped to secure sublease arrangements between Indigenous-owned cattle stations and major pastoral companies and investors through our Indigenous Landholder Service, contributing to long-term sustainable beef production (see case study, p. 138).
- We supported the InvestWest Agribusiness Alliance (IWAA) by presenting at 'Business conversation' seminars to promote key investment projects to IWAA's 114-plus members.
- We celebrated the 21st anniversary of Agribusiness Crop Updates in February 2015 with a record 580 attendees learning about the latest research, technology, market development and management innovations to help improve their productivity (see case study, p. 25).

Growing productivity

- We continued to roll out the More Dollars per Drop water efficiency project in Carnarvon with several growers significantly increasing their yields without any increase in water use (see case study, p. 133).
- We closed the half-century-old 170km gap in the State Barrier Fence to protect productive farmland and livestock in the wheatbelt from wild dogs and migrating emus (see case study, p. 40).

- We partnered with the GRDC on about 60 projects worth $33 million in 2014/15 to build and maintain WA's grains research capacity to ensure industry productivity and profitability.
- We set up a trial site in the Pilbara to test the potential for irrigated agriculture in the region using surplus water from mining through the Pilbara Hinterland Agricultural Development Initiative.
- We delivered the Swan Valley Land Capability report, the latest in a series of reports identifying areas of high-value agricultural land to assist the state's planning agencies in making long-term development plans that retain the most productive land for agricultural activities.

Growing people

- We expanded our Plan, Prepare, Prosper farm business capacity building workshops, including running sessions in the Kimberley and tailoring the content to meet the needs of Indigenous farm businesses; and delivered Planning for Profit workshops to new organic industries and truffle growers.
- We engaged citizen scientists with the roll-out of 'adopt-a-trap' programs for European wasps and codling moth in regional areas.
- We committed ourselves to training 150 staff in the new National Biosecurity Emergency Management Training Framework to ensure our department is equipped and prepared to respond quickly and effectively to any serious animal or plant biosecurity threat.
- We worked with state NRM groups to inform land managers of the opportunities and risks of carbon farming by developing information packages for the web and displays at community events, field days and workshops.
- We launched a new intranet in October 2014 to provide a modern, convenient hub where staff can find the up-to-date information they need to do their work effectively to support the sector.

Boosting biosecurity and sustaining natural resources

- We saw the first sales of Wormvax, the world's first vaccine for the barber's pole parasite in sheep developed by DAFWA and the Moredun Research Institute in Edinburgh (UK). The 300 000 available doses, enough for 60 000 lambs, all pre-sold before the launch in October 2014.
- We allocated grants worth $2.7 million for 98 community projects to conserve and restore unique ecosystems through the State NRM Program.
- We added 27 species to WA's declared plant list to help protect agricultural production and allow Regional Biosecurity Groups to access funding to develop a coordinated approach for declared pest management.
- We successfully worked with other government agencies and the banana industry to keep Panama disease, which causes banana plants to wilt and die, out of WA following detection in Queensland.
- We set up a pilot National Livestock Identification System (NLIS) helpdesk to help sheep producers set up accounts and upload sheep movements to improve sheep traceability, which is important in the event of a food safety incident or emergency animal disease outbreak.

Sharing crop information to grow the economy

Case study

DAFWA celebrated the 21st anniversary of Crop Updates in February, with a record 580 growers and industry representatives attending the premier annual grains event in WA.

Crop Updates links researchers and the grains industry, presenting innovations in science and technology to help sustain bigger and more profitable businesses.

The conference has evolved from a one-off lupin and pulse event in Geraldton in 1995 to encompass an annual two-day conference in Perth followed by regional workshops throughout the wheatbelt.

The Grains Industry Association of WA convenes Crop Updates, which is jointly hosted by DAFWA and the GRDC.

Developments shared at Crop Updates have brought long-term benefits to farming operations, the economy and the environment, including:

- more efficient use of fertilisers and pesticides
- adoption of reduced tillage (mechanical preparation of soil) systems
- increased use of lime to manage acidic soils.

A record 580 people attended the 21st Crop Updates in February

Papers and presentations allow information from researchers to reach growers quickly, giving them the opportunity to start applying new types of disease management, nutrition and agronomy on their own farms promptly.

> **DAFWA and GRDC have collaborated strongly over the past 10 years, leading to R&D outcomes that have translated to dollars in the pockets of farmers and rural communities.**
>
> **— Peter Roberts, GRDC Western Panel chairman**

Financial targets

Table 3 **Financial targets 2014/15**

	2014/15 Target $000	2014/15 Actual $000	Variation (1) $000	Explanation of variation
Total cost of services (expense limit) (details from Statement of comprehensive income)	221 908	224 320	2 412	The increase in expenditure relates primarily to the targeted severance scheme of 100 employees and a voluntary severance scheme of 26 employees. This increase is partially offset by the mid-year review efficiency dividends, procurement savings and Workforce Renewal Policy.
Net cost of services (details from Statement of comprehensive income)	166 435	166 109	(326)	The slight decrease in net cost of service from target is a result of increased revenue offset by increased expenditure. The increased revenue is a result of increased user charges and fees and increased grants received.
Total equity (details from Statement of financial position)	301 830	352 638	50 808	The increase of 17% is reflective of the increase in the department's surplus for the period ending 30 June 2015. $22.5m of this relates to the Royalties for Regions Doppler radar project, where the cash received is recognised as income in the current year, but the related expenditure will only be recognised as an expense through to 2030. Furthermore, not all Royalties for Regions funding received in the current financial year was spent, mainly due to the delay in Cabinet approval resulting in delayed start-up of projects. The department's total assets have increased to $400m.
Net increase / (decrease) in cash held (details from Statement of cash flows)	(14 016)	24 858	38 874	The variance to target results from an increase in Royalties for Regions funding, due to the new Seizing the Opportunity projects approved during the period. This was partially offset by increased supplies and services relating to the project expenditure on these approved Royalties for Regions projects.

1. Further explanations are contained in note 37 of the financial statements.

Financial performance

Operating result

The operating surplus for the year was $28.5 million ($1.7 million for 2013/14). The result is driven by increases in income from grants and subsidies from non-government sources, service appropriations and funding from the Royalties for Regions program, offset by increases in expenditure for projects related to these funding sources and the targeted and voluntary separation schemes.

Equity: what we're worth

Equity is net worth, which is calculated by what we 'own' (total assets of $400 million) less what we 'owe' (total liabilities of $47 million). At 30 June 2015, our equity was $353 million.

Assets: what we own

At 30 June 2015, we had total assets of $400 million — a 13% increase on 2013/14. Property, plant and equipment account for 53% of our assets; restricted cash and amounts receivable for services each account for 16.5% of assets.

Revenue: where the dollars came from

Our operating revenues for 2015 totalled $253 million. The increase of 15% ($32 million) over the previous year is largely the result of increased service appropriation for the targeted severance scheme and funding from Royalties for Regions, in particular the Seizing the Opportunity projects.

While the state government remains our major source of funding, other sources are the Commonwealth Government; a range of industry sources (including various industry research and development corporations); and fees for services rendered.

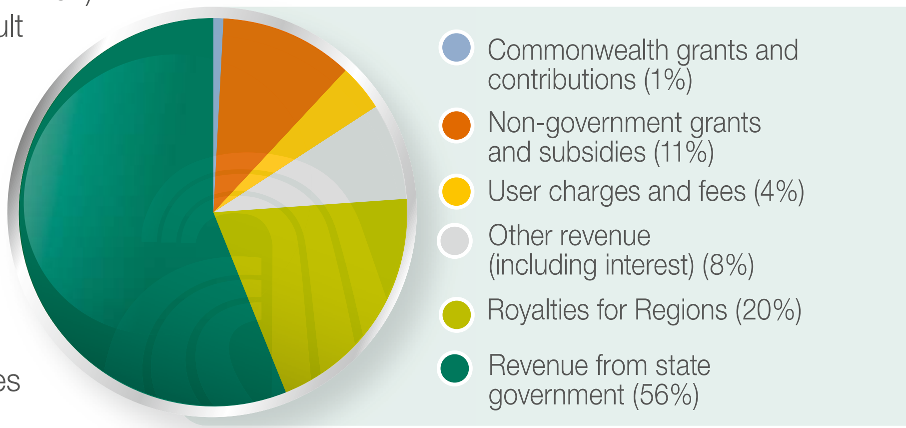

Figure 2 **Sources of funding**

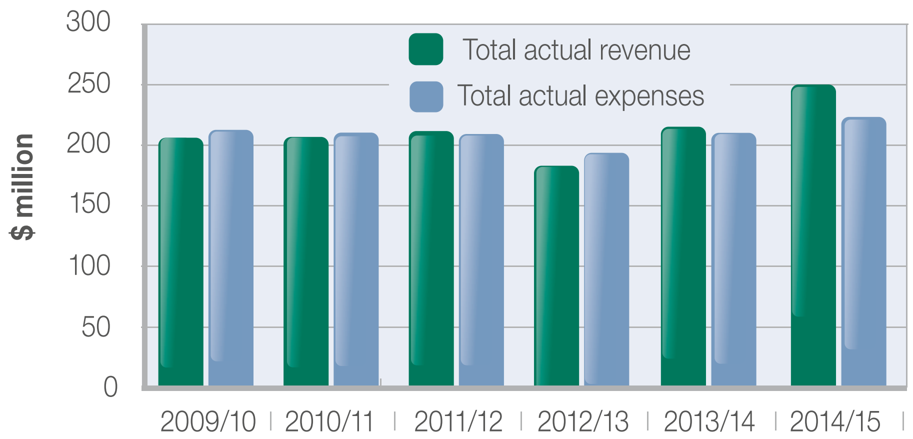

Figure 1 **Total revenue and expenses 2010–15**

Expenses: how the dollars were spent

Our total operating expenses for 2015 were $219 million across our services. The decrease of 9% ($17.6 million) over the previous year is largely the result of the voluntary separation scheme offset by reduced salary expenditure and grants and subsidies.

Our main areas of expenditure were our people, contracts and grants.

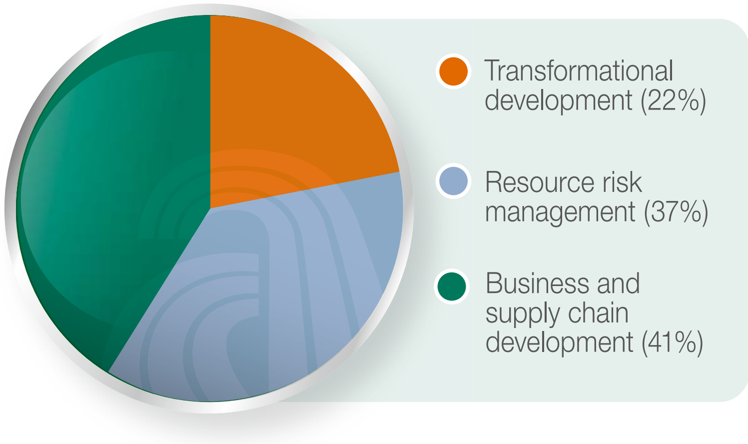

Figure 3 **Expenditure by service**

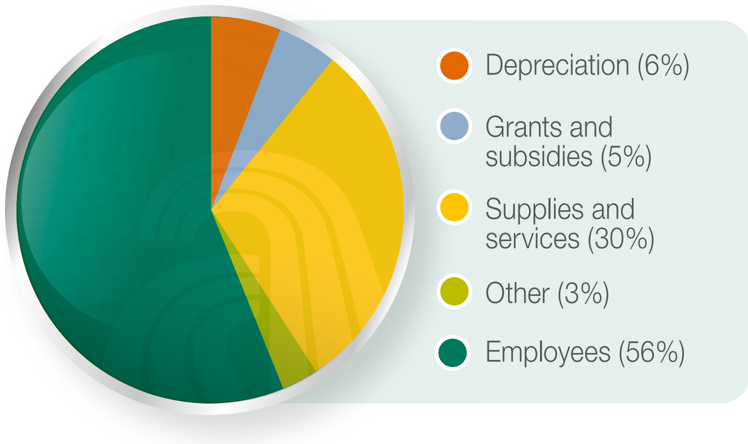

Figure 4 **Main areas of expenditure 2015**

Liabilities: what we owe

At 30 June 2015, we had total liabilities of $47.3 million — an increase of 8% over the previous year. Our liabilities comprise payables and provisions (largely associated with accrued salaries and annual and long service leave liabilities).

Leave liability

Throughout 2014/15 we effectively managed our leave outside of guidelines which, taking into account future booked leave, represents only 1% of our leave liability.

The combined average for annual and long service leave has fallen from 9.5 weeks to 9.2 weeks per employee as at 30 June 2015.

Additional management strategies will be implemented through 2015/16 to reduce the leave liability.

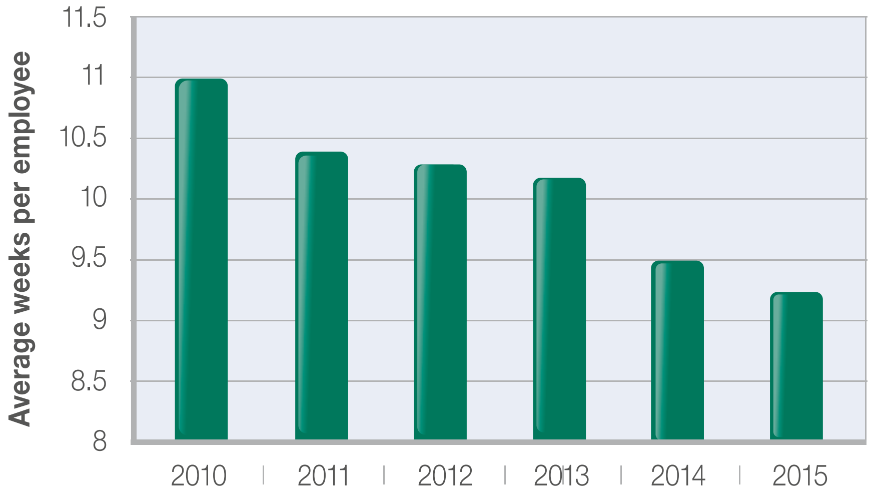

Figure 5 **Leave liability 2010–15**

Key financial ratios

Financial ratios provide a useful snapshot of the department's financial status and trends, and measure our performance in achieving financial management objectives.

Table 4 **Key financial ratios**

Ratio and formula	Measure description	2014/15	2013/14	Interpretation of result
Working capital Current assets v. current liabilities	Our ability to meet current commitments	2.10 times	1.75 times	The ratio has increased as a result of the increased cash and cash equivalents, both restricted and non-restricted.
Government contribution Income other than state government v. income from state government	Our dependence on state government revenue	30%	36%	The department's reliance on the state government for revenue is increasing as a result of the significant Royalties for Regions projects managed by the department.
Labour ratio Labour expenses v. total expenses	Our commitment to staff	56%	58%	This ratio has decreased as a result of continued severance schemes, whereby even with severance payments included in labour expenses the ratio is decreasing.
Net worth movement Current year equity v. prior year equity	Growth in net assets	115%	105%	The net worth of the department has increased from the prior period, reflecting an increase in appropriation for the targeted severance scheme and the additional Royalties for Regions funding, which will have the effect of creating future deficits as this funding is spent.
Current asset movement Current year current assets v. prior year current assets	Growth in current assets	128%	105%	The increase in the department's current assets is attributable to an increase in cash held, offset by a decrease in current receivables.
Current liabilities movement Current year current liabilities v. prior year current liabilities	Growth in current liabilities	106%	78%	Payables have increased to a more normal level in 2015, offset by a reduction in provisions as a result of the targeted severance scheme, reflecting a net increase in current liabilities of 6%.

Summary of key performance indicators

Our outcome and services statements reflect our role as an economic development department. Effectiveness indicators help us assess the extent to which we are successful in achieving our outcome, and efficiency indicators let us benchmark our expenditure against the value of the sector. Indicators and results are outlined in Table 5, and explanations of the results are provided in the Detailed information in support of key performance indicators section.

Table 5 **Key effectiveness and efficiency indicator targets, results and variations**

Outcome: A profitable, innovative and sustainable agrifood sector that benefits Western Australia	2014/15 Target	2014/15 Actual	Variation
Key effectiveness indicators			
Proportion of co-investment in DAFWA-led initiatives (%)	38.0	25.0	–13.0
Proportion of businesses that consider DAFWA has influenced profitability (%)	33.0	24.6	–8.4
Proportion of businesses that consider DAFWA has fostered innovation (%)	33.0	24.7	–8.3
Proportion of businesses that consider DAFWA has influenced sustainability (%)	36.0	28.6	–7.4
Service 1 Business and supply chain development			
Key effectiveness indicators			
Net service cost as a factor of gross value of agricultural production (GVAP) (%)	1.0	0.87	–0.13
Public and private sector co-investment in DAFWA-led initiatives related to this service as a factor of the net cost of this service (%)	45.0	36.2	–8.8
Service 2 Transformational development			
Key effectiveness indicators			
Net service cost as a factor of GVAP (%)	0.35	0.59	0.24
Public and private sector co-investment in DAFWA-led initiatives related to this service as a factor of the net cost of this service (%)	30.0	13.2	–16.8
Service 3 Resource risk management			
Key effectiveness indicators			
Net service cost as a factor of GVAP (%)	1.20	0.98	–0.22
Public and private sector co-investment in DAFWA-led initiatives related to this service as a factor of the net cost of this service (%)	35.0	22.2	–12.8

Supporting information regarding our effectiveness indicators

We assess our effectiveness primarily on the extent to which business owners and managers believe we have positively influenced their industry over the past 12 months. These three key performance indicators (KPIs) are derived from an annual survey of producers, intermediaries (such as processors and exporters) and agrifood consultants.

Respondents are asked to score our impact on the profitability, sustainability and innovativeness of their industries on a scale of zero to 10, where zero represents a nil or negative impact, five is moderate, and scores of six or above are deemed significant.

Results of our 2015 survey — and how they compared with previous results and our 2014/15 target — are outlined in the Detailed information in support of key performance indicators section.

1. Supporting information regarding our impact on profitability

The overall profitability of a business is the sum of its marketing, production, processing and business successes. The following commentary outlines some of the ways we have helped agribusinesses increase their profits by being able to compete in the right markets, with the right products, using the right agronomic and business practices, and making the right business decisions.

Market-oriented products

DAFWA provided the apple industry with a new apple marketing option by releasing a variety that is both high yielding and highly marketable. The yet-to-be-named apple — officially known as ANABP 01 — has a distinct sweetness with a moderate to high crispness, and its dark burgundy colour makes it stand out on shop shelves. About 75 000 young trees were released in July 2014, with most plantings in the key apple growing areas of Manjimup, Donnybrook and the Perth Hills. There has also been interest from growers in other parts of Australia.

DAFWA's Grain Products Laboratory helped industries establish grains varieties with end-use characteristics that better align with evolving market expectations. This work will now be transferred to AEGIC — establishing it on an industry-led commercial basis that ensures its ongoing development. The laboratory also worked closely with AEGIC through its Strategic Market Intelligence Program, providing key technical input to international trading partners such as Sanwa Shurui Co. Ltd in Japan; and provided services to a number of external private breeding companies under a DAFWA/AEGIC service agreement.

Increasing industry capability

We worked with industry to increase their production and business capabilities at all stages of the supply chain.

More than 150 agrifood businesses were supported through a suite of complementary capacity building workshops, helping them to build their business decision making, performance and skills.

Similarly, we delivered a range of information products that helped grain growers build their agronomic skills and knowledge. These included annual variety guides for wheat, barley and canola, and updates to our Flower Power online tool, which helps growers manage their variety selection and time of sowing to reduce the risk of plant stress from frost and heat.

We integrated a number of these products across social media platforms such as Twitter and LinkedIn to make them more accessible to industry participants.

In the livestock area, we provided training to 46 producers on management techniques for increasing lamb production rates, and tailored the national Lifetime Ewe Management training program to WA conditions. This will now be offered to a further 150 lamb producers throughout the state.

Increasing production capacity

We made considerable progress over the past year towards increasing the size of the Gascoyne irrigation area as part of the state government's Gascoyne Food Bowl initiative, which aims to bring another 1200 hectares into production. We completed drilling and water-flow testing and will now assess the sustainability of these potential new water sources.

We also undertook airborne electromagnetic analyses of soil quality and salinity risk; land-based soil and flora surveys; floodway modelling; and land-use constraints mapping. Additionally, we progressed a number of land access issues to do with converting the tenure status of unallocated, vacant Crown and pastoral lease land into freehold tenure; negotiating native title; and aligning the proposed areas with the Shire of Carnarvon's town planning scheme.

We completed the first of a two-stage program to electrify the existing northern and new borefields in the Gascoyne to avoid the expense of diesel-powered pumps. Tenders are being finalised for the second stage, which is expected to be completed by November 2015.

Further north, we continued to explore the potential for irrigated agriculture in the Pilbara using surplus water from mining. As part of the $12.5 million Pilbara Hinterland Agricultural Development Initiative (PHADI), we established a 38ha research site on Warrawagine Station, 190km east of Marble Bar, to determine the viability of growing crops for use as fodder, food and fuel production to bolster the pastoral industry and complement mining operations.

Stronger research partnerships

The New Genes for New Environments testing facilities we established at Merredin and Katanning enable us to host private and public plant breeding and research organisations seeking to evaluate genetically modified breeding material and crops under Office of the Gene Technology Regulator licence conditions.

In the past year, we established agreements with two external parties, with wheat and barley trials planted at both sites in June 2015. These trials have been appropriately licensed; and training and inductions have been completed. The trials are now being monitored to ensure they are conducted in full accordance with the licence conditions.

We helped establish a new 'research hub' in Bunbury — an industry-led approach to deliver dairy research to drive R&D for the state's dairy industry.

The hub, which is co-funded by industry and DAFWA, means the WA diary industry will now have R&D capability that is fully aligned with the evolving needs of industry, and which will strengthen links between producers, researchers and the local community.

Connecting local producers with national stores

Case study

Don't be surprised to find a wider range of local gourmet products, from whisky to spices, from WA on shop shelves and menus across Australia in the future.

This year we helped local producers present their goods on the national stage.

In March, DAFWA hosted four buyers from department store David Jones to source a wider range of speciality and artisan-style foods from WA for their food halls and cafes.

Buyers met more than 60 local producers for one-on-one meetings as well as attending excursions to local farmers' markets. The South West Development Commission supported the initiative by introducing the buyers to producers throughout the south-west.

Produce on show ranged from wine and whisky to chocolate, honey, spices and bush foods.

As well as prompting immediate sales, the initiative promoted information about emerging market opportunities and the capability of the state's premium produce sector.

Director General Rob Delane, David Jones Buying Manager Lyana Doyle, Livestock Industries Executive Director Peter Metcalfe and Liaison Officer Carolyn Hine at DAFWA where one-on-one meetings were held with local producers and David Jones buyers

In addition to making 'in-market' contacts, local companies used the opportunity to improve their promotional skills in preparation for sales meetings.

They gained valuable experience in delivering their sales pitch, sampling of their products and negotiating with buyers while gaining a better understanding of retail systems, distribution and selection criteria.

Supporting businesses into national and international markets is a critical role for our department.

Companies that succeed with a national retailer like David Jones can expect significant recognition and profiling opportunities to support further activities in high-end markets at the domestic and export level.

So successful was the program, with products from 18 companies under consideration by David Jones and one immediately ranged by the national retailer, that another opportunity for food and beverage companies to meet more buyers was scheduled for September.

2. Supporting information regarding our impact on innovation

The success of industries is linked to their ability to continually evolve the way they go about their business, the types of product they produce and the types of markets they supply as conditions change. This is innovation, and we see our role in fostering innovation being to act as a catalyst for businesses seeking their own adaptive changes.

This KPI is based on respondents' views of our impact on their capacity to make changes that benefit their business. Some of the capabilities and deliverables by which we believe we increased their innovativeness over the past year are outlined below.

New supply chain and market options

Several DAFWA-led projects under the state government's $300 million Seizing the Opportunity initiative focus on establishing new supply chains that will increase local processing and market flexibility (see case study, p. 37).

The Northern Beef Futures project aims, in part, to enable northern pastoral beef producers to tap into a wider range of markets, reducing their near-total dependence on the Indonesian market. In 2014/15 we established a business case for exporting feeder and processor-ready cattle to China; and determined the supply chain logistics and processes needed to support that new market.

Similarly, for the southern sheepmeat industry, we developed and helped implement an industry partnership between a WA meat processor and a major Chinese importer. An MoU between the partners will be formally signed in China in early 2015/16 as part of a study tour that will include 10 WA sheep producers from several different supply chains.

As part of our effort to build whole of supply chain support for a dairy transformation strategy, we hosted a strategic planning session on dairy industry growth. This was attended by senior management of key stakeholder companies and led to the establishment of a formal partnership agreement between key industry players.

New approaches and tools to improve production

To support the sheep industry in safeguarding the health and quality of its flocks, we partnered with the Moredun Research Institute in Edinburgh (UK) to produce a commercial vaccine for barber's pole — a potentially devastating parasite of sheep. The vaccine was approved by the Australian Pesticides and Veterinary Medicines Authority with an initial batch being produced in October 2014. The vaccine's benefits will be significant for sheep producers in higher rainfall areas of the state, where the risk of barber's pole is greatest. A widespread launch of the vaccine is targeted for late 2015.

DAFWA is leading research to help grain growers improve wheat and barley production across the state. One major project is focused on identifying genes that can be combined to improve drought tolerance throughout the growing season, while another is focused on improving the understanding of frost tolerance of wheat — a high priority for industry. This project led to the development of nationally accepted protocols for using varietal comparisons to assess frost damage.

New industry leadership arrangements

Industry engagement and participation are vital in ensuring that innovations are strongly implemented from within. This approach has been central to DAFWA-led projects under the government's Seizing the Opportunity initiative. The Northern Beef Futures and Sheep Industry Business Innovation projects in particular have strong engagement and leadership mechanisms, including the establishment of formal service agreements with the WA Beef Council and the Kimberley Cattlemen's Association; and the formation of a reference and leadership group led by the Sheep Industry Leadership Council and other regional and business stakeholders.

New research partnerships and methods

We formed a partnership with Murdoch University to create a stronger, more consolidated research capability to support the barley industry. The Western Barley Genetics Alliance will assist our efforts in barley genetic improvement for WA and our contribution to the national barley industry. Along with R&D, the alliance will ensure the development of a new cohort of scientists able to apply cutting-edge genetics to industry outcomes and further international collaboration in barley research.

DAFWA Sheep Industry Development Director Bruce Mullan, Agriculture and Food Minister Ken Baston and Sheep Industry Leadership Council Chair Rob Egerton-Warburton at the launch of the $10 million Sheep Industry Business Innovation project

One of the key research areas is the development of a new method for selecting for traits such as grain yield, quality and disease resistance. Researchers have made good progress in creating and finalising a high-density molecular map and sequencing protocols, and in gene sequencing two of 15 targeted barley varieties.

We also developed a commercial service for barley variety identification and purity analyses and used gene-based approaches to support commercial barley breeding programs. This resulted in a set of molecular genetic tests that help industry ensure accurate variety assignment — an important market requirement for high-value commercial processing in malt production.

To support producers in improving management of soil water repellence, we partnered with four grower groups and developed a research agreement with the CSIRO and Murdoch University to develop and deliver water repellence tools. This partnership and research work has established six long-term demonstration trials on deep ripping strategies. Deep ripping mechanically breaks up compacted soil layers.

Leading five projects to pursue sector growth

Case study

Five projects worth $75 million supported the WA agrifood sector's pursuit of new market opportunities during 2014/15.

The projects, funded for either three or four years, are part of the Royalties for Regions Seizing the Opportunity initiative.

While strengthening regional communities, they are also designed to assist businesses to break into export markets, particularly key Asian countries with rapidly growing economies.

Each project has been designed as a collaboration between DAFWA, relevant supply chain businesses and industry organisations.

The projects are:

- **Boosting Grains R&D project ($20 million)** — to address the challenges of increasing agricultural productivity, including through establishing GrainsWest, a regionally based not-for-profit company to undertake targeted R&D to improve on-farm productivity
- **eConnected Grainbelt ($10 million)** — to connect growers to information to make decisions tailored for their circumstances and variable conditions

As part of the Northern Beef Futures project, we led a WA market insights delegation to Indonesia and Vietnam in April to investigate opportunities for WA cattle and beef products

- **Boosting Biosecurity Defences ($20 million)** — to strengthen the state's biosecurity defences and underpin industry's efforts to capture a share of growing international demand for agriculture and food
- **Northern Beef Futures ($15 million)** — to transform the northern beef sector, including by conducting market development work in South-East Asia and China to build relationships and establish economically viable export markets
- **Sheep Industry Business Innovation ($10 million)** — to help industry build capacity to supply new markets for sheepmeat and live exports, including by establishing a Sheep Business Centre at Katanning.

3. Supporting information regarding our impact on sustainability

Western Australia supports a wide range of agricultural industries. While DAFWA's primary goal is to grow the sector, this only makes sense if it is done in a way that safeguards the land and water resources on which all agriculture depends — and which are entrusted to the sector by all Western Australians.

Biosecurity status and arrangements

Being able to trace stock movements throughout the state is a key component of managing state biosecurity risks — particularly in the event of a food safety incident or animal disease outbreak. It also offers WA a distinct marketing advantage. All sheep producers are required to identify their stock with an approved NLIS tag and record their movements on the NLIS database. We maintain an NLIS helpdesk to help producers achieve this traceability; and recent audits of four abattoirs have confirmed that WA is achieving excellent compliance of the system against national benchmarks.

We also supported market access for livestock industries by undertaking diagnoses to verify that the state is free of market-sensitive diseases. Over the past year, we completed some 1000 disease outbreak investigations and 270 export health protocols.

DAFWA's quarantine activities continued to play a pivotal role in minimising the introduction of new pests and diseases and limiting biosecurity risks. Over the past year, our inspectors made a number of significant intercepts, including Queensland fruit fly, oriental fruit moth and citrophilus mealybugs, and none of these pests established themselves in the state. This allows WA to justify area-freedom from many pests and diseases found in other states, with significant market access and cost of production benefits.

Biosecurity strategy and planning

We drafted a statewide biosecurity strategy. The draft strategy, which will provide direction for the management of emerging and ongoing biosecurity issues, was released for public consultation in early 2015. We are now considering the findings of that process and expect to finalise the strategy by December 2015.

In a similar vein, we established an invasive species plan and framework for WA that addresses the monitoring, evaluation and research needs for controlling invasive species throughout the state. These are now being considered by the parliamentary Public Accounts Committee.

We also worked with shires and regional groups to develop a compliance strategy for certain declared plant species. This was implemented to good effect for narrow-leaf cotton bush — a widespread weed found mainly in the south-west of the state. (see case study, p.141).

Biosecurity management tools

Three-horned bedstraw is an annual weed that poses a significant threat to our grains industry by reducing yields and imposing extra weed control costs. In 2014/15 we completed a Bedstraw Eradication Plan, which was subsequently adopted by the industry-led Grain, Seed and Hay Industry Funding Scheme. The plan helps to ensure that operational programs at each infested property are aligned and that timeframes for bedstraw eradication can be achieved.

We developed several online applications based on models for the fungal diseases blackspot, blackleg and yellowspot. This included implementing a web-based, automated version of the blackspot manager tool, and field-testing a decision model for yellowspot.

The State Barrier Fence plays an important role in helping to protect productive farmland in the wheatbelt from wild dogs and emus. Over the past year, we filled in the 170km-long 'Yilgarn gap' section. (see case study, p. 40).

We also introduced a new species of dung beetle from Europe, *Onthophagus vacca*, in the Kojonup area to help tackle the bush fly problem in the state's south. Dung beetles reduce fly numbers by eating the cattle dung in which they would normally breed. The release in August was the culmination of two years' research into dung beetle activity across 12 sites in the south-west.

Animal welfare

Virulent footrot is a crippling condition of sheep and goats and its control and eradication is important on the grounds of both productivity and animal welfare. Over the past year, DAFWA supported industry in reducing the spread of virulent footrot by enforcing 42 quarantines and inspecting over 2000 lines of sheep in abattoirs.

We also enhanced livestock animal welfare by contributing to national animal welfare standards. For instance, we helped draft standards for the treatment of cattle and sheep, and for the transport of a range of livestock types. We also drafted regulations for legislation due to be enacted in 2015.

Land, water and climate policy and management

We worked over the past year to develop and implement three new web tools that will enable producers to better manage seasonal climatic impacts on their businesses. During 2014/15 we released a rainfall-to-date tool, prepared a soil-water tool for release in the latter part of 2015, and started advanced testing on a potential-yield tool.

DAFWA continued to inform decisions on sustainable land use. This included reports to the Pastoral Lands Board and others on the state of compliance of pastoral leases, and analyses of resource condition trend in the agricultural and rangelands regions of WA.

We enhanced the value of the Report card on sustainable natural resource use in agriculture by launching the land and water assessment component of the card, providing spatial information to regional NRM bodies, and setting the basis for a web-based system to link resource data with a discoverability map system.

Broader industry and community involvement

Biosecurity affects all Western Australians, and the department has responsibility for ensuring effective biosecurity management and emergency response arrangements for the state as a whole, not just for the agricultural sector. Increasingly, we seek to involve the broader community in helping ensure WA continues to enjoy its relative freedom from damaging weeds, pests and diseases.

Over the past year, this has included helping private veterinarians undertake some 60 significant disease investigations that help in the early detection of emergency animal diseases, and delivering four regional workshops to build their capacity to detect incursions promptly.

We also engaged 'citizen scientists' through the roll-out of 'adopt-a-trap' programs for European wasps and codling moth in regional areas, with 81 European wasp nests detected and destroyed during summer.

Closing the gap to keep pests out

Case study

The State Barrier Fence plays an important role in helping to protect cropping and livestock enterprises in the wheatbelt from wild dogs and emus.

This financial year, we helped exclude destructive pests by closing a 170km gap in the historic 112-year-old fence.

The closure of the half-century-old gap, known as the Yilgarn Gap, means the fence now runs in an unbroken line 1206km from the Zuytdorp Cliffs north of Kalbarri to east of Ravensthorpe.

Rigorous approvals were required for the eight-month project led by DAFWA, which included surveying, clearing and site preparation before construction work could start.

Construction involved the installation of 24 600 steel posts, more than 600 strainer assemblies, 170km of plain wire, fabricated fence to a height of 1.4m and stock grids. Lapwire was also clipped to the bottom of the fence to create the required barrier to minimise incursions by wild dogs.

Agriculture and Food Minister Ken Baston and DAFWA State Barrier Fence Project Manager Craig Robins start construction to close the gap

This milestone is part of the five-year, $10.34 million State Barrier Fence project, made possible by the state government's Royalties for Regions program.

A further extension of the fence from Ravensthorpe to east of Esperance is under consideration.

> "It will make it easier to control the dogs — it is good news for everyone along the fence." — Jim Sullivan, Past Chairman, Eastern Wheatbelt Declared Species Group

Significant issues impacting the agency

Current and emerging issues and trends

The issues and forces directing our efforts in support of the agrifood sector have remained fairly consistent in recent years.

While opportunities for us to assist the sector are growing, the scope of the support we can provide is being challenged by decreasing resources, requiring us to work to maximise the value we can deliver.

Growing worldwide demand for food

Growing worldwide demand for safe, quality foods, especially from increasing middle class populations in Asia and the Middle East, continued to present the agrifood sector with major growth opportunities.

As outlined in our Agrifood 2025+ Strategic plan 2014–17, a key focus is on growing markets, including facilitating exports and investment, and helping industry develop the capability and capacity it needs to meet the demand.

In 2014/15 we began five major Royalties for Regions projects (see case study, p. 37) to assist WA businesses to capture opportunities in Asia, the Middle East and other markets. These projects will deliver transformative change and legacy benefits for industry participants. We also developed business cases for a number of other projects for consideration in 2015/16.

We placed a particular focus on targeting agribusiness trade opportunities in the Middle East and China, supported by the work of officers based in the WA Trade Offices in Dubai and Shanghai.

Tightening finances and resources

DAFWA, like other state government agencies, has had to deal with reductions in staffing and services due to challenging budgetary and cost settings.

Over the past year, 125 staff have left through voluntary severance programs.

In response, we continued to prioritise our programs, projects and services, including through an organisational restructure, to best meet industry needs within available funding.

The restructure streamlined the number of directorates from six to five, consolidated our efforts to support clients and industry, and aligned our work with government priorities (see case study, p. 14).

This has included increasing our focus on building partnerships to improve our reach and effectiveness, and optimising the cost effectiveness of effort for all partners. For example, we collaborated with the GRDC on about 60 projects worth $33 million in 2014/15 to build WA's grains research capacity and ensure the industry's productivity and profitability.

We are also better defining our client base and increasingly directing resources to those businesses, supply chains and industries actively seeking to grow and contribute to the doubling of the value of the sector by 2025 (as outlined in our Agrifood 2025+ Strategic plan 2014–17).

In June 2015, we hosted a briefing session with about 50 key industry leaders to outline our resourcing challenges and changing direction. We discussed how we could work closer with industry to drive growth in the sector. This partnership engagement provided a great wrap-up of 2014/15 changes and provided a strong springboard for 2015/16.

Increasing maturity of industry

In recent years, the capacity and capability of many industry sectors and individual businesses has increased, allowing them to better take control of their own destinies and realise the growth opportunities being presented.

This increased maturity has been due to a combination of support and training provided by DAFWA; a general rise in the professionalism of businesses across the board; and recognition that many future gains will be business and sector specific.

As a result, we have been working closely with industry organisations, grower groups and agribusiness to transfer specific functions, including on-farm R&D, into more appropriate delivery models strongly led by industry.

For example, we worked to hand over our dairy research function to be led by the newly formed WA Dairy Industry Growth Steering Committee, comprising a range of dairy businesses. We also began work on the formation of GrainsWest Limited, a regionally based not-for-profit company that will take on targeted grains R&D to improve on-farm productivity.

Competitive markets

While the value of the Australian dollar dropped significantly over the year, continuing competition from low-cost producing countries and widespread technology adoption in competitor countries, means our sector needs to continue improving the quality of its products if we wish to keep attracting sustained demand and premium prices in overseas markets.

To help identify genetically superior sheep to breed for improved eating quality, we identified genetic markers for sheepmeat eating quality by analysing our genetic resource flock. These genomic breeding values are currently being evaluated by selected breeders to verify their accuracy and practical use in breeding flocks.

Changing climate and variable weather

Weather is an important factor contributing to the success of our farm businesses, with the continuing trend of variable seasonal conditions presenting new and increased challenges. This was highlighted by a number of extreme weather events in early 2015, including bushfires in the south-west and Cyclone Olwyn in Carnarvon (see case study, p. 135).

Based on a report from our department, the state government committed $23 million to install Doppler weather radars at three sites across the agricultural region. Doppler radar offers real-time information on weather systems and rainfall intensity that will enable farm businesses to make more informed decisions around sowing times, and fertiliser and chemical applications.

We also launched a weather stations smartphone app that draws on live data from over 130 DAFWA weather stations to give growers and producers access to current local weather information wherever they are (see case study, p. 44).

Threat from pests, weeds and diseases

Maintaining our state's freedom from the many exotic pests, weeds and diseases that affect other regions and countries is vital to the profitability and sustainability of WA's agrifood sector.

With the state becoming more exposed as levels of trade, travel and urbanisation increase, we continued to focus and modernise our biosecurity capabilities and help landholders and businesses take greater ownership of those risks that threaten current and future profitability.

Through an organisational restructure in October 2014, we created a dedicated Biosecurity and Regulation Directorate to consolidate and strengthen leadership and consistency for biosecurity and regulatory functions.

Our Quarantine WA operations, which comprise vigilant inspection services at targeted road checkpoints, airports, train stations and ports throughout WA, made a critical contribution to ensuring there were no exotic incursions in 2014/15.

More than 43 000kg of risk material was seized from airport and road checkpoints, up from 38 783kg in 2013/14. We inspected 129 168 vehicles at the WA–SA and WA–NT borders, and 10 332kg of risk material was collected from airport amnesty bins across the state.

Quarantine Inspector Fiona Cowie and detector dog Barnaby at work at Perth Domestic Airport

How's the weather? There's an app for that

Case study

Growers, producers and the public can now access current local weather information wherever they are with the launch of the DAFWA weather stations app in June 2015.

We developed the app to allow farm businesses to make more informed on-farm decisions and assist with monitoring local conditions during extreme weather events.

The app, for smartphones and other Apple and Android devices, draws live data from over 130 DAFWA weather stations, from the Kimberley to the south coast, including five in the metropolitan area.

It shows weather information in a localised area over the past 10 minutes. Data includes temperature, humidity, wind speed and direction, solar radiation, evaporation and chill hours.

Initial feedback from farmers was positive with many stating that having access to real-time information in the paddock makes a difference.

They especially liked the ability to monitor wind speed and temperatures for spraying, wind speed for burning off, and temperatures during fruit picking.

The app was developed and tested over 12 months by staff from our Grains Industry Directorate and Business Systems Improvement Program (BSIP).

The app is free but requires first-time users to register through the DAFWA website.

Grains Research Officer Ian Foster and BSIP team members Jason Hewson, Steve Collins and Murali Narayanan, who were involved in the app's development

"Registrations to the website increased from 1600 to 3800 users overnight when the app was released. It was downloaded more than 5000 times within a week of the launch."

Disclosures and legal compliance

Financial statements

Certification of financial statements

for the year ended 30 June 2015

The accompanying financial statements of the Department of Agriculture and Food have been prepared in compliance with the provisions of the *Financial Management Act 2006* from proper accounts and records to present fairly the financial transactions for the financial year ended 30 June 2015 and the financial position as at 30 June 2015.

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.

Rob Delane
Accountable Authority (Director General)
Agriculture and Food WA
25 August 2015

Mandy Taylor
Chief Finance Officer
Agriculture and Food WA
25 August 2015

Auditor General

INDEPENDENT AUDITOR'S REPORT

To the Parliament of Western Australia

DEPARTMENT OF AGRICULTURE AND FOOD

Report on the Financial Statements
I have audited the accounts and financial statements of the Department of Agriculture and Food.

The financial statements comprise the Statement of Financial Position as at 30 June 2015, the Statement of Comprehensive Income, Statement of Changes in Equity, Statement of Cash Flows, Schedule of Income and Expenses by Service, Schedule of Assets and Liabilities by Service, and Summary of Consolidated Account Appropriations and Income Estimates for the year then ended, and Notes comprising a summary of significant accounting policies and other explanatory information, including Administered transactions and balances.

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

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

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

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

Opinion
In my opinion, the financial statements are based on proper accounts and present fairly, in all material respects, the financial position of the Department of Agriculture and Food at 30 June 2015 and its financial performance and cash flows for the year then ended. They are in accordance with Australian Accounting Standards and the Treasurer's Instructions.

Matter of Significance
The Western Australian Agriculture Authority (WAAA) was established by the Biosecurity and Agriculture Management Act 2007 (the BAM Act) as a body corporate that is governed by the Minister for Agriculture and Food. Although WAAA has financial transactions and assets and liabilities the BAM Act does not require it to report these separately. However, for financial accountability purposes, the BAM Act requires WAAA's activities to be regarded as services under the control of the Department. Consequently, the Department has included WAAA's income, expenses, assets and liabilities in its financial statements as though they relate to the Department. The Department does not separately account for these transactions or separately disclose them in its financial statements. My opinion is not modified in respect of this matter.

Report on Controls
I have audited the controls exercised by the Department of Agriculture and Food during the year ended 30 June 2015.

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

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

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

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

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

Opinion
In my opinion, the controls exercised by the Department of Agriculture and Food are sufficiently adequate to provide reasonable assurance that the receipt, expenditure and investment of money, the acquisition and disposal of property, and the incurring of liabilities have been in accordance with legislative provisions during the year ended 30 June 2015.

Report on the Key Performance Indicators
I have audited the key performance indicators of the Department of Agriculture and Food for the year ended 30 June 2015.

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

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

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

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

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

Opinion
In my opinion, the key performance indicators of the Department of Agriculture and Food are relevant and appropriate to assist users to assess the Department's performance and fairly represent indicated performance for the year ended 30 June 2015.

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

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

This auditor's report relates to the financial statements and key performance indicators of the Department of Agriculture and Food for the year ended 30 June 2015 included on the Department's website. The Department's management is responsible for the integrity of the Department's website. This audit does not provide assurance on the integrity of the Department's website. The auditor's report refers only to the financial statements and key performance indicators described above. It does not provide an opinion on any other information which may have been hyperlinked to/from these financial statements or key performance indicators. If users of the financial statements and key performance indicators are concerned with the inherent risks arising from publication on a website, they are advised to refer to the hard copy of the audited financial statements and key performance indicators to confirm the information contained in this website version of the financial statements and key performance indicators.

COLIN MURPHY
AUDITOR GENERAL
FOR WESTERN AUSTRALIA
Perth, Western Australia
28 August 2015

Statement of comprehensive income for the year ended 30 June 2015

	Note	2015 $'000	2014 $'000
Cost of services			
Expenses			
Employee benefits expense	6	126,634	126,102
Supplies and services	7	66,196	61,741
Depreciation and amortisation expense	8	12,370	12,693
Share of loss in joint venture entity using the equity method		6,039	5,131
Other expenses	9	454	125
Grants and subsidies	10	12,029	11,861
Loss on disposal of non-current assets	15	598	1,271
Total cost of services		**224,320**	**218,924**
Income			
Revenue			
User charges and fees	11	9,453	9,601
Commonwealth grants and contributions	12	1,490	2,202
Grants and subsidies from non-government sources	13	28,669	29,373
Interest revenue		775	625
Other revenue	14	17,824	16,771
Total revenue		**58,211**	**58,572**
Total income other than income from State Government		**58,211**	**58,572**
Net cost of services		**166,109**	**160,352**
Income from State Government	16		
Service appropriations		141,469	146,044
Resources received free of charge		1,665	1,197
Royalties for Regions Fund		51,457	14,860
Total Income from State Government		**194,591**	**162,101**
Surplus for the period		**28,482**	**1,749**
Other comprehensive income			
Items not subsequently reclassified to net cost of services			
Changes in asset revaluation surplus		10,515	4,757
Gains/(losses) recognised directly in equity		(36)	43
Total other comprehensive income	31	**10,479**	**4,800**
Total comprehensive income for the period		**38,961**	**6,549**

See also the 'Schedule of income and expenses by service'

The Statement of comprehensive income should be read in conjunction with the accompanying notes

Statement of financial position as at 30 June 2015

	Note	2015 $'000	2014 $'000
Assets			
Current assets			
Cash and cash equivalents	17	10,176	(750)
Restricted cash and cash equivalents	18	62,680	48,782
Biological assets	19	1,419	1,332
Agricultural produce		210	311
Inventories	20	651	1,679
Receivables	21	5,180	7,047
Amounts receivable for services	22	3,675	4,700
Non-current assets classified as held for distribution to owners	24	3,400	3,972
Other current assets	23	643	1,719
Total current assets		**88,034**	**68,792**
Non-current assets			
Restricted cash and cash equivalents	18	2,945	2,911
Amounts receivable for services	22	61,179	55,329
Other non-current assets	23	23,140	755
Investment accounted for using equity method	25	10,181	10,605
Property, plant and equipment	26	212,269	210,711
Intangible assets	28	2,253	3,050
Total non-current assets		**311,967**	**283,361**
Total assets		**400,001**	**352,153**
Liabilities			
Current liabilities			
Payables	29	12,223	7,333
Provisions	30	30,910	32,074
Total current liabilities		**43,133**	**39,407**
Non-current liabilities			
Provisions	30	4,230	4,381
Total non-current liabilities		**4,230**	**4,381**
Total liabilities		47,363	43,788
Net assets		**352,638**	**308,365**
Equity			
Contributed equity		74,986	69,674
Reserves		234,622	224,107
Retained surplus/(Accumulated deficit)		43,030	14,584
Total equity	31	**352,638**	**308,365**

See also the 'Schedule of assets and liabilities by service'

The Statement of financial position should be read in conjunction with the accompanying notes

Statement of changes in equity for the year ended 30 June 2015

	Note	Contributed equity	Reserves	Accumulated surplus/ (deficit)	Total equity
		$'000	$'000	$'000	$'000
Balance at 1 July 2013	31	62,256	219,350	12,792	294,398
Surplus/(Deficit) for the period		-	-	1,749	1,749
Other comprehensive income		-	4,757	43	4,800
Total comprehensive income for the period		-	4,757	1,792	6,549
Transactions with owners in their capacity as owners:					
Capital appropriations		7,418	-	-	7,418
Total		7,418	-	-	7,418
Balance at 30 June 2014		**69,674**	**224,107**	**14,584**	**308,365**
Balance at 1 July 2014		69,674	224,107	14,584	308,365
Surplus/(Deficit) for the period		-	-	28,482	28,482
Other comprehensive income		-	10,515	(36)	10,479
Total comprehensive income for the period		-	10,515	28,446	38,961
Transactions with owners in their capacity as owners:					
Capital appropriations		6,187	-	-	6,187
Distribution to owners		(875)	-	-	(875)
Total		5,312	-	-	5,312
Balance at 30 June 2015		**74,986**	**234,622**	**43,030**	**352,638**

The Statement of changes in equity should be read in conjunction with the accompanying notes

Statement of cash flows for the year ended 30 June 2015

	Note	2015 $'000	2014 $'000
Cash flow from State Government			
Service appropriations		133,013	137,754
Capital contributions		6,187	7,418
Holding account drawdown		3,631	4,500
Royalties for Regions Fund		51,457	14,860
Net cash provided by State Government		**194,288**	**164,532**
Utilised as follows:			
Cash flows from operating activities			
Payments			
Employee benefits		(125,245)	(130,917)
Supplies and services		(81,942)	(67,806)
GST payments on purchases		(7,612)	(6,497)
GST payments to taxation authority		(124)	(606)
Other payments		529	402
Grants and subsidies		(12,029)	(11,861)
Receipts			
User charges and fees		10,950	12,006
Commonwealth grants and contributions		1,490	1,666
Interest received		851	132
GST receipts on sales		3,806	3,136
GST receipts from taxation authority		4,283	3,499
Other receipts		46,493	44,380
Net cash used in operating activities	32	**(158,550)**	**(152,466)**
Cash flows from investing activities			
Payments			
Investment in joint venture		(5,615)	(2,590)
Purchase of non-current assets		(5,446)	(4,979)
Receipts			
Proceeds from sale of non-current physical assets		181	275
Net cash used in investing activities		**(10,880)**	**(7,294)**
Net increase in cash and cash equivalents		24,858	4,772
Cash and cash equivalents at the beginning of period		50,943	46,171
Cash and cash equivalents at the end of period	32	**75,801**	**50,943**

The Statement of cash flows should be read in conjunction with the accompanying notes

Schedule of income and expenses by service for the year ended 30 June 2015

	Business & supply chain development		Transformational development		Resource risk management		Total	
	2015	2014	2015	2014	2015	2014	2015	2014
Cost of services	$'000	$'000	$'000	$'000	$'000	$'000	$'000	$'000
Expenses								
Employee benefits expense	54,931	60,012	21,654	12,604	50,049	53,486	126,634	126,102
Supplies and services	20,356	26,604	24,328	7,023	21,512	28,114	66,196	61,741
Depreciation and amortisation expense	5,597	5,743	1,167	1,197	5,607	5,753	12,371	12,693
Share of loss in joint venture entity using the equity method	4,697	3,477	671	1,403	671	251	6,039	5,131
Other expenses	194	67	66	11	194	47	454	125
Grants and subsidies	6,817	4,678	1,601	774	3,611	6,409	12,029	11,861
Loss on disposal of non-current assets	270	575	56	120	271	576	597	1,271
Total cost of services	**92,862**	**101,156**	**49,543**	**23,132**	**81,915**	**94,636**	**224,320**	**218,924**
Income								
Revenue								
User charges and fees	2,646	2,991	284	340	6,523	6,270	9,453	9,601
Commonwealth grants and contributions	1,031	1,599	290	149	169	454	1,490	2,202
Grants and subsidies from non-government sources	19,830	21,324	5,578	1,987	3,261	6,062	28,669	29,373
Interest revenue	270	271	267	112	238	242	775	625
Other revenue	9,833	8,670	3,143	1,903	4,848	6,198	17,824	16,771
Total revenue	33,610	34,855	9,562	4,491	15,039	19,226	58,211	58,572
Total income other than income from State Government	**33,610**	**34,855**	**9,562**	**4,491**	**15,039**	**19,226**	**58,211**	**58,572**
Net cost of services	**59,252**	**66,301**	**39,981**	**18,641**	**66,876**	**75,410**	**166,109**	**160,352**
Income from State Government								
Service appropriation	54,207	62,550	26,027	17,622	61,235	65,872	141,469	146,044
Resources received free of charge	689	539	369	114	607	544	1,665	1,197
Royalties for Regions Fund	5,396	3,222	40,662	1,485	5,399	10,153	51,457	14,860
Total income from State Government	**60,292**	**66,311**	**67,058**	**19,221**	**67,241**	**76,569**	**194,591**	**162,101**
Surplus for the period	**1,040**	**9**	**27,077**	**580**	**365**	**1,159**	**28,482**	**1,748**

The Schedule of income and expenses by service should be read in conjunction with the accompanying notes

Schedule of assets and liabilities by service as at 30 June 2015

	Business & supply chain development		Transformational development		Resource risk management		Total	
	2015	2014	2015	2014	2015	2014	2015	2014
	$'000	$'000	$'000	$'000	$'000	$'000	$'000	$'000
Assets								
Current assets	31,253	28,444	21,305	7,997	35,476	32,351	88,034	68,792
Non-current assets	110,749	117,162	75,498	32,941	125,720	133,258	311,967	283,361
Total assets	**142,002**	**145,606**	**96,803**	**40,938**	**161,196**	**165,609**	**400,001**	**352,153**
Liabilities								
Current liabilities	15,414	16,294	10,346	4,581	17,373	18,532	43,133	39,407
Non-current liabilities	1,502	1,812	1,024	509	1,704	2,060	4,230	4,381
Total liabilities	**16,917**	**18,106**	**11,369**	**5,090**	**19,077**	**20,592**	**47,363**	**43,788**
Net assets	**125,085**	**127,500**	**85,434**	**35,848**	**142,119**	**145,017**	**352,638**	**308,365**

The Schedule of assets and liabilities by service should be read in conjunction with the accompanying notes

Summary of consolidated account appropriations and income estimates for the year ended 30 June 2015

	Estimate 2015 $'000	Actual 2015 $'000	Variance $'000	Actual 2015 $'000	Actual 2014 $'000	Variance $'000
Delivery of services						
Item 65 Net amount appropriated to deliver services	128,101	139,863	11,762	139,863	144,480	(4,617)
Amount authorised by Other Statutes						
– *Biosecurity and Agriculture Management Act 2007*	1,235	1,235	-	1,235	1,204	31
– *Salaries & Allowances Act 1975*	371	371	-	371	360	11
Total appropriations provided to deliver services	**129,707**	**141,469**	**11,762**	**141,469**	**146,044**	**(4,575)**
Capital						
Item 137 Capital appropriations	5,596	5,596	-	5,596	7,418	(1,822)
Administered transactions						
Item 66 Amount provided for Administered Grants, Subsidies and Transfer Payments	9,000	9,000	-	9,000	14,683	(5,683)
Total administered transactions	**9,000**	**9,000**	**-**	**9,000**	**14,683**	**(5,683)**
Grand total	**144,303**	**156,065**	**11,762**	**156,065**	**168,145**	**(12,080)**
Details of expenses by service						
Business and Supply Chain Development	88,933	92,862	3,929	92,862	101,156	(8,294)
Transformational Development	30,707	49,543	18,836	49,543	23,132	26,411
Resources Risk Management	102,268	81,915	(20,353)	81,915	94,636	(12,721)
Total Cost of Services	221,908	224,320	2,412	224,320	218,924	5,396
Less Total Income	55,473	58,211	2,738	58,211	58,572	(361)
Net Cost of Services	166,435	166,109	(326)	166,109	160,352	5,757
Adjustments(1)	(36,728)	(24,640)	12,088	(24,640)	(14,308)	(10,332)
Total appropriations provided to deliver services	**129,707**	**141,469**	**11,762**	**141,469**	**146,044**	**(4,575)**
Capital expenditure						
Purchase of non-current assets	16,161	5,446	(10,715)	5,446	6,674	(1,228)
Adjustment for other funding sources	(10,565)	150	10,715	150	744	(594)
Capital appropriations	**5,596**	**5,596**	**-**	**5,596**	**7,418**	**(1,822)**
Detail of income estimates						
Income disclosed as administered income (refer note 48)	9,241	9,771	530	9,771	26,938	(17,167)
Adjustments(1)	(241)	(532)	(291)	(532)	(12,255)	11,723
	9,000	**9,239**	**239**	**9,239**	**14,683**	**(5,444)**

(1) Adjustments are related to movements in cash balances and other accrual items such as receivables, payables and superannuation

Note 37 'Explanatory statement' provides details of any significant variations between estimates and actual results for 2015 and between the actual results for 2015 and 2014

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Notes to the financial statements for the year ended 30 June 2015

1 Australian Accounting Standards

General

The financial statements of the Department of Agriculture and Food, Western Australia (the Department) for the year ended 30 June 2015 have been prepared in accordance with Australian Accounting Standards. The term 'Australian Accounting Standards' includes Standards and Interpretations issued by the Australian Accounting Standard Board (AASB).

The Department has adopted any applicable new and revised Australian Accounting Standards from their operative dates, with the exception of AASB 2015-7

Early adoption of standards

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

2 Summary of significant accounting policies

(a) General Statement

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

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

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

(b) Basis of preparation

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

Notes to the financial statements for the year ended 30 June 2015

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).

Note 3 'Judgements made by management in applying accounting policies' discloses judgements that have been made in the process of applying the Department's accounting policies resulting in the most significant effect on amounts recognised in the financial statements.

Note 4 'Key sources of estimation uncertainty' discloses key assumptions made concerning the future, and other key sources of estimation uncertainty at the end of the reporting period, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year.

(c) Reporting entity

The reporting entity comprises the Department and bodies listed at note 40 'Related bodies'.

Mission

The Department's mission is to work with our partners to develop the WA agriculture and food sector; and to effectively manage risks to the natural and biological resources on which it relies.

The Department is predominantly funded by Parliamentary appropriations. It provides some services on a fee-for-service basis. The fees charged are determined by prevailing market forces. The financial statements encompass all funds through which the Department controls resources to carry on its functions.

Services

The Department provides the following services:

- Service 1: Business and supply chain development
- Service 2: Transformational development
- Service 3: Resource risk management

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 48 'Disclosure of administered income and expenses by service' and note 50 'Disclosure of administered assets and liabilities by service'.

(d) Contributed equity

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

The transfers of net assets to/from other agencies, other than as a result of a restructure of administrative arrangements, are designated as contributions by owners where the transfers are non-discretionary and non-reciprocal. See note 31 'Equity'.

(e) Income

Revenue recognition

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

Sale of goods

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

Interest

Revenue is recognised as the interest accrues.

Service appropriations

Service appropriations are recognised as revenues at fair value in the period in which the Department gains control of the appropriated funds. The Department gains control of appropriated funds at the time those funds are deposited to the Department's bank account or credited to the 'Amounts receivable for services' (holding account) held at Treasury. See note 16 'Income from State Government' for further information.

Notes to the financial statements for the year ended 30 June 2015

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 2014-15 Budget Statements, the Department retained $67.9m in 2015 ($66.8m in 2014) from the following:

- proceeds from fees and charges;
- sale of goods;
- Commonwealth specific purpose grants and contributions;
- one-off gains with a value of less than $10,000 derived from the sale of property other than real property;
- revenues from services provided through the establishment of memorandum of understandings; and
- other departmental revenue.

Grants, donations, gifts and other non-reciprocal contributions

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

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

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

Gains

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

(f) Property, plant and equipment and infrastructure

Capitalisation/expensing of assets

Items of property, plant and equipment and infrastructure costing $5,000 or more are recognised as assets and the cost of utilising assets is expensed (depreciated) over their useful lives. Items of property, plant and equipment and infrastructure costing less than $5,000 are immediately expensed direct to the Statement of comprehensive income (other than where they form part of a group of similar items which are significant in total).

Notes to the financial statements for the year ended 30 June 2015

Initial recognition and measurement

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

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

Subsequent measurement

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

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

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

When buildings are revalued, the accumulated depreciation is eliminated against the gross carrying amount of the asset and the net amount restated to the revalued amount.

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

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

Derecognition

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

Notes to the financial statements for the year ended 30 June 2015

Asset revaluation surplus

The asset revaluation surplus is used to record increments and decrements on the revaluation of non-current assets as described in note 26 ‘Property, plant and equipment’.

Depreciation

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

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

Asset category	Life (years)
Buildings	20 to 40 and/or estimated useful life
Computer and communications equipment	3 to 5
Office and other equipment	5 to 10
Plant and machinery	5 to 20
Vehicles and buses	5 to 10
Infrastructure	20 to 40

Land is not depreciated.

(g) Intangible assets

Capitalisation/expensing of assets

Acquisitions of intangible assets costing $5,000 or more and internally generated intangible assets costing $50,000 or more are capitalised. The cost of utilising the assets is expensed (amortised) over their useful lives. Costs incurred below these thresholds are immediately expensed directly to profit or loss in the Statement of comprehensive income.

All acquired and internally developed intangible assets are initially recognised at cost. For assets acquired at no cost or for nominal cost, the cost is their fair value at the date of acquisition.

Subsequent to initial recognition, the asset is carried at cost less any accumulated amortisation and accumulated impairment losses.

Notes to the financial statements for the year ended 30 June 2015

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

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

Asset category	Life (years)
Licences	up to 10 years
Development costs	3 to 5 years
Software[(a)]	3 to 5 years
Website costs	3 to 5 years

(a) Software that is not integral to the operation of any related hardware.

Licences

Licences have a finite useful life and are carried at cost less accumulated amortisation and accumulated impairment losses.

Development costs

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

Computer software

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

Website costs

Website costs are charged as expenses when they are incurred unless they relate to the acquisition or development of an asset when they may be capitalised and amortised. Generally, costs in relation to feasibility studies during the planning phase of a website, and ongoing costs of maintenance during the operating phase are expensed. Costs incurred in building or enhancing a website, to the extent that they represent probable future economic benefits that can be reliably measured, are capitalised.

Notes to the financial statements for the year ended 30 June 2015

(h) Impairment of assets

Property, plant, equipment and infrastructure are tested for any indication of impairment at the end of each reporting period. Where there is an indication of impairment, the recoverable amount is estimated. Where the recoverable amount is less than the carrying amount, the asset is considered impaired and is written down to the recoverable amount and an impairment loss is recognised. 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.

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

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

(i) Non-current assets classified as held for distribution to owners

Non-current assets held for distribution to owners are recognised at the lower of carrying amount and fair value less costs to sell, and are disclosed separately from other assets in the Statement of financial position. Assets classified as held for distribution to owner are not depreciated or amortised.

All Crown land holdings are vested in the Department by the government. The Department of Lands (DoL) is the only agency with the power to sell Crown land. The Department transfers the Crown land and any attached buildings to DoL when the land becomes available for sale.

(j) Leases

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

Notes to the financial statements for the year ended 30 June 2015

(k) Financial instruments

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

- Loans and receivables
- Available for sale financial instruments
- Financial liabilities measured at amortised costs

Financial instrument have been disaggregated into the following classes:

- Financial assets
  - Cash and cash equivalents
  - Restricted cash and cash equivalents
  - Receivables
  - Amounts receivable for services
  - Available for sale financial assets
- 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, with the exception of available for sale financial assets which are measured at fair value movements recognised in other comprehensive income.

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.

(l) Cash and cash equivalents

For the purpose of the Statement of cash flows, cash and cash equivalent (and restricted cash and cash equivalent) assets comprise cash on hand and short-term deposits with original maturities of three months or less that are readily convertible to a known amount of cash and which are subject to insignificant risk of changes in value.

(m) Accrued salaries

Accrued salaries (see note 29 ‘Payables’) represent the amount due to staff but unpaid at 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 fair value.

Notes to the financial statements for the year ended 30 June 2015

The accrued salaries suspense account (see note 18 ‘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.

(n) Amounts receivable for services (holding account)

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

See also note 16 ‘Income from State Government’ and note 22 ‘Amounts receivable for services (holding account)’.

(o) Inventories and biological assets

Inventories are measured at the lower of cost and net realisable value. The cost of inventory is based on the first in first out basis. Biological assets comprising livestock and field crops are valued at fair value less estimated point of sale costs and costs necessary to get them to market. A gain or loss on valuation is recognised in the Statement of comprehensive income. See note 19 ‘Biological assets’.

Inventories not held for resale are measured at cost unless they are no longer required, in which case they are valued at net realisable value. See note 20 ‘Inventories’.

(p) Receivables

Receivables are recognised at original invoice amount less an allowance for any uncollectible amounts (i.e. impairment). The collectability of receivables is reviewed on an ongoing basis and any receivables identified as uncollectible are written off against the allowance account. The allowance for uncollectible amounts (doubtful debts) is raised when there is objective evidence that the Department will not be able to collect the debts. The carrying amount is equivalent to fair value as it is due for settlement within 30 days. See also note 44 ‘Financial instruments’ and note 21 ‘Receivables’.

(q) Payables

Payables are recognised at the amounts payable when the Department becomes obliged to make future payments as a result of a purchase of assets or services. The carrying amount is equivalent to fair value, as they are generally settled within 30 days. See also note 44 ‘Financial instruments’ and note 29 ‘Payables’.

Notes to the financial statements for the year ended 30 June 2015

(r) Amounts due to the Treasurer

The amount due to the Treasurer is in respect of a Treasurer's Advance. Initial recognition and measurement, and subsequent measurement, is at the amount repayable. Although there is no interest charged, the amount repayable is equivalent to fair value as the period of the borrowing is for less than 12 months with the effect of discounting not being material.

(s) Provisions

Provisions are liabilities of uncertain timing and amount and are recognised where there is a present legal or constructive obligation as a result of a past event and when the outflow of resources embodying economic benefits is probable and a reliable estimate can be made of the amount of the obligation. Provisions are reviewed at the end of each reporting period. See also note 30 'Provisions'.

(i) Provisions – Employee benefits

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

Annual leave

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

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

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

Long service leave

Long service leave is not expected to be settled wholly within 12 months after the end of the reporting period and is therefore recognised and measured at the present value of amounts expected to be paid when the liabilities are settled using the remuneration rate expected to apply at the time of settlement.

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

Notes to the financial statements for the year ended 30 June 2015

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

Sick leave

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

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

Deferred leave

The provision for deferred leave relates to public service employees who have entered into an agreement to self- fund an additional 12 months leave in the fifth year of the agreement. The provision recognises the value of salary set aside for employees to be used in the fifth year. This liability is measured on the same basis as annual leave. Deferred leave is reported as a current provision as employees can leave the scheme at their discretion at any time.

Purchased leave

The provision for purchased leave relates to public service employees who have entered into an agreement to self- fund up to an additional 10 weeks leave per calendar year. The provision recognises the value of salary set aside for employees and is measured at the nominal amounts expected to be paid when the liabilities are settled. This liability is measured on the same basis as annual leave.

Superannuation

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

Eligible employees contribute to the Gold State Superannuation Scheme, a defined benefit lump sum scheme closed to new members since 1995.

Notes to the financial statements for the year ended 30 June 2015

Employees commencing employment prior to 16 April 2007 who were not members of the GSS became non- contributory members of the West State Superannuation Scheme (WSS). Employees commencing employment on or after 16 April 2007 became members of the GESB Super Scheme (GESBS). From 30 March 2012, existing members of the WSS or GESBS and new employees became able to choose their preferred superannuation fund.

The Department makes concurrent contributions to GESB or other funds on behalf of employees in compliance with the Commonwealth Government's *Superannuation Guarantee (Administration) Act 1992*. Contributions to these accumulation schemes extinguish the Department's liability for superannuation charges in respect of employees who are not members of the GSS.

The pre-transfer benefit for employees who transferred to the GSS is a defined benefit scheme. These benefits are wholly unfunded and the liabilities for future payments are provided at the end of the reporting period. The liabilities under the GSS are calculated annually by actuaries using the projected unit credit method.

The expected future payments are discounted to present value using market yields at the end of the reporting period on national government bonds with terms to maturity that match, as closely as possible, the estimated future cash outflows.

The GSS, the WSS, and the GESB, where the current service superannuation charge is paid by the Department to the GESB, are defined contribution schemes. The liabilities for current service superannuation charges under the GWS, the WSS, and the GESB are extinguished by the concurrent payment of employer contributions to the GESB.

The GSS is a defined benefit scheme for the purposes of employees and whole-of-government reporting. However, from an agency perspective, apart from the pre-transfer benefits, it is a defined contribution plan under AASB 119.

(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 notes 9 'Other expenses' and 30 'Provisions'.

Notes to the financial statements for the year ended 30 June 2015

(t) Superannuation expense

The superannuation expense is recognised in the Statement of comprehensive income in profit or loss for defined contribution plans, including the concurrent payment of employer contributions to the GSS scheme, as and when the contributions fall due.

For defined benefits plans (being the pre-transfer component of the GSS), changes in the defined benefit obligation are recognised in the Statement of comprehensive income either in profit or loss, or, other comprehensive income as follows:

Profit or loss:

- current service cost
- past service cost
- interest cost

Other comprehensive income:

- actuarial gains and losses

(u) Assets and services received free of charge or for nominal cost

Assets or services received free of charge or for nominal cost are recognised as income at the fair value of the assets and/or the fair value of those services that can be reliably measured and the Department would otherwise pay for. A corresponding expense is recognised for services received. Receipts of assets are recognised in the Statement of financial position.

Assets or service received from other State Government agencies are separately disclosed under Income from State Government in the Statement of comprehensive income.

(v) Joint arrangements

The Department has interests in a number of joint arrangements, some of which are classified as joint operations and others as joint ventures.

A joint operation is an arrangement in which the Department has joint control, whereby the Department has direct rights to its assets and obligations for its liabilities. The Department recognises its share of any joint operation assets and liabilities to the extent of its interest (refer to note 43).

A joint venture is an arrangement in which the Department has joint control, whereby the Department has rights to the net assets of the arrangement, rather than rights to its assets and obligations for its liabilities. The Department recognises its investment in joint ventures using the equity method of accounting (refer to note 25).

Notes to the financial statements for the year ended 30 June 2015

(w) Comparative figures

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

(x) Memorandum of understanding

During the year, the Department had a memorandum of understanding with the Agricultural Produce Commission and the Rural Business Development Corporation. The objective of these arrangements is to establish the types and standards of services to be provided, the basis for determining the level and the costs of services and responsibilities of the parties to the memorandum.

3 Judgements made by management in applying accounting policies

In preparing these financial statements, management has made judgements, estimates and assumptions that affect the application of the Department's accounting policies and the reported amounts of assets, liabilities, income and expenses. Actual results may differ from these estimates.

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised prospectively.

Information about critical judgements in applying accounting policies that have the most significant effect on the amounts recognised in the consolidated financial statements is included in the following notes:

Note 25, 42, 43 – Classification of joint arrangements

4 Key sources of estimation uncertainty

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

Note 35 – Contaminated sites

Note 27 – Land and buildings measured at fair value

Notes to the financial statements for the year ended 30 June 2015

Measurement of fair values

A number of the Department's accounting policies and disclosures require the measurement of fair values, for both financial and non-financial assets and liabilities.

Landgate provide valuation services for the Department's land and buildings. The Department provides the remaining useful life and depreciated book value to Landgate to assist them in their calculation of Level 3 fair value. When measuring the fair value of an asset or a liability, the Department uses market observable data as far as possible. Fair values are categorised into different levels in a fair value hierarchy based on the inputs used in the valuation techniques as follows:

- Level 1 – quoted prices (unadjusted) in active markets for identical assets or liabilities
- Level 2 – inputs other than quoted prices included in Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices)
- Level 3 – inputs for the asset or liability that are not based on observable market data (unobservable inputs)

If the inputs used to measure the fair value of an asset or a liability might be categorised in different levels of the fair value hierarchy, then the fair value measurement is categorised in its entirety in the same level of the fair value hierarchy as the lowest level input that is significant to the entire measurement.

The Department recognises transfers between levels of the fair value hierarchy at the end of the reporting period during which the change has occurred.

5 Disclosure of changes in accounting policy and estimates

Initial application of an Australian Accounting Standard:

The Department has applied the following Australian Accounting Standards effective, or adopted, for annual reporting periods beginning on or after 1 July 2014 that impacted on the Department.

Int 21 **Levies**

This Interpretation clarifies the circumstances under which a liability to pay a government levy imposed should be recognised. There is no financial impact for the Department at reporting date.

AASB 10 **Consolidated Financial Statements**

This Standard, issued in August 2011, supersedes AASB 127 Consolidated and Separate Financial Statements and Int 112 Consolidation – Special Purpose Entities, introducing a number of changes to accounting standards.

The adoption of the new Standard has no financial impact for the Department as it does not impact accounting for related bodies and the Department has no interest in other entities.

Notes to the financial statements for the year ended 30 June 2015

5 Disclosure of changes in accounting policy and estimates (continued)

Initial application of an Australian Accounting Standard (continued)

AASB 11 **Joint Arrangements**

This Standard, issued in August 2011, supersedes AASB 131 Interests in Joint Ventures, introduces new principles for determining the type of joint arrangement that exists, which are more aligned to the actual rights and obligations of the parties to the arrangement.

There is no financial impact for the Department as the new standard continues to require the recognition of the Department's share of assets and share of liabilities for the unincorporated joint operation.

AASB 12 **Disclosure of Interests in Other Entities**

This Standard, issued in August 2011, supersedes disclosure requirements in AASB 127 Consolidated and Separate Financial Statements, AASB 128 Investments in Associates and AASB 131 Interests in Joint Ventures. There is no financial impact.

AASB 128 **Investments in Associates and Joint Ventures**

This Standard supersedes AASB 128 Investments in Associates, introducing a number of clarifications for the accounting treatments of changed ownership interest.

The adoption of the new Standard has no financial impact for the Department as it does not hold investments in associates and joint ventures.

AASB 1031 **Materiality**

This Standard supersedes AASB 1031 (February 2010), removing Australian guidance on materiality no available in IFRSs and refers to guidance on materiality in other Australian pronouncements. There is no financial impact.

AASB 1055 **Budgetary Reporting**

This Standard requires specific budgetary disclosures in the financial statements of not-for-profit entities within the General Government Sector. The Department will be required to disclose additional budgetary information and explanations of major variances between actual and budgeted amounts, though there is no financial impact.

5 Disclosure of changes in accounting policy and estimates (continued)

Initial application of an Australian Accounting Standard (continued):

AASB 2011-7 **Amendments to Australian Accounting Standards arising from the Consolidation and Joint Arrangements Standards [AASB 1, 2, 3, 5, 7, 101, 107, 112, 118, 121, 124, 132, 133, 136, 138, 139, 1023 and 1038 and Int 5, 9, 16 and 17**

This Standard gives effect to consequential changes arising from the issue of AASB 10, AASB 11, AASB 127 Separate Financial Statements and AASB 128 Investments in Associates and Joint ventures. There is no financial impact for the Department.

AASB 2012-3 **Amendments to Australian Accounting Standards – Offsetting Financial Assets and Financial Liabilities [AASB 132]**

This Standard adds application guidance to AASB 132 to address inconsistencies identified in applying some of the offsetting criteria, including clarifying the meaning of ‘currently has a legally enforceable right of set-off’ and that some gross settlement systems may be considered equivalent to net settlement. The Department does not routinely hold financial assets and financial liabilities that it intends to settle on a net basis, therefore there is no financial impact.

AASB 2013-3 **Amendments to AASB 136 – Recoverable amount disclosures for non-financial assets**

This Standard introduces editorial and disclosure changes. There is no financial impact.

AASB 2013-8 **Amendments to Australian Accounting Standards – Australian Implementation Guidance for Not-for-Profit Entities – Control and Structured Entities [AASB 10, 12 and 1049]**

The amendments, issued in October 2013, provide significant guidance in determining whether a not-for-profit entity controls another entity when financial returns are not a key attribute of the investor’s relationship. The Standard has no financial impact in its own right, rather the impact results from the adoption of the amended AASB 10.

AASB 2013-9 **Amendments to Australian Accounting Standards – Conceptual Framework, Materiality and Financial Instruments**

This omnibus Standard makes amendments to other Standards arising from the deletion of references to AASB 1031 in other Standards for periods beginning on or after 1 January 2014 (Part B). Part B has no financial impact.

AASB 2014-1 **Amendments to Australian Accounting Standards**

Part A of this Standard consists primarily of clarifications to Accounting Standards and has no financial impact for the Department. Part B of this Standard has no financial impact as the Department contributes to schemes that are either defined contribution plans, or deemed to be defined contribution plans. Part C of this Standard has no financial impact as it removes references to AASB 1031 Materiality from a number of Accounting Standards.

Notes to the financial statements for the year ended 30 June 2015

5 Disclosure of changes in accounting policy and estimates (continued)

Initial application of an Australian Accounting Standard (continued):

AASB 2015-7 **Amendments to Australian Accounting Standards – Fair Value Disclosures of Not-for-Profit Public Sector Entities**

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

Future impact of Australian Accounting Standards not yet operative

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

		Operative for reporting periods beginning on/after
AASB 9	**Financial instruments** This Standard supersedes AASB 139 Financial Instruments: Recognition and Measurement, introducing a number of changes to accounting treatments. The mandatory application date of this Standard is currently 1 January 2018 after being amended by AASB 2012-6, AASB 2013-9 and AASB 2014-1 Amendments to Australian Accounting Standards. The Department has not yet determined the application or the potential impact of the Standard.	1 Jan 2018
AASB 15	**Revenue from Contracts with Customers** This Standard establishes the principles that the Department shall apply to report useful information to users of financial statements about the nature, amount, timing and uncertainty of revenue and cash flows arising from a contract with a customer. The Department has not yet determined the application or the potential impact of the Standard.	1 Jan 2017

Notes to the financial statements for the year ended 30 June 2015

5 Disclosure of changes in accounting policy and estimates (continued)

Future impact of Australian Accounting Standards not yet operative (continued)

		Operative for reporting periods beginning on/after
AASB 2010-7	**Amendments to Australian Accounting Standards arising from AASB 9 (December 2010) [AASB 1, 3, 4, 5, 7, 101, 102, 108, 112, 118, 120, 121, 127, 128, 131, 132, 136, 139, 1023 and 1038 and Int 2, 5, 10, 12, 19 & 127]** This Standard makes consequential amendments to other Australian Accounting Standards and Interpretations as a result of issuing AASB 9 in December 2010. The mandatory application date of this Standard has been amended by AASB 2012-6 and AASB 2014-1 to 1 January 2018. The Department has not yet determined the application or the potential impact of the Standard	1 Jan 2018
AASB 2013-9	**Amendments to Australian Accounting Standards Conceptual Framework, Materiality and Financial Instruments** Part C of this omnibus Standard defers the application of AASB 9 to 1 January 2017 (Part C). The application date of AASB 9 was subsequently deferred to 1 January 2018 by AASB 2014-1. The Department has not yet determined the application or the potential impact of AASB.	1 Jan 2015
AASB 2014-1	**Amendments to Australian Accounting Standards** Part E of this Standard makes amendments to AASB 9 and consequential amendments to other Standards. It has not yet been assessed by the Department to determine the application or potential impact of the Standard.	1 Jan 2016
AASB 2014-3	**Amendments to Australian Accounting Standards – Accounting for Acquisitions of Interests in Joint Operations [AASB 1 & 11]** The Department does not routinely acquire interest in Joint Operations. Therefore, there is no financial impact on application of this Standard.	1 Jan 2016

Notes to the financial statements for the year ended 30 June 2015

5 Disclosure of changes in accounting policy and estimates (continued)

Future impact of Australian Accounting Standards not yet operative (continued)

		Operative for reporting periods beginning on/after
AASB 2014-4	**Amendments to Australian Accounting Standards – Clarification of Acceptable Methods of Depreciation and Amortisation [AASB 116 & 138]** The adoption of the new Standard has no financial impact for the Department as depreciation and amortisation is not determined by reference to revenue generation, but by reference to consumption of future economic benefits.	1 Jan 2016
AASB 2014-5	**Amendments to Australian Accounting Standards arising from AASB 15** This Standard gives effect to the consequential amendments to Australian Accounting Standards (including Interpretations) arising from the issuance of AASB 15. The Department has not yet determined the application or the potential impact of the Standard.	1 Jan 2017
AASB 2014-7	**Amendments to Australian Accounting Standards arising from AASB 9 (December 2014)** This Standard gives effect to the consequential amendments to Australian Accounting Standards (including Interpretations) arising from the issuance of AASB 9 (December 2014). The Department has not yet determined the application or the potential impact of the Standard.	1 Jan 2018
AASB 2014-8	**Amendments to Australian Standards arising from AASB 9 (December 2014) – Application of AASB 9 (December 2009) and AASB 9 (December 2010) [AASB 9 (2009 & 2010)]** This Standard makes amendments to AASB 9 *Financial Instruments* (December 2009) and AASB 9 *Financial Instruments* (December 2010), arising from the issuance of AASB 9 *Financial Instruments* in December 2014. The Department has not yet determined the application or the potential impact of the Standard no financial impact on application of this Standard.	1 Jan 2015

Notes to the financial statements for the year ended 30 June 2015

5 Disclosure of changes in accounting policy and estimates (continued)

Future impact of Australian Accounting Standards not yet operative (continued)

		Operative for reporting periods beginning on/after
AASB 2014-9	**Amendments to Australian Accounting Standards – Equity Method in Separate Financial Statements [AASB 1, 127 & 128]** This Standard amends AASB 127, and consequently amends AASB 1 and AASB 128, to allow entities to use the equity method of accounting for investments in subsidiaries, joint ventures and associates in their separate financial statements. The Department has not yet determined the application or the potential impact of the standard.	1 Jan 2016
AASB 2014-10	**Amendments to Australian Accounting Standards – Sale or Contribution of Assets between an Investor and its Associate or Joint Venture [AASB 10 & 128]** This Standard amends AASB 10 and AASB 128 to address an inconsistency between the requirements in AASB 10 and those in AASB 128 (August 2011), in dealing with the sale or contribution of assets between an investor and its associate or joint venture. The Department has not yet determined the application or the potential impact of the Standard.	1 Jan 2016
AASB 2015-1	**Amendments to Australian Accounting Standards – Annual Improvements to Australian Accounting Standards 2012-2014 Cycle [AASB 1, 2, 3, 5, 7, 11, 110, 119, 121, 133, 134, 137 & 140]** The amendments arise from the issuance of International Financial Reporting Standard Annual Improvements to IFRSs 2012-2014 Cycle in September 2014, and editorial corrections. The Department has not yet determined the application or the potential impact of the Standard.	1 Jan 2016
AASB 2015-2	**Amendments to Australian Standards – Disclosure Initiative: Amendments to AASB 101 [AASB 7, 101, 134 & 1049]** This Standard amends AASB 101 to provide clarification regarding the disclosure requirements in AASB 101. Specifically, the Standard proposes narrow-focus amendments to address some of the concern expressed about existing presentation and disclosure requirements and to ensure entities are able to use judgement when applying a Standard in determining what information to disclose in their financial statements. There is no financial impact.	1 Jan 2016

Notes to the financial statements for the year ended 30 June 2015

5 Disclosure of changes in accounting policy and estimates (continued)

Future impact of Australian Accounting Standards not yet operative (continued)

		Operative for reporting periods beginning on/after
AASB 2015-3	**Amendments to Australian Accounting Standards arising from the Withdrawal of AASB 1031 Materiality** This Standard completes the withdrawal of references to AASB 1031 in all Australian Accounting Standards and Interpretations, allowing that Standard to effectively be withdrawn. There is no financial impact.	1 Jul 2015
AASB 2015-6	**Amendments to Australian Accounting Standards – Extending Related Party Disclosures to Not-for-Profit Public Sector Entities [AASB 10, 124 & 1049]** The amendments extend the scope of AASB 124 to include application by not-for-profit public sector entities. Implementation guidance is included to assist application of the Standard by not-for-profit public sector entities. The Department has not yet determined the application of the Standard, though there is no financial impact.	1 Jul 2016

Notes to the financial statements for the year ended 30 June 2015

6 Employee benefits expense

	2015 $'000	2014 $'000
Wages and salaries [(a), (b)]	98,875	103,107
Superannuation – defined contribution plans [(c)]	10,302	10,541
Long service leave	3,521	3,429
Annual leave	9,295	3,148
Other related expenses	4,641	5,877
	126,634	126,102

(a) Includes the value of the fringe benefit to the employee plus the fringe benefit tax component, leave entitlements including superannuation contribution component

(b) Voluntary severance expenditure $11,867 (2014: $9,658)

(c) Defined contribution plans include West State, Gold State and GESB Super Scheme (contributions paid)

Employment on-costs expenses are included at note 9 'Other expenses'

Employment on-costs liability is included at note 30 'Provisions'

7 Supplies and services

	2015 $'000	2014 $'000
Professional services [(a)]	35,466	25,662
Travel	3,232	3,545
Communications	2,218	2,585
Consumables	11,375	14,004
Lease, rent and hire costs	3,856	4,553
Consultancies expense	1,139	1,626
Utilities, rates and charges	2,616	2,836
Insurance [(b)]	1,512	1,928
Licences, fees and registration	1,864	1,690
Advertising	477	573
General administration costs	2,441	2,739
	66,196	61,741

(a) Includes audit fee, see also note 39' Remuneration of auditors'

(b) Includes workers' compensation insurance

Notes to the financial statements for the year ended 30 June 2015

		2015	2014
8	**Depreciation and amortisation expense**	**$'000**	**$'000**
	Depreciation		
	Buildings	4,671	5,688
	Computer and communications equipment	2,020	1,845
	Office equipment	120	191
	Furniture fixtures and fittings	-	-
	Plant and machinery	2,113	2,256
	Infrastructure	2,152	268
	Vehicles and buses	463	1,107
	Total depreciation	11,539	11,355
	Amortisation		
	Intangible assets	831	1,338
	Total amortisation	831	1,338
	Total depreciation and amortisation expense	12,370	12,693

		2015	2014
9	**Other expenses**	**$'000**	**$'000**
	Doubtful debts expense	(59)	872
	Employment on-costs	-	(2,333)
	Return of unused grants	4	55
	Miscellaneous other	509	1,531
		454	125

		2015	2014
10	**Grants and subsidies**	**$'000**	**$'000**
	Recurrent		
	Grant payments	11,835	11,731
	Donations and sponsorships	194	130
		12,029	11,861

Notes to the financial statements for the year ended 30 June 2015

11 User charges and fees

	2015 $'000	2014 $'000
User charges and fees	7,957	8,244
Memorandum of understanding - services provided		
Agricultural Produce Commission	645	630
Rural Business Development Corporation	851	727
	9,453	9,601

12 Commonwealth grants and contributions

	2015 $'000	2014 $'000
Commonwealth Agriculture Activity Grants	1,490	2,202

13 Grants and subsidies from non-government sources

	2015 $'000	2014 $'000
Agriculture Research Grants Account No. 1		
Rural industry research funds		
Meat and Livestock Australia	804	1,324
Grains Research and Development Corporation	18,391	16,403
Rural Industry Research and Development Corporation	283	737
Australian Wool Innovation Pty Ltd	484	369
Australian Centre for International Agricultural Research	-	82
CRC research grants	1,266	2,064
Commercial grants	6,327	6,094
Agriculture Research Grants Account No. 2		
Horticulture industry	903	2,229
Other grants and subsidies	212	71
Total grants and subsidies from non-government sources	28,669	29,373

Notes to the financial statements for the year ended 30 June 2015

		2015	2014
14	**Other revenue**	**$'000**	**$'000**
	Levies, rates and licences	5,517	5,698
	Return of grant allocations	431	118
	Royalties	1,639	355
	Rents and leases	1,840	1,680
	Other	8,397	8,920
		17,824	16,771

		2015	2014
15	**Net gain/(loss) on disposal of non-current assets**	**$'000**	**$'000**
	Proceeds from disposal of non-current assets		
	Land	126	-
	Buildings	241	-
	Non-current assets distributed to owners	415	-
	Computer and communications equipment	1	-
	Vehicles and buses	45	88
	Infrastructure	-	57
	Plant and machinery	15	132
	Available for sale financial assets	242	-
		1,085	277
	Carrying amount of non-current assets disposed		
	Land	126	420
	Buildings	646	876
	Non-current assets distributed to owners	453	-
	Computer and communications equipment	1	-
	Office and other equipment	10	2
	Vehicles and buses	-	5
	Infrastructure	240	-
	Plant and machinery	17	245
	Available for sale financial assets	190	-
		1,683	1,548
	Net gain/(loss)	(598)	(1,271)

Notes to the financial statements for the year ended 30 June 2015

		2015 $'000	2014 $'000
16	**Income from State Government**		
	Appropriation received during the period:		
	Service appropriation [(a)]	141,469	146,044
	The following assets have been assumed from/(transferred to) other State Government agencies during the period:		
	Resources received free of charge [(b)]		
	Determined on the basis of the following estimates provided by agencies:		
	Landgate	736	574
	State Solicitor's Office	592	298
	Department of Finance	337	319
	Department of Water	-	1
	Department of Health	-	5
		1,665	1,197
	Royalties for Regions funds: [(c)]		
	Regional Community Services Fund		
	Boosting Grains Research and Development (R&D)	2,962	-
	eConnected Grainbelt	1,500	-
	Regional Men's Health Initiative	800	541
	Regional Workers Incentives Allowance Payments	321	560
	Royal Agricultural Society (RAS) Show Concessions – Free Entry for Children	800	800
	Wild Dog Management Program	1,053	465
	Seizing the Opportunity Agriculture		
	Boosting Western Biosecurity Defences	3,146	-
	Northern Beef Futures	2,400	-
	Sheep Industry Business Innovation	1,750	-
	Regional Infrastructure and Headworks Fund		
	Gascoyne Food Bowl Initiative	10,409	6,000
	New Regional and State-wide Initiatives – Radar as an Enabling Technology Project	22,593	-
	Pilbara Cities Strategic Infrastructure – Pilbara Hinterland Agricultural Development Initiative	1,139	2,150
	Regional Natural Resource Management – Carbon Farming	616	738
	Regional Natural Resource Management – Storm Water Reuse	425	945
	Regional Natural Resource Management – Water Efficiency	1,224	1,040
	Regional Economic Development Water Opportunities – Cockatoo Sands	-	600
	Regional Economic Development Water Opportunities – La Grange	319	1,021
		51,457	14,860
	Total income from State Government	194,591	162,101

Notes to the financial statements for the year ended 30 June 2015

16 Income from State Government

(a) Service appropriations fund the net cost of services delivered. Appropriation revenue comprises a cash component and a receivable (asset). The receivable (holding account) comprises the budgeted depreciation expense for the year and any agreed increase in leave liabilities during the year.

(b) Assets or services received free of charge or for nominal cost are recognised as revenue at fair value of the assets and/or services that can be reliably measured and which would have been purchased if they were not donated. Contributions of assets or services in the nature of contributions by owners are recognised direct to equity.

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

17 Cash and cash equivalents

	2015 $'000	2014 $'000
Cash advances	34	55
Cash at bank	10,142	(805)
Cash and cash equivalents	10,176	(750)

18 Restricted cash and cash equivalents

	2015 $'000	2014 $'000
Current		
Royalties for Regions funds [a]	11,128	7,527
Funds for Capital Purposes [b]	5,536	-
Special purpose accounts [c]		
Agriculture Research Grants Account No. 1 (Non-interest bearing)	16,273	14,153
Agriculture Research Grants Account No. 2	3,243	4,220
Commonwealth Agriculture Activity Grants (Non-interest bearing)	1,308	2,131
Declared Pest Account	1,796	419
Land Conservation Districts Fund	41	33
Plant Research and Development	8,655	7,456
Cattle Industry Funded Scheme	5,446	5,664
Grain, Seeds and Hay Industry Funded Scheme	7,632	5,771
Sheep and Goats Industry Funded Scheme	1,622	1,408
Total current	62,680	48,782
Non-current		
Accrued salaries suspense account [d]	2,945	2,911
Total non-current	2,945	2,911
Total restricted cash and cash equivalents	65,625	51,693

Notes to the financial statements for the year ended 30 June 2015

18 Restricted cash and cash equivalents

(a) Royalties for Regions funds: to hold and distribute funds for projects and programs in WA regional areas.

(b) Funds for capital purposes are restricted by the fact that these amounts are specifically appropriated by Treasury for capital spend.

(c) Receipts and disbursements are disclosed in note 47 in accordance with Treasurer's Instruction 1103(15).

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

19 Biological assets

	2015 $'000	2014 $'000
Livestock	811	848
Field crops	608	484
	1,419	1,332

20 Inventories

	2015 $'000	2014 $'000
Inventories held for resale		
Raw materials and stores	651	1,671
Finished goods	-	8
	651	1,679

21 Receivables

	2015 $'000	2014 $'000
Current		
Receivables	4,627	5,777
Allowance for impairment of receivables	(861)	(969)
Accrued revenue	211	607
GST receivable	633	986
Interest receivable	570	646
Total current receivables	5,180	7,047
Reconciliation of changes in the allowances for impairment of receivables:		
Balance at start of period	969	105
Doubtful debt expense	(58)	872
Amounts written off during the period	(50)	(8)
Balance at end of period	861	969

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

See also note 2(p) 'Receivables' and note 44 'Financial instruments'

Notes to the financial statements for the year ended 30 June 2015

	2015 $'000	2014 $'000
22 Amounts receivable for services (holding account)		
Current	3,675	4,700
Non-current	61,179	55,329
	64,854	60,029

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

See note 2(n) 'Amounts receivable for services (holding account)'

The reconciliation at the beginning and end of the current year and previous year is set out below.

	2015 $'000	2014 $'000
Opening balance of holding account	60,029	56,239
Non-cash appropriation	8,690	8,290
Departmental drawdown	(3,865)	(4,500)
Closing balance of holding account	64,854	60,029

	2015 $'000	2014 $'000
23 Other assets		
Current		
Lease rentals	224	255
Goods and services	342	1,383
Registrations	77	81
Total current assets	643	1,719
Non-current		
Prepayment for Doppler radar	22,593	-
Available for sale financial assets	-	-
Listed shares	503	510
Unlisted shares	44	245
Total non-current assets	23,140	755

Notes to the financial statements for the year ended 30 June 2015

	2015	2014
24 Non-current assets classified as held for distribution to owners	**$'000**	**$'000**
Land and buildings		
Opening balance	3,972	58
Revaluation of land and buildings distributed to owners	(184)	-
Assets reclassified as held for distribution to owners	65	3,928
Total assets classified as held for distribution to owners	3,853	3,986
Less assets distributed	(453)	(14)
Closing balance	3,400	3,972

	2015	2014
25 Investment accounted for using equity method	**$'000**	**$'000**
Investment in joint ventures at initial cost of investment	24,421	18,807
Share of profit/(loss) using the equity method	(19,164)	(13,126)
Recognition of gain on dilution	4,924	4,924
	10,181	10,605

The Western Australian Agriculture Authority (WAAA), a body corporate established under the *Biosecurity and Agriculture Management Act 2007*, is a joint venturer in:

InterGrain Pty Ltd

InterGrain Pty Ltd was incorporated on 26 October 2007 and is resident in Australia. The principal activity of the joint venture is to commercialise the research from wheat and barley breeding.

As at 30 June 2015, WAAA holds a 48.67% (2014: 48.67%) equity interest in InterGrain Pty Ltd. The Department regards the investment in InterGrain Pty Ltd as a joint venture, due to the contractually agreed sharing of control over an economic activity and the financial and operating decisions relating to the activity requiring the unanimous consent of the shareholders.

Australian Export Grains Innovation Centre Ltd (Limited by Guarantee) (AEGIC)

AEGIC was incorporated on 24 October 2012. The primary aim of the joint venture is to lead the establishment and operation of a centre of science, technology and innovation to facilitate the competitiveness of the Australian grains industry with a particular focus on export markets.

The Department has no obligations with respect to liabilities incurred by InterGrain Pty Ltd and the Australian Export Grains Innovation Centre (AEGIC).

Notes to the financial statements for the year ended 30 June 2015

25 Investment accounted for using equity method (continued)

Summary financials of equity accounted investees

Summary financials from the management accounts for equity accounted investees, not adjusted for the percentage ownership by the Department:

	2015		2014	
	$'000	$'000	$'000	$'000
	Intergrain	AEGIC	Intergrain	AEGIC
Current assets	3,914	18,665	11,511	11,464
Non-current assets	3,478	168	3,115	106
Total assets	7,391	18,833	14,626	11,570
Current liabilities	2,852	2,815	3,211	519
Non-current liabilities	44	-	24	-
Total liabilities	2,896	2,815	3,235	519
Net assets	4,495	16,018	11,391	11,051
Revenue	6,826	1,898	8,332	1,309
Expenses	(12,697)	(7,331)	(13,716)	(6,330)
Income/(loss)	(5,871)	(5,433)	(5,384)	(5,021)

Notes to the financial statements for the year ended 30 June 2015

		2015 $'000	2014 $'000
26	**Property plant and equipment**		
	Land		
	At fair value	133,243	125,629
	Buildings		
	At fair value	60,600	62,799
	Computer and communications equipment		
	At cost	8,988	9,108
	Accumulated depreciation	(7,072)	(5,522)
		1,916	3,586
	Office and other equipment		
	At cost	1,180	1,064
	Accumulated depreciation	(891)	(841)
		289	223
	Plant and machinery		
	At cost	34,683	33,765
	Accumulated depreciation	(26,606)	(25,032)
		8,077	8,733
	Vehicles and buses		
	At cost	10,845	10,716
	Accumulated depreciation	(10,152)	(9,872)
		693	844
	Infrastructure		
	At cost	10,107	8,985
	Accumulated depreciation	(2,703)	(552)
		7,404	8,433
	Capital works in progress		
	Buildings	45	263
	Other	2	201
		47	464
	Total property, plant and equipment	212,269	210,711

Notes to the financial statements for the year ended 30 June 2015

26 Property plant and equipment (continued)

	Land	Buildings	Computer and communi-cations equipment	Office and other equipment	Plant and machinery	Vehicles and buses	Infra-structure	Capital works in progress	Total
2015	**$'000**	**$'000**	**$'000**	**$'000**	**$'000**	**$'000**	**$'000**	**$'000**	**$'000**
Carrying amount at start of period	125,629	62,799	3,586	223	8,733	844	8,433	464	210,711
Additions	-	167	229	131	1,412	236	1,099	45	3,319
Disposals	(126)	(646)	(1)	(3)	(3)	-	-	-	(779)
Transfers[a]	(60)	83	122	65	61	76	264	(462)	149
Revaluations increments	7,800	2,868	-	-	-	-	-	-	10,668
Depreciation	-	(4,671)	(2,020)	(120)	(2,113)	(463)	(2,152)	-	(11,539)
Write-off of assets	-	-	-	(7)	(13)	-	(240)	-	(260)
Carrying amount at end of period	133,243	60,600	1,916	289	8,077	693	7,404	47	212,269
2014									
Carrying amount at start of period	127,970	69,667	1,640	546	9,414	1,896	748	6,953	218,834
Additions	-	761	172	47	1,660	60	-	1,174	3,874
Disposals	(422)	(875)	-	(2)	(244)	-	-	-	(1,543)
Transfers[a]	(3,331)	(4,411)	3,619	(177)	159	-	7,953	(7,663)	(3,851)
Revaluations increments	1,412	3,345	-	-	-	-	-	-	4,757
Depreciation	-	(5,688)	(1,845)	(191)	(2,256)	(1,107)	(268)	-	(11,355)
Write-off of assets	-	-	-	-	-	(5)	-	-	(5)
Carrying amount at end of period	125,629	62,799	3,586	223	8,733	844	8,433	464	210,711

(a) The balance in transfers consists of transfers to assets held for distribution (note 24)

Notes to the financial statements for the year ended 30 June 2015

27 Fair value measurements

	Level 1	Level 2	Level 3	Fair value at end of period
	$'000	$'000	$'000	$'000
2015				
Non-current assets held for sale (note 24)	-	435	2,965	3,400
Land (note 26)	-	5,703	127,540	133,243
Buildings (note 26)	-	3,537	57,063	60,600
	-	9,675	187,568	197,243
2014				
Non-current assets held for sale (note 24)	-	435	3,537	3,972
Land (note 26)	-	5,854	119,775	125,629
Buildings (note 26)	-	4,631	58,168	62,799
	-	10,920	181,480	192,400

Transfers into and transfers out of the fair value hierarchy level are recognised at the end of the financial reporting period.

Valuation techniques to derive Level 2 fair values

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

Non-current assets held for distribution to owners have been written down to fair value less costs to sell. Fair value has been determined by reference to market evidence of sales prices of comparable assets.

Notes to the financial statements for the year ended 30 June 2015

27 Fair value measurements (continued)

Fair value measurements using significant unobservable inputs (Level 3)

The following table presents the changes in the fair value of assets measured using significant unobservable inputs (Level 3) for recurring fair value measurements:

	Held for sale	Land	Buildings
2015	$'000	$'000	$'000
Fair value at start of period	3,537	119,774	58,167
Additions	29	-	167
Revaluation increments/(decrements) recognised in Other comprehensive income	(184)	7,513	3,349
Transfers (from/(to) Level 2)	-	254	146
Other transfers	-	-	110
Disposals	(417)	-	(403)
Depreciation expense	-	-	(4,471)
Fair value at end of period	2,965	127,540	57,063
2014			
Fair value at start of period	33	121,745	64,948
Additions	-	-	833
Revaluation increments/(decrements) recognised in Other comprehensive income	12	1,360	3,152
Transfers (from/(to) Level 2)	-	-	(27)
Other transfers	3,501	(2,987)	(4,383)
Disposals	(9)	(343)	(876)
Depreciation expense	-	-	(5,479)
Fair value at end of period	3,537	119,775	58,168

Notes to the financial statements for the year ended 30 June 2015

27 Fair value measurements (continued)

Information about significant unobservable inputs (Level 3) in fair value measurements

Valuation processes

There were no changes in valuation techniques during the period.

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

Land (Level 3 fair values)

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

Buildings (Level 3 fair values)

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

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

Basis of valuation

In the absence of market-based evidence, due to the specialised nature of some non-financial assets, these assets are valued at Level 3 of the fair value hierarchy on an existing use basis. The existing use basis recognises that restrictions or limitations have been placed on their use and disposal when they are not determined to be surplus to requirements. These restrictions are imposed by virtue of the assets being held to deliver a specific community service.

Notes to the financial statements for the year ended 30 June 2015

	2015	2014
28 Intangible assets	**$'000**	**$'000**
Computer software		
At cost	5,760	4,824
Accumulated amortisation	(3,989)	(3,158)
	1,771	1,666
Capital works in progress		
At cost	482	1,384
Total intangible assets	2,253	3,050
Reconciliations:		
Computer software		
Carrying amount at start of period	1,666	1,309
Additions	936	1,695
Transfers from property, plant and equipment	-	-
Amortisation expense	(831)	(1,338)
Carrying amount at end of period	1,771	1,666
Capital works in progress		
Carrying amount at start of period	1,384	1,974
Additions	1,191	1,105
Adjustments	(1,157)	-
Transfers from property, plant and equipment	-	-
Transfers to computer software	(936)	(1,695)
Carrying amount at end of period	482	1,384

	2015	2014
29 Payables	**$'000**	**$'000**
Current		
Trade payables	2,339	1,215
Accrued expenses	3,611	1,474
Accrued salaries	5,468	2,764
Other payables	805	1,880
Total current	12,223	7,333

See also note 2(q) 'Payables' and note 44 'Financial instruments'

Notes to the financial statements for the year ended 30 June 2015

		2015 $'000	2014 $'000
30	**Provisions**		
	Current		
	Annual Leave [(a)]	12,612	13,200
	Long service leave [(b)]	13,348	14,903
	Total current employee benefits provision	25,960	28,103
	Employee on-costs [(c)]	3,151	3,571
	Other provisions	1,799	400
	Total current other provisions	4,950	3,971
	Total current provisions	30,910	32,074
	Non-current		
	Long service leave [(b)]	3,760	3,848
	Total non-current employee benefits provision	3,760	3,848
	Employee on-costs [(c)]	470	533
	Total non-current other provisions	470	533
	Total non-current provisions	4,230	4,381

	2015 $'000	2014 $'000
(a) Annual leave liabilities have been classified as current as there is no unconditional right to defer settlement for at least 12 months after the end of the reporting period. Assessments indicate that actual settlement of the liabilities is expected to occur as follows:		
Within 12 months of the end of the reporting period	7,719	7,716
More than 12 months after the reporting period	4,893	5,484
	12,612	13,200
(b) Long service leave liabilities have been classified as current where there is no unconditional right to defer settlement for at least 12 months after the end of the reporting period. Assessments indicate that actual settlement of the liabilities is expected to occur as follows:		
Within 12 months of the end of the reporting period	4,774	5,211
More than 12 months after the reporting period	12,334	13,540
	17,108	18,751

(c) The settlement of annual and long service leave liabilities gives rise to the payment of employment on-costs including workers' compensation insurance. The provision is the present value of expected future payments. The associated expense, apart from the unwinding of the discount, is disclosed in note 9 'Other expenses'.

Notes to the financial statements for the year ended 30 June 2015

30 Provisions

Movements in other provisions

Movements in each class of provisions during the financial year, other than employee benefits are set out below:

	2015	2014
Employment on-cost provision	**$'000**	**$'000**
Carrying amount at start of period	4,104	6,437
Additional provisions recognised	(483)	(2,333)
Carrying amount at end of period	3,621	4,104

31 Equity

The Western Australia Government holds the equity interest in the Department on behalf of the community. Equity represents the residual interest in the net assets of the Department. The asset revaluation reserve represents that portion of equity resulting from the revaluation of non-current assets.

	2015	2014
Contributed equity	**$'000**	**$'000**
Balance at start of period	69,674	62,256
Contributions by owners		
Capital appropriation [a]	6,187	7,418
Distribution to owners [b]	(875)	-
Balance at end of period	74,986	69,674

(a) Capital contributions (appropriations) and non-discretionary (non-reciprocal) transfers of net assets between State Government agencies have been designated as contributions by owners in Treasurer's Instruction 955 'Contributions by Owners Made to Wholly Owned Public Sector Entities'.

(b) Treasurer's Instruction 955 requires non-reciprocal transfers of net assets to government to be accounted for as distribution to owners in accordance with AASB Interpretation 1038.

Notes to the financial statements for the year ended 30 June 2015

31 Equity

Asset revaluation reserve

The asset revaluation reserve is used to record increments and decrements on the revaluation of land and buildings,
as described in accounting policy note 2(f) 'Property, plant and equipment and infrastructure'.

	2015 $'000	2014 $'000
Balance at start of period	224,107	219,350
Net revaluation increments/(decrements):	10,515	4,757
Land	7,800	1,412
Buildings	2,899	3,345
Non current assets held for distribution to owners	(184)	-
Balance at end of period	234,622	224,107

Accumulated surplus/(deficit)

	2015 $'000	2014 $'000
Balance at start of period	14,584	12,792
Result for the period	28,482	1,749
Other comprehensive income	(36)	43
Balance at end of period	43,030	14,584
Total equity at end of period	352,638	308,365

32 Notes to the statement of cash flows

Reconciliation of cash

Cash at the end of the financial year as shown in the Statement of cash flows is reconciled to the related items in the Statement of financial position as follows:

	2015 $'000	2014 $'000
Cash and cash equivalents (note 17)	10,176	(750)
Restricted cash and cash equivalents: current (note 18)	62,680	48,782
Restricted cash and cash equivalents: non-current (note 18)	2,945	2,911
	75,801	50,943

Notes to the financial statements for the year ended 30 June 2015

32 Notes to the statement of cash flows (continued)

Reconciliation of net cost of services to net cash flows used in operating activities	2015 $'000	2014 $'000
Net cost of services	(166,109)	(160,352)
Non cash items		
Net loss on sale of assets (note 15 'Net gain/ (loss) on disposal of non-current assets')	598	1,271
Depreciation and amortisation expense (note 8 'Depreciation and amortisation expense')	12,370	12,693
Doubtful debts expense (note 9 'Other expenses')	(58)	872
Resources received free of charge (note 16 'Income from State Government')	1,665	1,196
Other non-cash items	-	(14)
Share of net (profit)/loss in joint venture using equity method	6,039	2,831
(Increase)/decrease in assets		
Biological assets	(87)	244
Agricultural procedure	101	(104)
Inventories	1,028	(415)
Receivables [(a)]	1,925	1,738
Available for sale financial assets	(21,517)	-
Other current assets	-	(576)
Increase/(decrease) in liabilities		
Payables [(a)]	6,810	(6,652)
Provisions	(1,315)	(4,239)
Net GST in receipts/(payments) [(b)]	-	(491)
Change in GST receivables/payables [(c)]	-	(468)
Net cash used in operating activities	(158,550)	(152,466)

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

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

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

Notes to the financial statements for the year ended 30 June 2015

33 Services provided free of charge

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

	2015 $'000	2014 $'000
Agricultural Produce Commission	76	65
Rural Business Development Corporation	6	80
Department of Environment Regulation	19	44
Forest Products Commission	8	8
University of Western Australia	12	-
Department of Parks and Wildlife	17	-
Department of Regional Development	4	-
Department of Health	2	-
City of Armadale	1	-
Department of Water	2	-
	145	197

34 Commitments

The commitments below are inclusive of GST where relevant.

Capital expenditure commitments

Capital expenditure commitments, being contracted capital expenditure additional to the amounts reported in the financial statements, are payable as follows:

	2015 $'000	2014 $'000
Within 1 year	543	618
Later than 1 year and not later than 5 years	-	-
Later than 5 years	-	-
	543	618

Non-cancellable lease commitments

Commitments in relation to leases contracted for at the end of the expenditure additional to the amounts reported in the financial statements, are payable as follows:

	2015 $'000	2014 $'000
Within 1 year	2,228	1,755
Later than 1 year and not later than 5 years	2,898	1,794
Later than 5 years	79	44
	5,205	3,593

Notes to the financial statements for the year ended 30 June 2015

34 Commitments (continued)

The property leases are non-cancellable leases with five year terms, with rents payable monthly in advance. Contingent rental provisions within the lease agreements require that the minimum lease payments shall be increased by the lower of CPI or 4% per annum. An option exists to renew the leases at the end of their five year terms for an additional term of five years.

A contractual arrangement exists between State Fleet and the Department for the lease of vehicles based on both a vehicle kilometre specification and vehicle lease terms. Lease payments are made on a monthly basis. The Department is responsible for registration, insurance and servicing of leased vehicles in line with manufacturer's recommendations, as well as the cost of refurbishment on return. State Fleet carries the residual risk on the sale of the vehicle.

35 Contingent liabilities and contingent assets

The following contingent liabilities are additional to the liabilities included in the financial statements.

Litigation in progress

The Department has six pending litigation claims that may affect the financial position to the value of $1,834,580 pertaining to cases relating to alleged quarantine destruction orders, incorrect advice given to eradicate plant pests and defamation and two injury claims. These are currently with the State Solicitor's Office. It is uncertain when the cases will be finalised. RiskCover is providing full indemnity in the event that the Department is found to be liable.

Contaminated sites

Under the *Contaminated Sites Act 2003* (the Act), the Department is required to report suspected contaminated sites to the Department of Environment Regulation (DER). In accordance with the Act, after specific site investigations, reports are submitted to DER to classify these sites. DER classifies these sites on the basis of the risk to human health and the environment. The Department currently has fourteen sites registered with DER as possibly contaminated and one site registered as contaminated. Where a risk is identified, the Department may have a responsibility for further investigation and possible site remediation, if the identified risk cannot be managed. The Department adopts a risk management approach which sees properties retained and managed, rather than proceeding with site remediation. Currently the Department is not planning or been directed by DER to remediate any specific sites. However, it is envisaged in the future some surplus "high value" sites will require remediation to DER standards to allow the properties to proceed to sale through the Department of Lands. This future liability when known will be covered through the Department of Lands sale process.

36 Events occurring after the balance sheet date

There were no events that occurred after the end of the reporting period that would materially affect the financial statements or disclosures.

37 Explanatory statement

Significant variations between estimates and actual results for income and expense as presented in the financial statement titled 'Summary of consolidated account appropriations and income estimates' are shown below. Significant variations are considered to be those greater than 10% or $10 million.

Notes to the financial statements for the year ended 30 June 2015

37 Explanatory statement (continued)

Statement of comprehensive income	Variance Note	2015 Original budget $000	2015 Actual $000	2014 Actual $000	Variance Estimate and actual $000	Variance Actual for 2015 and 2014 $000
Cost of service						
Expenses						
Employee benefits expense		126,226	126,634	126,102	408	532
Supplies and services		63,548	66,196	61,741	2,648	4,455
Depreciation and amortisation expense	1	8,456	12,370	12,693	3,914	(323)
Share of loss in joint venture entity using the equity method	2, A	-	6,039	5,131	6,039	908
Other expenses	3, B	300	454	125	154	329
Grants and subsidies	4	23,378	12,029	11,861	(11,349)	168
Loss on disposal of non-current assets	5, C	-	598	1,271	598	(673)
Total cost of service		221,908	224,320	218,924	2,412	5,396
Income						
Revenue						
User charges and fees	6	8,455	9,453	9,601	998	(148)
Commonwealth grants and contributions	7, D	1,766	1,490	2,202	(276)	(712)
Grants and subsidies from non-government sources	8	24,117	28,669	29,373	4,552	(704)
Interest revenue	9, E	1,000	775	625	(225)	150
Other revenue		20,135	17,824	16,771	(2,311)	1,053
Total revenue		55,473	58,211	58,572	2,738	(361)
Total income other than income from State Government		55,473	58,211	58,572	2,738	(361)
Net cost of service		166,435	166,109	160,352	(326)	5,757
Income from State Government						
Service appropriations	10	129,707	141,469	146,044	11,762	(4,575)
Resources received free of charge	11, F	730	1,665	1,197	935	468
Royalties for Regions Fund	12, G	25,663	51,457	14,860	25,794	36,597
Total Income from State Government		156,100	194,591	162,101	38,491	32,490
Surplus/(deficit) for the period		(10,335)	28,482	1,749	38,817	26,733
Other comprehensive income						
Items not subsequently reclassified to net cost of service						
Changes in asset revaluation surplus		-	10,515	4,757	10,515	5,758
Gains/(losses) recognised directly in equity		-	(36)	43	(36)	(79)
Total other comprehensive income	13,H	-	10,479	4,800	10,479	5,679
Total comprehensive income for the period		(10,335)	38,961	6,549	49,296	32,412

Notes to the financial statements for the year ended 30 June 2015

37 Explanatory statement (continued)

Statement of financial position	Variance Note	2015 Original budget $000	2015 Actual $000	2014 Actual $000	Variance Estimate and actual $000	Variance Actual for 2015 and 2014 $000
Assets						
Current assets						
Cash and cash equivalents	1, A	1,956	10,176	(750)	8,220	10,926
Restricted cash and cash equivalents	2, B	19,365	62,680	48,782	43,315	13,898
Biological assets		1,576	1,419	1,332	(157)	87
Agricultural produce		207	210	311	3	(101)
Inventories	3, C	1,264	651	1,679	(613)	(1,028)
Receivables	4, D	8,686	5,180	7,047	(3,506)	(1,867)
Amounts receivable for services	5, E	4,189	3,675	4,700	(514)	(1,025)
Non-current assets classified as held for distribution to owners	6, F	58	3,400	3,972	3,342	(572)
Other current assets	7, G	1,132	643	1,719	(489)	(1,076)
Total current assets		38,375	88,034	68,792	49,601	19,242
Non-current assets						
Restricted cash and cash equivalents	8	3,487	2,945	2,911	(542)	34
Amounts receivable for services		60,431	61,179	55,329	748	5,850
Other non-current assets	9, H	712	23,140	755	22,428	22,385
Investment accounted for using equity method		11,285	10,181	10,605	(1,104)	(424)
Property, plant and equipment	10	234,706	212,269	210,711	(22,437)	1,558
Intangible assets	11, I	4,863	2,253	3,050	(2,610)	(797)
Total non-current assets		315,542	311,967	283,361	(3,517)	28,606
Total assets		353,917	400,001	352,153	46,084	47,848
Current liabilities						
Payables	12, J	6,621	12,223	7,333	5,602	4,890
Provisions	13	40,530	30,910	32,074	(9,620)	(1,164)
Total current liabilities		47,151	43,133	39,407	(5,328)	3,726
Non-current liabilities						
Provisions	14	4,935	4,230	4,381	(705)	(151)
Total non-current liabilities		4,935	4,230	4,381	(705)	(151)
Total liabilities		52,086	47,363	43,788	(4,723)	3,575
Net assets		301,831	352,638	308,365	50,807	44,273
Equity						
Contributed equity		73,584	74,986	69,674	1,402	5,312
Reserves	K	232,624	234,622	224,107	1,998	10,515
Retained surplus/(Accumulated deficit)	15, L	(4,378)	43,030	14,584	47,408	28,446
Total equity		301,830	352,638	308,365	50,808	44,273

Notes to the financial statements for the year ended 30 June 2015

37 Explanatory statement (continued)

	Variance Note	2015 Original budget $000	2015 Actual $000	2014 Actual $000	Variance Estimate and actual $000	Variance Actual for 2015 and 2014 $000
Statement of Cash Flows						
Cash flow from State Government						
Service appropriation	1, A	121,251	133,013	137,754	11,762	(4,741)
Capital contributions	2, B	8,781	6,187	7,418	(2,594)	(1,231)
Holding account drawdown	C	3,865	3,631	4,500	(234)	(869)
Royalties for Regions Fund	3, D	25,663	51,457	14,860	25,794	36,597
Net cash provided by State Government		159,560	194,288	164,532	34,728	29,756
Utilised as follows:						
Cash flows from operating activities						
Payments						
Employee benefits		(124,430)	(125,245)	(130,917)	(815)	5,672
Supplies and services	4, E	(61,773)	(81,942)	(67,806)	(20,169)	(14,136)
GST payments on purchases	5, F	(5,941)	(7,612)	(6,497)	(1,671)	(1,115)
GST payments to taxation authority	6, G	(5,132)	(124)	(606)	5,008	482
Other payments	7, H	(4,677)	529	402	5,206	127
Grants and subsidies	8	(23,358)	(12,029)	(11,861)	11,329	(168)
Receipts						
User charges and fees	9	8,455	10,950	12,006	2,495	(1,056)
Commonwealth grants and contributions	10, I	1,766	1,490	1,666	(276)	(176)
Interest received	11, J	1,000	851	132	(149)	719
GST receipts on sales	12, K	5,132	3,806	3,136	(1,326)	670
GST receipts from taxation authority	13, L	5,941	4,283	3,499	(1,658)	784
Other receipts		45,602	46,493	44,380	891	2,113
Net cash used in operating activities		(157,415)	(158,550)	(152,466)	(1,135)	(6,084)
Cash flows from investing activities						
Payments						
Investment in joint venture	14, M	-	(5,615)	(2,590)	(5,615)	(3,025)
Purchase of non-current assets	15	(16,161)	(5,446)	(4,979)	10,715	(467)
Receipts						
Proceeds from sale of non-current physical assets	16, N	-	181	275	181	(94)
Net cash used in investing activities		(16,161)	(10,880)	(7,294)	5,281	(3,586)
Net increase/(decrease) in cash held		(14,016)	24,858	4,772	38,874	20,086
Cash and cash equivalents at the beginning of the reporting period		38,823	50,943	46,171	12,120	4,772
Cash and cash equivalents at the end of the reporting period		24,807	75,801	50,943	50,994	24,858

Notes to the financial statements for the year ended 30 June 2015

37 Explanatory statement (continued)

Major variance narratives

Statement of Comprehensive Income

In general, the actual results differ from the estimates and the previous financial year as a result of the following:

- New large Royalties for Regions projects approved by Cabinet after approval of the budget estimates, with the Doppler Radar Project having the most significant impact on the current year financial statements resulting in revenue of $22,593 which, although spent in the current financial year, will result in the recognition of property, plant and equipment and operating and maintenance expenses over the next seventeen years. This has resulted in a large surplus being reflected in the current year profit or loss.
- External grants received, which although expected to have been fully spent in the current financial year, are underspent by $4,671 resulting in a carryover of funds to future financial years ie. the revenue has been recognised in the current year and the expenditure will be recognised in future years.

Variances between estimate and actual ($'000s)

The budget estimates for 2014-15, were (under) overstated in the following line items as a result of a previous unsubstantiated adjustment to the budget:

	$000's
Expenses	
– Grants and subsidies	10,040
– Depreciation and amortisation expense	(2,097)
Income	
– Grants and subsidies received	4,243

Furthermore, it should be noted that there are a number of items which are not budgeted for which account for differences between budget estimates and actuals, including share or loss of equity accounted investees and gain or loss on disposal of assets.

During the Mid-Year Review, procurement savings and efficiency dividends were applied to agencies thereby reducing the service appropriation. This was further reduced through the implementation of the workforce Renewal Policy in January 2015. Offsetting this was the Targeted Severance Scheme of 100 employees, announced in January 2015. All these items impact service appropriation as well as the relevant expenditure items, balance sheets items and cash flows.

Notes to the financial statements for the year ended 30 June 2015

37 Explanatory statement (continued)

Variances between estimate and actual ($'000s) (continued)

Variances on remaining values after this adjustment are defined below.

1) Depreciation and amortisation expense – $3,914 variance. With the exception of the $2,097 understatement in the budget estimates, $610 of the variance relates to a correction in the estimated useful life for the State Barrier fence.
2) Share of loss in joint venture entity using the equity method – $6,039 variance. The annual budget estimate includes the annual commitment to the joint venture entities of $3,200 which is included in supplies and services, and in-kind contribution in employment benefits and supplies and services. The budget does not include the Department's share of loss, and is dependent on the financial results of Australian Export Grains Innovation Centre (AEGIC), and Intergrain.
3) Other expenses – $154 variance. This comprises further adjustments as a result of items of expenditure which relate to the 2014 financial year, which is partially offset by the reduction of $58 in the doubtful debt provision.
4) Grant and subsidies – $11,349 variance, but variance net of overstatement is $1,309. The lower than budgeted expense is as a result of fewer grants occurring, and delayed grant payments where milestones have not been achieved.
5) Loss on disposal of non-current assets – $598. The Department did not include loss on disposal of non-current assets in its budget estimates as such losses were not expected to occur. Further details of these net losses are contained in Note 15 of these financial statements.
6) User fees and charges – $998 variance. The budget estimate was provided on the basis of the tariffs, fees and charges estimate process, revenues gained were in excess of this estimate.
7) Commonwealth Grants and contributions – $276 variance. Fewer grants were received from the Commonwealth Government.
8) Grants and subsidies from non-government sources – $4,552 variance. At the time of the budget estimates, the largest contributors had not called for tenders for their new projects for the 2014-15 financial year. The Department contracted for more projects than initial estimates, particularly with respect to the Grains Research and Development Corporation (GRDC).
9) Interest revenue – $225 variance. The interest revenue is dependent on the interest-bearing cash balances on hand. The budget estimate for interest revenue did not correlate to the cash balances on hand.
10) Other revenue – $2,311 variance. Other revenue relates to recoup of expenditure from third parties, levies on the Industry funding schemes and other minor items. This is particularly difficult to estimate as there are so many factors impacting on these amounts.
11) Service appropriation – $11,762 variance. The Department received an additional $10,800 service appropriation for the targeted severance scheme and supplementary funding of $2,200, which was partially offset by the 2014-15 mid-year efficiency dividends, procurement savings and workforce renewal policy.
12) Resources received free of charge – $935 variance. The standard budget estimate for the Department is $730. At the time of preparing the budget estimates a more accurate figure was not available. This has a nil impact on the surplus for the financial year.
13) Royalties for Regions Fund – $25,794 variance. Refer introductory comment above.

Notes to the financial statements for the year ended 30 June 2015

37 Explanatory statement (continued)

Statement of comprehensive income (continued)

Variances between estimate and actual ($'000s) (continued)

14) Items of comprehensive income – $10,479 variance. The items of comprehensive income both relate to the accounting requirement to fair value assets. This is an adjustment made at financial year end based on latest valuations. At the time of preparing the budget estimates the assets are reported at their fair value. Furthermore, there is a nil impact on the net assets of the Department as a result of these adjustments.

Statement of comprehensive income (continued)

Variances between 2015 and 2014 ($'000s) (continued)

A) Share of loss in joint venture entity using the equity method – $908 variance. The variance relates to the difference in the financial results of AEGIC and Intergrain between 2015 and 2014.

B) Other expenses – $329 variance. In the prior financial year, the decrease in the provision for employment on-costs significantly reduced other expenses. Most of the expenses recognised here relate to prior period adjustments, movement in doubtful debts and other one off items. The variance relates mainly to items of property, plant and equipment previously carried as work in progress which do not meet the definition of an item of property, plant and equipment for capitalisation purposes.

C) Loss on disposal of non-current assets – $673 variance. Further details of these net losses are contained in Note 15 of these financial statements.

D) Commonwealth Grants and contributions – $712 variance. Fewer grants received from the Commonwealth Government.

E) Interest revenue – $150 variance. The interest revenue is dependent on the interest-bearing cash balances on hand. Cash balances on interest-bearing special purpose account were, on average, higher than the previous financial year.

F) Resources received free of charge – $468 variance. This has a nil impact on the surplus for the financial year and is dependent on what services are provide to the Department during the financial year.

G) Royalties for Regions Fund – $36,597 variance. Refer introductory comment above relating to difference between estimates and actual.

H) Items of comprehensive income – $5,679 variance. The increase in the revaluation surplus mainly relates to the land on which the South Perth headquarters are located. The decrease in the gains/(losses) recognised directly in equity relates to the losses on the Wesfarmers shares.

Notes to the financial statements for the year ended 30 June 2015

37 Explanatory statement (continued)

Statement of Financial Position (continued)

Variances between estimate and actual ($'000s) (continued)

1) Cash and cash equivalents – variance of $8,220. Funding for the Targeted Severance Scheme was received in 2014-15. The last employees to depart under the TSS on 30 June 2015, with the final pay run occurring on 16 July 2015. This amounted to $1,180. A further severance of 50 was expected to occur prior to 30 June 2015, however, only 24 departed under this scheme, further increasing closing cash at 30 June 2015. In addition, several payments normally made in June of each year relating to the renewal of software licences only occurred in July 2015.
2) Restricted cash and cash equivalents – variance of $43,315. The budgeted estimates for 2014-15 was prepared on the basis that the the Department's deficit would be funded from restricted cash and cash equivalents. Due to the nature of the restriction on the use of these funds, this assumption was not valid. In addition, the budget estimates would not have included restricted cash on hand of $13,053 relating to the royalties for regions projects.
3) Inventories – variance of $613. The budget estimates did not account for the reduction in inventories as a result of the procurement savings measures implemented as part of the mid-year review process.
4) Receivables – variance of $3,506. The Department's receivables have been reducing over the last few years and has not been reflected in the budget estimates.
5) Amounts receivable for services – variance of $514. The Department is informed as to what this amount will be for the following financial year. The original budget estimate was adjusted as part of the Mid-Year Review savings measures which results in a reduction in the Department's asset investment program. As the Department has no other approved capital expenditure against which the savings measures are able to be applied.
6) Non-current assets classified as held for distribution to owners – variance of $3,342. At the time that the budget estimates were prepared, the Department had not reclassified certain land and buildings as held for distribution to owners. These decisions occurred after the 2014-15 budget process.
7) Other current assets – variance of $489. Budget estimates did not take account of the lower than average prepayments.
8) Non-current restricted cash and cash equivalents – variance of $542. This relates to the cash held for the 27th pay which will occur in 2015-16. The budget estimates did not reduce this balance as a result of the severances in both 2014 and 2015 and therefore this balance was overstated in the budget estimates statement of financial position.
9) Other non current assets – variance of $22,428. This variance relates to the Royalties for Regions Doppler Radar Project for which the Department received funding in the current financial year which was then paid to the Bureau of Meteorology (BOM). BOM will construct three weather radars for the Department over the next three years and will operate and maintain such radars for a period of 15 years thereafter. This has all been paid in the 2015 financial year which is recognised as a non-current prepayment. The balance of this line item relates to the Department's investment in shares which has reduced as a result of the disposal on one of the share investments.

Notes to the financial statements for the year ended 30 June 2015

37 Explanatory statement (continued)

Statement of Financial Position (continued)

Variances between estimate and actual ($'000s) (continued)

10) Property, plant and equipment – variance of $22,437. The budget estimates for 2014-15 did not take account of the impairment of the South Perth headquarters which was recognised in 2014, understatement of depreciation charge for 2014 and 2015, and reduced capital expenditure in both 2014 and 2015. Furthermore, certain items budgeted as capital expenditure are in fact operating expenditure, which resulted in increased expenditure in the profit and loss and reduced property, plant and equipment recognised on the statement of financial position.

11) Intangible assets – $2,610 variance. The variance between actual and budget estimates has occurred as a result of the 2014-15 budget not including the amortisation of intangible asset for 2014 and 2015. Therefore, the budget estimates are overstated.

12) Payables – variance of $5,602. The payables at 30 June 2015 included an amount of $1,180 relating to the Targeted Severance Scheme for the remaining eight employees who departed in the 2015 financial year but were only paid after 30 June 2015.

13) Current provisions – variance of $9,620. The budget estimates did not take account of the impact of the 2014 Targeted Severance Scheme on the 2015 provision levels for long service leave, annual leave and related employment on-costs.

14) Non-current provisions – The budget estimates did not take account of the impact of the 2014 Targeted Severance Scheme on the 2015 provision levels for long service leave, annual leave and related employment on-costs. Furthermore, with an additional targeted severance scheme in 2015 these values have further reduced from the budget estimates.

15) Retained earnings – variance of $47,408. The explanation above with respect to the variances in the Statement of Comprehensive income should be read to obtain an understanding of the variance in retained earnings. However, it should be noted that the largest variance is as a result of the accounting standards which require the upfront recognition of the Royalties for Region cash received which will result in a deficit in future financial years when the cash already held in the special purpose accounts is spent. To the extent that the new Royalties for Regions projects have created a surplus of $28,482 in the 2015 financial year, this will result in a deficit in future years. Furthermore, the income includes $22,593 with respect to the Doppler Radar Project – these funds have been paid to the Bureau of Meteorology in the 2015 financial year, however, as the cash advanced results in the recognition of property, plant and equipment, and operating and maintenance expense over the next 18 years, this is currently reflected as a prepayment in the balance sheet and does not impact on profit or loss. The budget estimates did not take account of the impact of the 2014 Targeted Severance Scheme on the 2015 provision levels for long service leave, annual leave and related employment on-costs. Furthermore, with an additional targeted severance scheme in 2015 these values have further reduced from the budget estimates.

Notes to the financial statements for the year ended 30 June 2015

37 Explanatory statement (continued)

Statement of Financial Position (continued)

Variances between 2015 and 2014 ($'000s) (continued)

A) Cash and cash equivalents – variance of $10,926. Funding for the targeted severance scheme was received in 2014-15. The last employees departed under the scheme on 30 June 2015, with the final pay run occurring on 16 July 2015. This amounted to $1,180. Furthermore, at 30 June 2014, there was a misallocation of cash between restricted cash and cash and cash equivalents of approximately $3,000. At 30 June 2014, a decision was made to pay the majority of creditors outstanding which impacted in the reduced cash balance at 30 June 2014.

B) Restricted cash and cash equivalents – variance of $13,898. The restricted cash on hand relating to the Royalties for Regions projects has more than doubled from the previous financial year, from $7,527 to $11,128. Furthermore, the Department now classifies the funds received for capital expenditure as restricted cash, $5.536 (2014 – nil), as these funds are specifically related to capital expenditure projects as detailed in the budget estimates. There are a number of external funds where the cash balance has increased but which the Department holds specifically for these external parties.

C) Inventories – variance of $1,028. The inventories have reduced in line with a reduction in procurement spend following the procurement savings measured announced during the mid-year review.

D) Receivables – variance of $1,867. There has been increased focus on debt collection by the Department, but the balance was also impacted by timing of transactions.

E) Amounts receivable for services – variance of $1,025. This has decreased as a result of savings measured implemented by State Government. The Department has only two CF funded capital equipment programs - the Business Systems Improvement Program and the Capital Equipment Replacement Program - all asset investment program savings are harvested from these programs, therefore decreasing the current balance owing to the Department for amounts receivable for services.

F) Non-current assets classified as held for distribution to owners – variance of $572. Land and building previously classified as held for distribution to owners was sold by the Department of Lands during the year.

G) Other current assets – variance of $1,076. These have decreased from the previous financial year as few prepayments were made in June 2015, with software licences normally paid in June being paid in July 2015.

H) Other non-current assets – variance of $22,385. This variance relates to the Royalties for Regions Doppler Radar Project for which the Department received funding in the current financial year which was then paid to the Bureau of Meteorology (BOM). BOM will construct three weather radars for the Department over the next three years and will operate and maintain such radars for a period of 15 years thereafter. This has all been paid in the 2015 financial year which is recognised as a non-current prepayment. The balance of this line item relates to the Department's investment in shares which has reduced as a result of the disposal on one of the share investments.

I) Intangible assets – $797 variance. The variance between actual and budget estimates is due to the amortisation of intangible assets for year ended 30 June 2015 of $831, offset by net capitalisation of assets of $34. Refer to note 28 for further details.

Notes to the financial statements for the year ended 30 June 2015

37 Explanatory statement (continued)

Statement of Financial Position (continued)

Variances between 2015 and 2014 ($'000s) (continued)

J) Payables – variance of $4,890. The payables at 30 June 2015 included an amount of $1,180 relating to the Targeted Severance Scheme for the remaining eight employees who departed in the 2015 financial year but were paid after 30 June 2015. There is also a direct correlation between lower creditors outstanding at 30 June 2014 and the lower cash balance.

K) Reserves – $10,515 variance. The revaluation reserve reflects the net increase in the fair value of land and buildings. Refer note 27 for further details.

L) Retained earnings – variance of $29,756. The explanation above with respect to the variances in the Statement of comprehensive income should be read to obtain an understanding of the variance in retained earnings. However, it should be noted that the largest variance is as a result of the accounting standards which require the upfront recognition of the Royalties for Region cash received which will result in a deficit in future financial years when the cash already held in the special purpose accounts is expensed. To the extent that the new Royalties for Regions projects have created a surplus of $27,371 in the 2015 financial year, this will result in a deficit in future years.

Statement of Cash flows

Variances between estimate and actual ($'000s)

1) Service appropriation – $11,762 variance. The Department received an additional $10,800 service appropriation for the Targeted Severance Scheme and supplementary funding of $2,200, which was partially offset by the 2014-15 mid-year efficiency dividends, procurement savings and workforce renewal policy.

2) Capital contributions – variance of $2,594. Lower than budget estimates as a result of mid-year review savings measures in the asset investment program.

3) Royalties for Region Fund – variance of $25,794. There were six Royalties for Region projects approved by State Cabinet during the 2015 financial year, which increased actual income by $51,457. This increase was partially offset by lower funding received for existing Royalties for Regions projects as cash carryover of $7,527 from 30 June 2014 was utilised.

4) Supplies and Services – variance of $20,169. This is largely impacted by the prepayment on the Royalties for Regions Doppler Radar Project for which the Department received funding in the current financial year which was then paid to the Bureau of Meteorology (BOM). BOM will construct three weather radars for the Department over the next three years and will operate and maintain such radars for a period of 15 years, thereafter. This has all been paid in the 2015 financial year which is recognised as a non-current prepayment. The cash effect of the $22,593 is partially offset by the increase in the payables as per commentary on the Statement of financial position above, and the decrease in other prepayments.

5) GST payments on purchases – variance of $1,671. The estimate for all GST presented in the Statement of cash flows is not able to be accurately forecast as it is highly dependant on actual transactions and whether these are GST exempt.

Notes to the financial statements for the year ended 30 June 2015

37 Explanatory statement (continued)

Statement of Cash flows (continued)

Variances between 2015 and 2014 ($'000s) (continued)

6) GST payments to taxation authorities – variance of $5,008. The budget estimates assumed that all GST receipts on sales are paid to the Australian Taxation Office (ATO) and all GST payments on purchases are refunded by the ATO, in the month in which such sales and purchases occur. The actuals reflect the cash amounts actually paid to the ATO or received from the ATO, which in any one month are net, and take into account that the cash is only received/paid the month after GST payment on purchases occur or GST is received on sales. Therefore, a significant variance in both these amounts.

7) Other payments – variance of $5,206. In the budget estimates this is used as a balancing figure in the cash flow statement. Due to the decrease in biological and agricultural produce, the other payments are effectively recognised as other receipts.

8) Grant and subsidies – $11,329 variance, but variance net of overstatement is $1,309. The lower than budgeted expense is as a result of fewer grants occurring, and delayed grant payments where milestones have not been achieved.

9) User charges and fees – variance $2,495. The budget estimate was provided on the basis of the tariffs, fees and charges estimate process, revenues gained were in excess of this estimate. This is also impacted by the improved collection of accounts receivables as evidenced by the lower outstanding balance.

10) Commonwealth grants and contributions – $276 variance. Fewer grants received from the Commonwealth Government.

11) Interest received – variance of $149. The interest revenue is dependent on the interest-bearing cash balances on hand. The budget estimate for interest revenue is not correlated to the cash balances on hand.

12) GST receipts on sales – variance of $1,326. The estimate for all GST presented in the Statement of cash flows is not able to be accurately forecast as it is highly dependant on actual transactions and whether these are GST exempt.

13) GST receipts from taxation authority – variance of $1,658. The budget estimates assumed that all GST receipts on sales are paid to the Australian Taxation Office (ATO) and all GST payments on purchases are refunded by the ATO, in the month in which such sales and purchases occur. The actuals reflect the cash amounts actually paid to the ATO or received from the ATO, which in any one month are net, and take into account that the cash is only received/paid the month after GST payment on purchases occur or GST is received on sales. Therefore, a significant variance in both these amounts.

14) Investment in joint venture – variance of $5,615. The budget estimates for both in-kind and cash contribution to AEGIC as employee benefits and supplies and services rather than investment in joint venture.

15) Purchase of non-current assets – variance of $10,715. The decrease in non-current assets results from lower expenditure on capital items, partially as a result of the mid-year review savings measures and partially from spend on items which have not met the definition of property, plant and equipment which resulted in increased operating expenditure.

16) Proceeds from sale of non-current physical assets – variance of $181. Disposal of non-current physical assets is not included in budget estimates. The proceeds obtained relates to the sale of items of property, plant and equipment which were no longer required or used by the Department.

Notes to the financial statements for the year ended 30 June 2015

37 Explanatory statement (continued)

Statement of Cash flows (continued)

Variances between 2015 and 2014 ($'000s) (continued)

A) Service appropriation – $4,741 variance. The Department received an additional $10,800 service appropriation for the targeted severance scheme and supplementary funding of $2,200, which was partially offset by the harvesting of the 2014 targeted severance scheme, efficiency dividends and procurement savings.

B) Capital contributions – variance of $1,231. Capital contributions have decreased as a result of the asset improvement program which formed part of the mid-year review savings measures.

C) Holding account drawdown – variance of $869. Capital contributions have decreased as a result of the asset improvement program which formed part of the mid-year review savings measures.

D) Royalties for Region Fund – variance of $36,597. There were six Royalties for Region projects approved by State Cabinet during the 2015 financial year, which increased actual income by $34,351.

E) Supplies and services – variance of $14,136. This is largely impacted by the prepayment on the Royalties for Regions Doppler Radar Project for which the Department received funding in the current financial year which was then paid to the Bureau of Meteorology (BOM). This is partially offset by increased payables at financial year end and decreased spend on inventories and other consumables.

F) GST payments on purchases – variance of $1,115. The increased GST payments on purchases correlates to the increase in expenditure on supplies and services over the previous financial year offset by the decrease in capital expenditure.

G) GST payments to taxation authorities – variance of $482. The actuals reflect the cash amounts actually paid to the ATO or received from the ATO, which in any one month are net, and take into account that the cash is only received/paid the month after GST payment on purchases occur or GST is received on sales.

H) Other payments – variance of $127. Minor difference from prior financial year.

I) Commonwealth grants and contributions – $176 variance. Fewer grants received from the Commonwealth Government.

J) Interest received – variance of $719. The interest revenue is dependent on the interest-bearing cash balances on hand. Due to system issues, interest due in 2014 was only received in 2015 on special purpose accounts.

K) GST receipts on sales – variance of $670. Relates directly to GST received on sales, which will be impacted by the mix of GST exempt and other revenue.

L) GST receipts from taxation authority – variance of $784. GST receipts from the taxation authority are based on the net of GST received on sales and paid on purchases, and will vary depending on the mix of purchases and sales.

M) Investment in joint venture – variance of $3,025. The in-kind contribution of $2,300 to AEGIC in 2014 was included as employee benefits in the Statement of cash flows rather than investment in joint venture. This reduces the actual variance to $725.

N) Proceeds from sale of non-current physical assets – variance of $94. Disposal of non-current physical assets is actual proceeds obtained on the sale of items of property, plant and equipment which were no longer required or used by the Department.

Notes to the financial statements for the year ended 30 June 2015

38 Remuneration of senior officers

The number of senior officers whose total fees, salaries, superannuation, non monetary benefits and other benefits for the financial year fall within the following bands are:

$	2015	2014
0 – 190,000	3	-
190,001 – 200,000	-	3
200,001 – 210,000	1	-
210,001 – 220,000	2	1
220,001 – 230,000	-	-
240,001 – 250,000	-	1
340,001 – 350,000	-	-
350,001 – 360,000	-	-
360,001 – 370,000	-	1
370,001 – 380,000	1	-

	2015	2014
	$'000	$'000
Base remuneration and superannuation	1,337	1,346
Annual leave and long service leave accruals	54	41
Other benefits	27	28
Total remuneration of senior officers	1,418	1,415

The total remuneration includes the superannuation expense incurred by the Department in respect of senior officers.
There are no senior officers who are presently members of the Government Pension Scheme.

Notes to the financial statements for the year ended 30 June 2015

39 Remuneration of auditors

	2015 $'000	2014 $'000
Remuneration paid or payable to the Auditor General in respect of the audit for the current financial year is as follows:		
Auditing the accounts, financial statements and performance indicators	362	343

The expense is included in note 7 'Supplies and services'.

40 Related bodies

The following Industry funding schemes are deemed to be Related bodies by the Treasurer:

– The Cattle Industry funding scheme
– The Grains, Seeds and Hay Industry funding scheme
– The Sheep and Goat Industry funding scheme

The funds of the three schemes are reported as Restricted cash and cash equivalents (note 18) and movements in Special purpose accounts (note 47).

The transactions and results of these related bodies have been included in the financial statements.

41 Affiliated bodies

The Department had no affiliated bodies during the financial year.

42 Structured entities

(a) Major Cooperative research agreements

Name of Operation
Cooperative Research Centre for Sheep
Plant Biosecurity Cooperative Research Centre
Invasive Animals Cooperative Research Centre
Cooperative Research Centre for Remote Economic Participation

The Department had no assets employed in the Cooperative Research Centres during the financial year.

(b) Other arrangements

The Department has collaborative arrangements with other parties to perform research and share in the outputs (i.e. intellectual property) in proportion to each participant's research input, initial intellectual property or cash contributions. These collaborative arrangements also share the characteristics of joint venture operations. The principal activities of these joint venture operations are scientific research and development, extension and technology transfer with the ultimate aim of sharing in the output. The numbers of this type of arrangement make it impractical to list separately. The Department's contributions to these arrangements are included in the Department's operating statements.

Notes to the financial statements for the year ended 30 June 2015

43 Jointly controlled assets

The Department has shared ownership of Crown land and buildings with the Department of Environment Regulation. The following amounts represent the fair value of the assets employed in the joint ownership:

	2015	2014
	$'000	$'000
Non-current assets		
Land	7,580	7,277
Building	1,236	1,253
	8,816	8,530

The Department's share of these assets has been included in property, plant and equipment.

The shared ownership of Crown land and buildings with the Department of Environment Regulation relates to the following sites:

(a) Ravensthorpe was established as a purpose built co-located facility. Both parties meet all costs equally with regards to proposed future developments. The Department is responsible for all costs associated with the disposal of the site should it be deemed surplus to their requirements.

(b) Forrestfield was established in 1993 to protect fauna and flora located on the site and the Department has been responsible for all costs in regards to maintaining the site and any proposed future developments.

44 Financial Instruments

(a) Financial risk management objectives and policies

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

Credit risk

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

The maximum exposure to credit risk at the end of the reporting period in relation to each class of recognised financial assets is the gross carrying amount of those assets inclusive of any allowance for impairment as shown in note 21 'Receivables'.

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

Allowance for impairment of financial assets is calculated based on objective evidence, such as observable data in client credit ratings. For financial assets that are either past due or impaired, refer to note 44(c) 'Financial instrument disclosures'.

Notes to the financial statements for the year ended 30 June 2015

44 Financial Instruments (continued)

Liquidity risk

Liquidity risk arises when the Department is unable to meet its financial obligations as they fall due. The Department is exposed to liquidity risk through its trading in the normal course of business. The Department has appropriate procedures to manage cash flows including drawdown of appropriations by monitoring forecast cash flows to ensure that sufficient funds are available to meet its commitments.

Market risk

Market risk is the risk that changes in market prices such as foreign exchange rates and interest rates will affect the Department's income or the value of its holdings of financial instruments. The Department does trade in foreign currency but values are not considered material. The Department is not materially exposed to other price risks (for example, equity securities or commodity prices changes). Other than as detailed in the interest rate sensitivity analysis at note 44(c), the Department is not exposed to interest rate risk because apart from minor amounts of restricted cash, all other cash and cash equivalents and restricted cash are non-interest bearing and there are no borrowings.

(b) Categories of financial instruments

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

	2015 $'000	2014 $'000
Financial assets		
Cash and cash equivalents	10,176	(750)
Restricted cash and cash equivalents	65,625	51,693
Loans and receivables [(a)]	69,401	66,090
Available for sale financial assets	547	755
Financial liabilities		
Financial liabilities measured at amortised cost	12,223	7,333

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

(c) Financial instrument disclosures

Credit risk

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

Notes to the financial statements for the year ended 30 June 2015

44 Financial Instruments (continued)

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

	2015	2014
The ageing of trade and other receivables was as follows:	$'000	$'000
Neither past due nor impaired	2,442	3,399
Up to 1 month past due	740	314
1–3 months past due	282	455
3–12 months past due	101	509
1–5 years past due	106	131
Impaired trade and other receivables	861	969
	4,532	**5,777**

Liquidity risk and interest rate exposure

All the Department's financial instruments are non-interest bearing with the exception of restricted cash and cash equivalents of $28,435,000 (2014: $24,971,000) which earns interest at a variable rate. The maturity date of all financial instruments is 30 days.

Interest rate sensitivity analysis

The Department is exposed to interest rate risk on its restricted cash and cash equivalents of $28,435,000 (2014: $24,971,000). The weighted average interest rate for restricted cash and cash equivalents is 2.90% (2014: 2.47%). A 1% change in interest rates at reporting period end would result in an increase/decrease in profit or loss and equity of $248,350 (2014: $249,710) depending upon whether interest rates increased/decreased. It is assumed that the change in interest rates is held constant throughout the reporting period.

Fair values

All financial assets and liabilities recognised in the Statement of financial position, whether they are carried at cost or fair value, are recognised at amounts that represent a reasonable approximation of fair value unless otherwise stated in the applicable notes.

Notes to the financial statements for the year ended 30 June 2015

	2015 $'000	2014 $'000
45 Supplementary financial information		
(a) Write-offs		
Non-current assets		
During the financial year $260,000 (2014: $6,000) was written off the Department's asset register under the authority of:		
The accountable authority	20	6
The Minister	240	-
	260	6
Irrecoverable amounts and inventory		
During the financial year $53,000 (2014: $8,000) was written off in bad debts under the authority of:		
The accountable authority	34	8
The Minister	19	-
	53	8
Biological assets		
During the financial year $7,000 (2014: $6,000) was written off the Department's ledger under the authority of:		
The accountable authority	7	6
The Minister	-	-
	7	6
(b) Losses through theft, defaults and other causes		
Losses of public moneys and public and other property through theft or default	-	4
Amounts recovered – insurance	-	(4)
	-	-

	2015 $'000	2014 $'000
46 Indian Ocean Territories Service Level Agreement		
The provision of services to the Indian Ocean territories are recouped from the Commonwealth government.		
Opening balance	73	82
Receipts	65	136
Payments	(201)	(145)
Closing balance	(63)	73

Notes to the financial statements for the year ended 30 June 2015

	2015 $'000	2014 $'000
47 Special purpose accounts		
Agriculture Research Grants Account No. 1 (non-interest bearing)		
The purpose of the fund is to receive and disperse funds from industry and other organisations in support of agricultural research projects.		
Balance at start of period	14,153	7,983
Receipts	34,668	30,692
Payments	(32,551)	(24,522)
Balance at end of period	16,270	14,153
Agriculture Research Grants Account No. 2		
The purpose of the fund is to receive and disperse funds from industry and other organisations in support of agricultural research projects.		
Balance at start of period	4,220	2,812
Receipts	2,598	3,901
Payments	(3,574)	(2,493)
Balance at end of period	3,244	4,220
Commonwealth Agriculture Activity Grants (non-interest bearing)		
The purpose of the fund is to receive and disperse funds to conduct Commonwealth funded activities.		
Balance at start of period	2,131	2,072
Receipts	891	1,785
Payments	(1,714)	(1,726)
Balance at end of period	1,308	2,131
Plant Research and Development		
The purpose of the fund is to receive and disperse funds to conduct plant research and development in Western Australia.		
Balance at start of period	7,456	7,004
Receipts	3,541	783
Payments	(2,342)	(331)
Balance at end of period	8,655	7,456

Notes to the financial statements for the year ended 30 June 2015

47 Special purpose accounts (continued)

	2015 $'000	2014 $'000
Cattle Industry Funded Scheme		
The purpose of the fund is to receive and disperse funds from the cattle industry to enable industry to self-determine and self-fund appropriate responses to serious pest and disease incursions which predominantly impact on the industry sector and which are not otherwise covered under existing arrangements at the national level.		
Balance at start of period	5,664	6,058
Receipts	374	367
Payments	(591)	(761)
Balance at end of period	5,447	5,664
Declared Pest Account		
The purpose of the fund is to receive and disperse funds collected to carry out measures to control declared pests on and in relation to areas for which the rates were collected.		
Balance at start of period	419	537
Receipts	2,839	2,455
Payments	(1,420)	(2,573)
Balance at end of period	1,838	419
Land Conservation Districts Fund		
The purpose of the fund is to promote soil conservation through research and implementation of soil and conservation measures and practices.		
Balance at start of period	33	171
Receipts	7	44
Payments	1	(182)
Balance at end of period	41	33
Grain, Seeds and Hay Industry Funded Scheme		
The purpose of the fund is to receive and disperse funds from the grain, seeds and hay industry to enable the industry to self-determine and self-fund appropriate responses to serious pest and disease incursions which predominantly impact on the industry sector and which are not otherwise covered under existing arrangements at the national level.		
Balance at start of period	5,771	4,258
Receipts	4,586	4,773
Payments	(2,726)	(3,260)
Balance at end of period	7,631	5,771

Notes to the financial statements for the year ended 30 June 2015

47 Special purpose accounts continued

Sheep and Goats Industry Funded Scheme

The purpose of the fund is to receive and disperse funds from the sheep and goats industry to enable the industry to self-determine and self-fund appropriate responses to serious pest and disease incursions which predominantly impact on the industry sector and which are not otherwise covered under existing arrangements at the national level.

	2015 $'000	2014 $'000
Balance at start of period	1,408	1,006
Receipts	919	888
Payments	(704)	(486)
Balance at end of period	1,623	1,408

48 Disclosure of administered income and expenses by service

	WAMIA*		Cooperative loans		Commonwealth grants		State NRM program		Total	
	2015	2014	2015	2014	2015	2014	2015	2014	2015	2014
Cost of service	$'000	$'000	$'000	$'000	$'000	$'000	$'000	$'000	$'000	$'000
Expenses										
Grants, subsidies & transfer payment	120	2,400	-	-	2,645	943	6,332	10,144	9,097	13,487
Interest payments	-	-	253	366	-	-	-	-	253	366
Other expenses	130	-	-	-	-	-	962	742	1,183	830
Total administered expenses	250	2,400	253	366	2,645	943	7,294	10,886	10,533	14,683
Income										
Service appropriation	-	-	-	-	-	-	9,000	15,000	9,000	15,000
Grants & contributions	-	-	-	-	-	-	-	-	-	-
User charges and fees	-	-	-	-	-	-	-	-	-	-
Interest revenue	-	-	344	454	419	-	-	-	763	454
Other revenue	-	-	-	-	-	11,163	8	321	8	11,484
Total administered income	-	-	344	454	419	11,163	9,008	15,321	9,771	26,938

*Western Australian Meat Industry Authority

Notes to the financial statements for the year ended 30 June 2015

49 Explanatory statement for administered items

	Variance Note	2015 Original Budget	2015 Actual	2014 Actual	Variance estimate to actual	Variance 2015 to 2014
Cost of service		$000	$000	$000	$000	$000
Expenses						
Grants, subsidies & transfer payment	A	9,000	9,097	13,487	97	(4,390)
Interest payments	B	241	253	366	12	(113)
Other expenses	1, C	-	1,183	742	1,183	441
Total administered expenses		9,241	10,533	14,595	1,292	(4,062)
Income						
Service appropriation	D	9,000	9,000	15,000	-	(6,000)
Interest revenue	2, E	241	763	454	522	309
Other revenue	3, F	-	8	11,484	8	(11,476)
Total administered income		9,241	9,771	26,938	530	(17,167)
Statement of assets and liabilities						
Current assets						
Cash and cash equivalents			13,702	14,546		(844)
Receivables	G		1,808	592		1,216
Total administered current assets			15,510	15,138		372
Non-current assets						
Loan	G		8,087	4,094		3,993
Total administered non-current assets			8,087	4,094		3,993
Total administered assets			23,359	19,232		4,127
Current liabilities						
Payables	H		227	-		227
Borrowings	G		907	433		474
Total administered current liabilities			1,134	433		701
Non-current liabilities						
Borrowings	G		8,087	3,661		4,426
Total administered non-current liabilities			8,087	3,661		4,426
Total administered liabilities			9,221	4,094		5,127

Notes to the financial statements for the year ended 30 June 2015

49 Explanatory statement for administered items (continued)

Major variance narratives

Variances between estimate and actual ($'000s)

1) The administration fees were included in the grants and subsidies in the 2015 budget, but the actual administration expenditure is reflected as other expenses in the Actuals for both 2015 and 2014. The 2015 grant expenses are therefore approximately $1,000 higher than those budgeted which mainly relate to the new grants from the Commonwealth funding (refer note 1 above).
2) The Original budget did not reflect monies previously received from the Commonwealth, refunded by the Department of Water which are now to be utilised for a further grant scheme. Interest earned on these monies during the current financial year accounts for $181 of the difference, with the remaining difference of $91 relating to interest received on the Co-operative loans to cover the administration of the Co-operative loan scheme. This $91 was not included in the budget.
3) Other revenue – variance of $8. There was no budget estimates for other revenue as it is not expected that there will be any return of grant monies at that point. The $8 relates to grant returns.
4) There is no administered estimate balance sheet submitted in the annual budget estimates.

Variances between 2015 and 2014 ($'000s)

A) Funding for grants under the State Natural Resource Management Program was decreased from 2014 to 2015 as part of the budget management process by WA State government. This is reflected in the reduced value of grants issued. Furthermore, the final grants under the Western Australian Meat Industry Authority scheme were made in 2015 ($120) compared to 2014 ($2,400).

B) Interest relates to the Cooperative loan scheme, and the interest paid has a direct correlation to loans outstanding during the period. The interest paid is offset by the interest received from the loan recipient. During 2014, the mix of loans and interest rates resulted in a higher interest charge.

C) Other expenditure – variance of $441. This relates mainly to the administration of the State NRM office, but $130 relates to an evaluation of the truck wash facilities in WA under the WAMIA scheme.

D) Service appropriation has declined by $6,000 as a result of the reduced grants under the State Natural Resource Management Program and the final grants under the Western Australian Meat Industry Authority scheme were made in 2015 ($120) compared to 2014 ($2,400).

E) Interest revenue – variance of $309. The interest revenue is significantly higher as a result of holding the returned grant monies of $11,163 for 11 months of the current financial year prior to any grants issued from these monies. Furthermore, this was partially offset by lower interest earned on the Cooperative loan scheme

Notes to the financial statements for the year ended 30 June 2015

49 Explanatory statement for administered items (continued)

Major variance narratives (continued)

F) In 2014, there was a return of grant monies of $11,163 from the Department of Water under the Caring for our Country program. These monies are to be utilised under a new scheme with effect from 1 June 2015, of which $2,645 has already been granted and paid in June 2015.

G) Current receivables and the loan receivable relate to the Cooperative Loan Scheme and the balances receivable at any point in time are dependent on the loans outstanding. Four new loans were granted in the 2015 financial year increasing the amount owing. As DAFWA Administered borrows the funds from WA Treasury Corporation, the same increase is reflected in current and non-current borrowings.

H) Payables relate to the accrual of administration expenses owing to the Department. In 2014, all such expenses were settled at balance date.

Notes to the financial statements for the year ended 30 June 2015

50 Disclosure of administered assets and liabilities by service

	WAMIA*		Cooperative loans		Commonwealth grants		State NRM program		Total	
	2015	2014	2015	2014	2015	2014	2015	2014	2015	2014
Statement of assets and liabilities	$'000	$'000	$'000	$'000	$'000	$'000	$'000	$'000	$'000	$'000
Current assets										
Cash and cash equivalents	95	50	779	687	9,406	11,870	3,422	1,939	13,702	14,546
Receivables	-	200	907	-	238	-	663	392	1,808	592
Total administered current assets	95	250	1,686	687	9,406	11,870	4,085	2,331	15,510	15,138
Non-current assets										
Loan	-	-	8,087	4,094	-	-	-	-	8,087	4,094
Total administered non-current assets	-	-	8,087	4,094	-	-	-	-	8,087	4,094
Total administered assets	95	250	9,773	4,781	9,644	11,870	4,085	2,331	23,597	19,232
Current liabilities										
Payables	95	-	-	-	-	-	132	-	227	-
Borrowings	-	-	907	433	-	-	-	-	907	433
Total administered current liabilities	95	-	907	433	-	-	132	-	1,134	433
Non-current assets										
Borrowings	-	-	8,087	3,661	-	-	-	-	8,087	3,661
Total administered non-current assets	-	-	8,087	3,661	-	-	-	-	8,087	3,661
Total administered liabilities	95	-	8,994	4,094	-	-	132	-	9,221	4,094

* Western Australian Meat Industry Authority

Additional key performance indicator information

Certification of key performance indicators

I hereby certify that the key performance indicators are based on proper records, are relevant and appropriate for assisting users to assess the Department of Agriculture and Food's performance, and fairly represent the performance of the Department of Agriculture and Food for the financial year ended 30 June 2015.

Rob Delane
Accountable Authority
25 August 2015

Detailed information in support of key performance indicators

Assessing our effectiveness

Effectiveness indicator 1: Proportion of co-investment in DAFWA-led initiatives

This KPI helps us assess and understand our effectiveness in encouraging industry and others to invest along with us, both in cash and in-kind resources, in developing and promoting WA's agrifood sector.

Initiatives considered under this KPI include all work undertaken or commissioned by us and funded in part by the Western Australian Government, excluding those in which we play a purely administrative role.

We gain co-investment mainly through the national rural research and development corporations, with this funding originating through a mix of federal government and levy-based industry sources.

The KPI includes co-investment through entities created as a means of building collaboration, such as AEGIC Ltd, but excludes profit-oriented entities established to ensure the successful commercialisation of activities no longer receiving direct government support, such as InterGrain Pty Ltd.

We also include elements of joint programs that prior to this year included those within cooperative research centres (CRCs) that we led in order to fulfill our own objectives. Each of the three CRCs that met this criterion — Future Farm Industries, Plant Biosecurity and Australian Sheep CRCs — was either wound up or DAFWA's involvement as a program leader ended, as at 30 June 2014, meaning it is not a 'DAFWA-led initiative'.

Table 6 shows that, across the department, our expenditure of co-invested funds of 25% was lower than our 2013/14 result of 33.8%. The reduction from last year's co-investment result stems largely from the CRC issue outlined above.

With the three CRCs collectively contributing $12.2 million in co-investment during 2013/14, the loss of this contribution is the major reason for our overall co-investment figure falling from $57.3 million in 2013/14 to $41.6 million in 2014/15. It remains unclear to what extent the Commonwealth-led CRC program will reestablish following a review undertaken over the past year, or the extent to which DAFWA will participate in that program.

We had forecast strong co-investment this year, and had nominated a slightly higher target (38% v. 37%). This was on the expectation that most, if not all, of the projects funded under the Seizing the Opportunity initiative would be in place by the start of 2014/15. While the major source of funding for these projects, the Royalties for Regions program, is not considered under this KPI, third party contributions to these projects are included. As outlined above, delays in commissioning these projects have resulted in lower than expected third party expenditure during 2014/15.

Table 6 **Proportion of co-investment in DAFWA-led initiatives**

	2012/13 (%)	2013/14 (%)	2014/15 Target (%)	2014/15 Actual (%)	Variation (%)
Co-investment in DAFWA-led initiatives (percentage NCoS*)	39.3	33.8	38.0	25.0	–13.0

Source: DAFWA; *NCoS = net cost of service

Effectiveness indicators 2–4: Industry views on our effectiveness

Our three other effectiveness KPIs are based on an annual survey of agrifood producers, intermediaries and consultants.

In the survey, respondents are asked to rate the extent of our impact over the past 12 months on the profitability, environmental sustainability and innovativeness of their industry.

Respondents rate our impact on a scale from zero to 10, with zero representing a nil or negative impact. A score of six or above is considered a significant positive impact and is the formal benchmark for the KPIs.

The survey is undertaken each June, capturing the views of 400 respondents. This year's respondents comprised 325 producers, 47 intermediaries (primarily processors, marketers and exporters) and 22 agribusiness consultants. The surveys are independently designed, executed and analysed by Painted Dog Research.

Producer respondents were drawn primarily from the state's major agricultural industries — grains, sheep, beef, dairy and horticulture.

To the extent possible, the survey focused on larger producers, as per the threshold criteria set out in Table 7. Scale criteria are not applied to horticultural producers, due to the diversity of their production systems, or to intermediaries or consultants.

The 2015 headline results for these three KPIs are disappointing, in each case below both the respective 2014 result and 2014/15 target (Table 8).

In regard to our targets, we had expected our impact during 2014/15 would be higher than in previous years as a result of the state government's $300 million Seizing the Opportunity initiative starting to show results in this year. However, the first five DAFWA-led projects did not commence until early 2015 and we now do not expect our clients to see tangible impacts until at least 2016.

In regard to the results being lower than those gained in recent years, we consider this reflects two changed circumstances. The first is a reduction in the overall level of products and services we can now offer, including the need to curtail some of our longer standing services that industry participants have come to expect from us. The second is our increasing focus on growing the agrifood sector's contribution to the WA economy.

Table 7 **Threshold stocking and production levels for producers considered in the 2015 survey**

Principal product type	Threshold
Sheep	>2000 head
Grain	>500 tonnes harvested
Dairy	>250 head
Beef – agricultural	>500 head
Beef – pastoral	>2500 head

Table 8 **Respondent ratings of DAFWA's impact on profitability, sustainability and their ability to make decisions – actuals v. target**

Impact scored at 6 or above	2012/13 (%)	2013/14 (%)	2014/15 Target (%)	2014/15 Actual (%)	Variation (%)
Profitability	29.3	29.3	33.0	24.6	–8.4
Innovativeness	30.0	29.1	33.0	24.7	–8.3
Sustainability	32.1	37.5	36.0	28.6	–7.4

Over the past year, we had to reduce our staffing levels by 100 FTEs, following cumulative reductions in excess of 300 FTEs since June 2010. This has received significant industry profile.

Our strategic plan remains structured around growth, with a focus on growing markets, productivity, profitability and people. We also continue to invest heavily in biosecurity and natural resource management — primarily so that the sector can grow — but grow in a way that is both sustainable for the industries involved and beneficial for the state as a whole.

Like any organisation, we direct our energies towards those in the sector that share our goals — and that focus has sharpened as resources become more limited. In practice, this means we have actively focused our 'growth' products and services on those businesses that aspire to grow rather than on all businesses in the sector.

It also means we have been reducing our involvement in a number of traditional areas in favour of those that are consistent with the evolving role of government and essential to growing the sector. While we have seen some efficiency savings, the range of services we are able to offer has been declining in line with our reduction in staff numbers. It is clear that the impact of our recent staff reductions is now being strongly felt by industry; and that this is being reflected in the survey results.

In spite of these challenges, it is encouraging that detailed examination of the survey results shows that we continue to have a strong positive impact on businesses in the sector that are seeking to grow; and those that represent its future.

Effectiveness indicator 2: Proportion of businesses that consider DAFWA has influenced profitability

This year's survey indicated that, across all respondents, 24.6% rated us as having a 'significant' positive impact on the profitability of their industry over the past year. This was lower than our previous years' results and our 2014/15 target of 33% (Table 9). Given the rate and scale of staff and program reductions, this is an unsurprising result.

In addition to the main KPI questions, respondents were asked this year about whether they were seeking to grow, maintain or reduce their agrifood business. The first encouraging finding was that 55% of respondents indicated that they aspired to increase the size of their business over the next three years.

We then compared the extent to which respondents rated us as having a significant positive impact on the profitability of their industry against whether they sought to increase, maintain or reduce their businesses.

Twenty-nine per cent of respondents seeking to increase their business rated our impact on their profitability as significant against 14% of those seeking to downscale their businesses. This suggests we are retaining our impact on the industry cohort we are seeking to influence the most: those seeking to grow their businesses and contribute to the overall growth of the sector.

Table 9 **Respondent ratings of DAFWA's impact on profitability – actuals v. target**

Impact scored at 6 or above	2012/13 (%)	2013/14 (%)	2014/15 Target (%)	2014/15 Actual (%)	Variation (%)
Profitability	29.3	29.3	33	24.6	–8.4

We are also encouraged by the finding that respondents who are relatively new to the sector rated our impact higher than those who had been involved the longest. We found the 29% of the 'rising generation' of producers, intermediaries and consultants (those involved in their industry for less than 20 years) rated our impact as significant against 17% of those approaching the end of their professional careers. Again, it is this 'rising generation' who will drive the industry's growth up to and beyond 2025.

Effectiveness indicator 3: Proportion of businesses that consider DAFWA has fostered innovation

We assess innovativeness based on the respondents' rating of our impact on their industry's ability to make changes in the future. Our focus in this regard is about being able to make timely, locally relevant and evidence-based business decisions.

Overall, fewer respondents rated our impact on their innovativeness as being significant than in 2014 (Table 10).

As with profitability, we believe this reflects changes to the overall level of products and services we can now offer — including some services that industry participants have come to expect from us — and a tighter focus on those businesses that aspire to grow.

Table 10 **Respondent ratings of DAFWA's impact on innovativeness – actuals v. target**

Impact scored at 6 or above	2012/13 (%)	2013/14 (%)	2014/15 Target (%)	2014/15 Actual (%)	Variation (%)
Innovativeness	30.0	29.1	33.0	24.7	–8.3

When looking below the headline figures, we found a similar pattern as with the profitability question in that 28% of those with less than 20 years of involvement in their industry rated our impact on their innovativeness as significant against 18% of those approaching the end of their professional careers.

However, we observed a different pattern in regard to the relationship between innovativeness and growth aspirations, with a small difference between those seeking to grow or maintain their businesses (23% v. 25%), but a marked difference between these two groups and those seeking to reduce their business (17%).

Getting more dollars per drop in Carnarvon

Case study

Carnarvon growers Duc Nguyen and brothers Dan and Rob Kuzmicich are reaping the rewards of DAFWA's More Dollars per Drop water-use efficiency project.

Last season, they increased their respective tomato and capsicum yields by 25% without increasing their water usage.

Traditionally, growers in Carnarvon irrigate every two-to-four days with large volumes of water applied during each irrigation.

With Royalties for Regions funding, More Dollars per Drop has introduced soil moisture monitoring and irrigation scheduling to match plant demand and soil type, resulting in more efficient and effective water use.

Duc was already at the higher end of marketable yields achieved for tomatoes in Carnarvon, averaging a yield of 7.3kg per plant.

Monitoring of Duc's previous year's crop identified that more frequent, lower volume irrigation would lead to more water available when the plants required it.

Duc increased his tomato yield by 25%

Duc made this change and yields improved to an average of 9.1kg per plant with no more water used than the previous year.

The story was similar on Dan and Rob's property. The use of soil moisture monitoring to match water applied, soil type and crop demand, led not only to a 25% increase in yield in their capsicum crop but a higher proportion of first-grade fruit.

The Kuzmicich brothers also increased their capsicum yield by 25%

Effectiveness indicator 4: Proportion of businesses that consider DAFWA has influenced sustainability

This KPI is based on respondents' views of our impact on the sustainability of their industry over the previous 12 months.

Table 11 shows the overall result (28.6%) was lower than last year (37.5%), although the 2014 result was markedly higher than that in 2013 (32.1%).

The relationships between the way respondents rated us on this KPI and their growth aspirations and time in the industry were similar to those observed with the profitability KPI. Thirty-two per cent of respondents aspiring to grow rated our impact as significant against 26% and 14% for those seeking to maintain and wind down their businesses respectively.

Similarly, 32% of those with less than 20 years in the industry rated our impact as significant against 22% for those with more than 35 years in the industry.

Table 11 **Respondent ratings of DAFWA's impact on sustainability – actuals v. target**

Impact scored at 6 or above	2012/13 (%)	2013/14 (%)	2014/15 Target (%)	2014/15 Actual (%)	Variation (%)
Sustainability	32.1	37.5	36.0	28.6	–7.4

The above results and findings reflect far-reaching changes in DAFWA's ability to provide the wide-ranging services possible in the past (rather than the current highly targeted services), and the increasing maturity of our agrifood industries. Some of these effects — such as the winding down of those services that nowadays offer little benefit to industry but which some industry players 'have grown used to' — are transitory. Other changes — particularly those arising from our sharper focus on businesses that aspire to grow — will take longer to address.

Clearly, as we continue to focus more of our limited resources on those that are actively seeking and able to grow, the use of KPIs that only address all industry participants together — regardless of their aspirations or prospects — will become less informative.

Natural disasters bring out the best

Case study

Our staff responded quickly to two natural disasters in early 2015.

We proved our ability to support industry and the community during massive bushfires near Northcliffe and Boddington in February and in the aftermath of tropical Cyclone Olwyn, which battered Carnarvon in March.

During the fires, we provided operational and strategic support at the local and regional level. Some staff liaised with impacted landholders, visited properties, assessed damage and provided crucial support for business continuity and access to services. Other officers assisted as volunteer firefighters and with the SES.

Veterinary officers assessed affected livestock and we also coordinated initial enquiries regarding livestock and feed supplies and played an important recovery role.

In addition, the departments of Fire and Emergency Services and Parks and Wildlife used our Geographic Information Services and website to access critical mapping and weather data.

In the coastal town of Carnarvon, staff from several offices worked tirelessly to clean up in the aftermath of Cyclone Olwyn.

DAFWA's Ian Guthridge, Jason Dearle and Tom Hollingsworth were instrumental in helping with the fire emergencies. Photo courtesy: Farm Weekly

The cyclone caused extensive damage to buildings, properties, horticultural crops and essential services. Banana plantations were flattened and citrus and avocado crops uprooted.

We formed a Cyclone Incident Response team that assessed damage and informed government on the extent of the loss. The team worked with Carnarvon staff and horticulturalists, contacting every grower in the district.

They also contacted pastoralists to check on their health and welfare, assess damage and to receive updates on the condition of livestock, stock water and feed supplies.

> **"We thank you for the role you played as we worked side by side in this tremendous effort."** — postcard from communities of Northcliffe and Windy Harbour

Services

We seek to increase business and industry productivity through our business and supply chain development service; mitigate risks through our resource risk management service; and help mature industries rejuvenate through transformational development. Our three services recognise the need to support each of these activities.

Efficiency indicators

The efficiency with which we undertake each of our three services is estimated by the same two indicators: net service cost of each service as a factor of the gross value of agricultural production (GVAP); and the extent of co-investment we attract to each service. We first reported our performance against these KPIs in our 2012 report.

1. Net service cost as a factor of GVAP

This indicator compares our investment in each Service area with the GVAP for WA as calculated by the Australian Bureau of Statistics.

The GVAP figure used in these KPIs of $6.8 billion represents the average of the past five years of published GVAP values. The average is used to minimise the annual variability that results from seasonal and other influences.

GVAP understates the overall economic activity of the sector, as it does not include activity that happens past the farm gate. However, it is the most consistent, independent and broadly based benchmark relevant to the sector.

While GVAP can vary significantly between years as a result of climatic, marketing and other influences, it is encouraging that WA's GVAP for 2013/14 (the most recent figure available) was $8.6 billion, well ahead of the 2012/13 figure of $6.7 billion and the previous high of $7.5 billion reported for 2011/12.

The net cost of service represents funding provided to DAFWA by the state government, less revenue returned to government by DAFWA through fees, charges and sales.

A reduction in this KPI represents a more efficient service in that a smaller investment by government is linked to increased economic activity for the state.

2. Co-investment in DAFWA-led initiatives related to net cost of service

Co-investment is used here as an indicator of our efficiency in leveraging the state government's investment by partnering with other parties — across other governments, industry and the broader community — to invest in the same strategic goals we seek to achieve.

We do not include funding from the Royalties for Regions program as 'co-investment' in this context because it is sourced from the state government. But we do include third party funding linked to individual Royalties for Regions projects.

Co-investments may be provided in the form of cash or in-kind contributions.

An increase in this KPI represents a more efficient service.

Service 1: Business and supply chain development

This Service is about providing leadership and specialist expertise that further develop the state's existing and emerging agrifood industries in the short-to-medium term. It supports businesses in increasing the yield, quality and marketability of their existing and emerging products, and in managing the associated business risks.

Our focus in this Service is on addressing the more immediate issues that face industry, with an emphasis on growing and improving the performance of existing agrifood businesses.

The Service contributes to the state government's goal of achieving 'a stronger focus on the regions' and our outcome of 'a profitable, innovative and sustainable agrifood sector that benefits WA'.

Our involvement in the Service has been declining over time as we focus more on Service 2 (transformational development) and we expect this trend to continue both in terms of overall cost of the Service and in relation to our involvement in our other two services.

Efficiency indicators

1.2 Net service cost as a factor of GVAP

Table 12 shows that the net cost of this service represented 0.87% of the gross value of WA's agricultural production.

This is a slightly 'better' result than our target figure of 1.0% — a lower value representing a more efficient service. It is also lower than the result reported in 2014 (1.03%).

We expect this trend to continue as we focus on fostering transformative rather than incremental growth.

We consider our department has met this performance indicator.

1.2 Public and private sector co-investment in DAFWA-led initiatives related to this service as a factor of the net cost of this service

Table 12 shows we expended co-investment in this Service equivalent to 36.2% of the net funding provided by the state. This was below both our target for 2014/15 (45%) and our result for 2013/14 (45.3%). We did not meet this performance indicator.

As outlined above, co-investment in this (and our other two) Services was impacted by changes in the three CRCs — Future Farm Industries, Plant Biosecurity and Australian Sheep — at the end of the 2012/13 year, meaning DAFWA no longer claims any co-investment from these sources. With the three CRCs collectively contributing $12.2 million during 2013/14, these changes have had a major impact on our co-investment KPIs for 2014/15.

This particular Service was also affected by our move away from some lower priority work areas where we have received considerable co-investment in the past through the national rural research and development corporations.

Table 12 **Business and supply chain development efficiency indicators**

	2012/13 Actual	2013/14 Actual	2014/15 Target	2014/15 Actual	Variation
Net cost of service (% of GVAP)	1.22	1.3	1.0	0.87	–0.13
Co-investment in this service (% of NCoS*)	42.6	45.3	45.0	36.2	–8.8

Source: DAFWA, ABS; *NCoS = net cost of service

Top marks in supporting Indigenous land managers

Case study

Our Indigenous Landholder Service (ILS) was successful in efforts to help Indigenous land managers secure their businesses in 2014/15.

The ILS not only ensured 100% of Indigenous pastoral leases were renewed but helped to secure sublease arrangements between Indigenous-owned cattle stations and major pastoral companies and investors, contributing to long-term sustainable beef production.

The ILS, a partnership between DAFWA and the Indigenous Land Corporation (ILC), assists Indigenous land managers across the state to build their business production, property management and resource management skills.

Backed by a cross-government Aboriginal Pastoral Lease Renewals Working Group, the ILS supported the renewal of 20 pastoral leases that were due to expire on 30 June 2015. A number of leases were non-compliant, sometimes due to the lack of a property management plan, and at risk of non-renewal.

Lamboo Station Manager Robin Yeeda with ILS Manager Mark Chmielewski at Lamboo Station. Photo: Krisma May

The ILS guided leaseholders through engagement and individually targeted strategies that addressed issues of non-compliance for each lease. By June, we had assisted all 20 pastoral properties to become compliant and their leases have been signed and accepted for renewal.

Additionally, the ILS worked with the Ngunjiwirri Aboriginal Corporation (NAC), which leases the 360 000ha Lamboo Station near Halls Creek, to lease out a substantial portion of its property under a five-year deal with Yougawalla Services.

The new sublease arrangement will offer increased lease income and pave the way for further infrastructure improvements on the property, which will contribute towards a long-term, sustainable beef-producing future for members of the NAC and Lamboo Station.

Service 2: Transformational development

All industries, regardless of their sector, are continually faced with reinvention challenges to remain competitive and attractive to customers and investors. Such 'transformation' typically involves a fundamental change to their mix of products, markets or business model. This is particularly so where industries are seeking to grow. A number of WA agrifood industries are in this situation.

This Service lies at the heart of the Agrifood 2025+ goal of doubling the real value of sales from the sector by 2025. It contributes to the government's goal of achieving 'a stronger focus on the regions' and our outcome of 'a profitable, innovative and sustainable agrifood sector that benefits WA'.

Efficiency indicators

2.1 Net service cost as a factor of GVAP

We have sought to increase our investment in this Service since its inception, and this year's result of 0.59% exceeds both our 2013/14 result (0.29%) and our 2014/15 target of 0.35% (Table 13).

The increase came about largely through the commencement of five major projects under the state government's Seizing the Opportunity initiative, which is funded through the Royalties for Regions program. While we had anticipated these projects would commence during 2014/15, at the time the 2014/15 State Budget was prepared, they were accounted for under the Department of Regional Development (which coordinates that program) rather than DAFWA.

We expect expenditure on this Service to continue to increase in future years but not at the rate achieved during 2014/15. We consider we exceeded this KPI for the 2014/15 year.

2.2 Public and private sector co-investment in DAFWA-led initiatives related to this service as a factor of the net cost of this service

Table 13 shows that co-investment expenditure related to this Service was equivalent to 13.2% of state government expenditure on this Service, well below our target of 35%. We did not meet this KPI this year.

This Service was similarly affected by changes to the three CRC programs outlined above. The result also reflects the higher net cost of service brought on by the five Seizing the Opportunity projects, which relate predominantly to transformational development. We had also expected that third party co-investment into these projects would increase the level of co-investment in this Service during 2014/15. We now do not expect to see this effect until the 2015/16 year.

Table 13 **Transformational development efficiency indicators**

	2012/13 Actual	2013/14 Actual	2014/15 Target	2014/15 Actual	Variation
Net cost of service (% of GVAP)	0.23	0.29	0.35	0.59	0.24
Co-investment in this service (% of NCoS*)	23.4	16.1	30.0	13.2	–16.8

Sources: DAFWA, ABS; *NCoS = net cost of service

Service 3: Resource risk management

It is essential that industry can access, understand and apply practices that maintain or improve the health of the state's natural resources — land, soil, native vegetation, biodiversity and water — and can protect itself from damaging pests, diseases and weeds.

This Service seeks to ensure that agrifood businesses have these characteristics, enabling them to grow while responsibly managing our natural resources. This applies in particular to our agricultural and pastoral landholders, who collectively manage around 40% of the state's land mass.

It also addresses the broader community, who both affect and benefit from a healthy environment and our relative freedom from serious biosecurity threats. It is central to minimising the risks that agriculture might present to our land and water resources, and biosecurity risks to agriculture, the broader community and the environment.

This Service relates in equal part to the elements of our outcome statement that speaks of a 'sustainable agrifood sector … that benefits WA'.

Efficiency indicators

3.1 Net service cost as a factor of GVAP

The cost to government of this service in 2013/14 represented 0.98% of the GVAP from the state (Table 14). This is lower than both our 2013/14 result (1.17%) and our 2014/15 target (1.2%), representing a more efficient service than we had expected.

We consider we met this performance indicator.

3.2 Public and private sector co-investment in DAFWA-led initiatives related to this service as a factor of the net cost of this service

As with our other Services, co-investment expenditure related to this Service was less than our target of 35%, and slightly less than our 2013/14 result of 28.1% (Table 14). This Service was also affected by changes to the three CRC programs as well as reflecting the higher net cost of service brought on by the start of the Boosting Biosecurity Defences project under the Seizing the Opportunity initiative. We did not meet this KPI this year.

Table 14 **Resource risk management efficiency indicators**

	2011/12 Actual	2012/13 Actual	2013/14 Actual	2014/15 Target	2014/15 Actual	Variation
Net cost of service (% of GVAP)	1.17	0.90	1.17	1.20	0.98	–0.22
Co-investment in this service (% of NCoS*)	29.4	38.8	28.1	35.0	22.2	–12.8

Source: DAFWA, ABS; *NCoS = net cost of service

Balancing education with enforcement in weed control

Case study

We inspected more than 80 south-west properties for the noxious weed narrow-leaf cotton bush in 2014/15, with seven control notices issued to landholders.

The crackdown was part of Operation Balance, a compliance exercise to fight against the spread of the declared pest weed.

Cotton bush (*Gomphocarpus fruticosus*) invades run down or low fertility pastures, where it displaces useful species such as clover, and is toxic to humans and livestock. All parts of the 1–2m high shrub exude a milky white sap when damaged.

Property owners must report and remove declared weed pests such as cotton bush.

Our operation complemented education and community engagement work by the Leschenault and Peel–Harvey Biosecurity Groups to manage the weed.

Before the inspections, the Invasive Species team trained biosecurity officers in advanced compliance techniques over two days.

Biosecurity Officer James Sheehan inspects a cotton bush

The combination of officer upskilling and the provision of newly created regulatory instruments enabled the successful operation.

Compliance Manager Peter Brewster said officers applied appropriate regulatory rigour for this important operation.

"Operation Balance was a success and supported our efforts in the control of cotton bush." — Dean Unsworth, CEO, Shire of Murray

Ministerial directives

No Ministerial directives were received during the financial year.

Other financial disclosures

Pricing policies of services provided

Our department charges on a full or partial cost recovery basis for some goods and services, with fees and charges determined in accordance with costing and pricing of government services published by the Department of Treasury. The 2014/15 list of fees and charges was implemented on 1 July 2014.

Services may be exempted from charges where, for example, services are deemed essential for a competent analysis of a problem by an officer; the service relates to an outbreak of a suspected exotic disease; or the service involves approved research or surveillance.

Capital works

Table 15 **Capital works projects**

	Year of completion	Approved budget $000	Total cost (estimated) $000	Cost variation $000	Explanation of variation
Capital projects completed					
Equipment Replacement Program	2015	4 996	31 619		Program completed

Property rationalisation program

Our Strategic Asset Plan identifies surplus properties in metropolitan and regional areas. Surplus properties are progressed for sale or transfer through the whole-of-government property disposal program.

Equipment replacement program

Core research, business and field capital equipment is purchased through an annual rolling program aligned to business needs.

Employment and industrial relations

Table 16 **Staff profile and work classification profile (FTE)**

Staff profile (Average FTE over the year)	2015	2014
Full-time permanent	822	856
Full-time contract	100	98
Part-time permanent	110	119
Part-time contract	35	48
On secondment in from other agencies	3	3
On secondment out to other agencies	8	6
Total	**1079**	**1129**

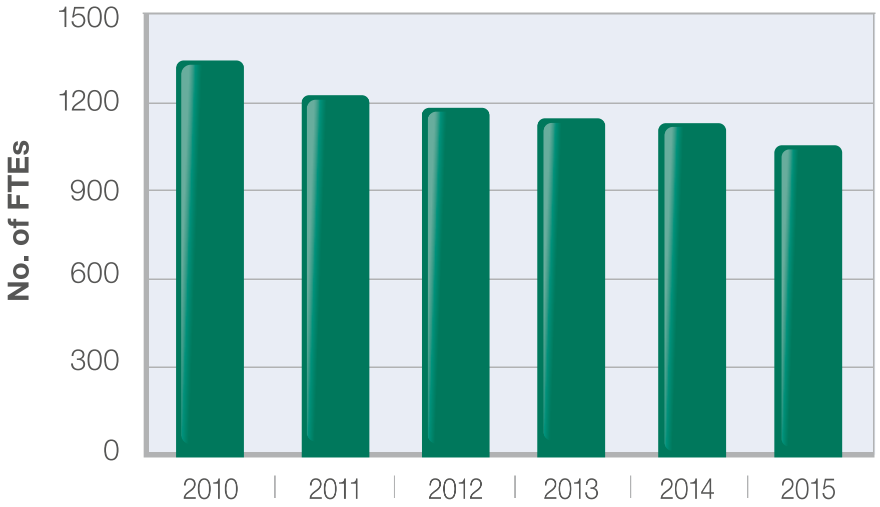

Figure 6 **FTE levels at 30 June 2010–15**

Staff development

Our staff development continues to focus on building a professional and agile workforce able to adapt to changing technology, knowledge and environments.

Among key activities for 2014/15, we developed two rounds of 90-day challenge action plans at organisational, directorate and local levels to address employee engagement opportunities for improvement. Next year, we will review our staff engagement model, including the staff 'pulse check' survey results.

Corporate support reform

DAFWA's new organisational structure was implemented on 1 October 2014 to drive a new focus throughout the department on whole-of-value-chain economic development in WA. The new structure centres on three high-level industry groups — grains, livestock and irrigated agriculture — and is designed to strengthen our client and industry outcomes and regional commitment in alignment with government strategy and directions. The restructure also consolidated and strengthened our biosecurity and regulatory functions.

In general terms, we are responding to the state's current budget position, including the structural deficit, Agency Expenditure Review and Public Sector Workforce Renewal policy.

One hundred and twenty five staff ceased employment with our department in 2014/15 through voluntary severance; 100 through the public sector-wide targeted voluntary severance scheme and 25 through a DAFWA-funded program.

The decisions to recommend the severances were based on the financial position of our department and an identification of where effort should cease or be reduced.

The departure of these staff was effectively managed through ongoing staff and union communications, and with the capture of corporate knowledge and the maintenance of key client relationships.

Through workforce and succession planning, we are reassigning staff to continue supporting critical positions and high-priority functions.

Workplace reform

Consistent with government policy on labour relations, we have an Agency Specific Agreement (ASA) that covers industrial matters. This agreement includes entitlements that provide the department and staff with mutually beneficial conditions of employment and cost-effective work practices. A process of continuous review of conditions of employment and work practices occurs in consultation with staff, managers and unions. The parties have agreed to continue current ASA arrangements.

On 1 May 2015, the new Public Sector Management (Redeployment and Redundancy) Regulations 2014 were enacted and further staff reductions will be managed in accordance with the new regulations.

Learning and development

We continue to strive to develop and maintain a highly skilled, professional and equitable workforce through continuous learning, including essential training for staff in cultural awareness, equal employment opportunities, occupational safety and health, driver safety, driver development and first aid.

Key activities during 2014/15 were:

- continuous improvement of our learning and development services through regular course and content reviews
- the integration of the 70/20/10 framework for staff development as supported by the public sector through policy amendments and creation of new courses and supporting documentation
- harnessing online technologies, including offering online training courses and upgrading our online training booking system, to ensure all staff, including those in remote and regional areas, can access essential training to improve our department's training completion rate
- successful completion by 12 staff of the redesigned Certificate IV in Government (Frontline Management) course
- increased focus on developing staff in change management to support a resilient workforce, through four half-day workshops for staff and managers involved in the state government's Targeted Severance Scheme and voluntary severance process, role training needs analysis to identify skill gaps, and on-the-job work progress

- timely and relevant training organised for graduate recruits to ensure ongoing development
- yearly conference/refresher training for our 18 contact officers and grievance officers to ensure ongoing support and development for these staff who volunteer to assist with the resolution of workplace grievances
- development and introduction of the Indigenous Australian Cultural Awareness course for delivery in the south-west, following two courses held in the state's north in 2013. The course, which was run in Esperance, Northam and Albany, is for DAFWA staff who work with Aboriginal people to help them understand Aboriginal perspectives, culture and communication barriers
- staff participated in leadership management training including the Copland Leadership Program (1), Leadership WA's Signature Leader Program (1) and Rising Leader Program (1). Two staff also successfully completed the Rising Leader Program in late 2014.

Table 17 **Mandatory staff training completion rates**

Essential training	Actual^ %	Target* %
Accountable and ethical decision making	98	98
Recordkeeping awareness training	98	98
Cultural awareness	96	98
EEO awareness training – general staff	96	98
Driver training	98	98
OSH training	97	98

^ Actual as at 30 June 2015.

* Excludes staff in DAFWA for less than six months, trainees, cadets and board members.

Staff sustainability project

This project is designed to attract, engage and retain a talented and committed workforce that meets our business needs. Our Quality of Life initiative promotes a working environment that is supportive of staff in nine areas, including family, health, personal growth and community.

Key achievements for 2014/15 were:

- continued support for at-work flu vaccinations used by more than 200 staff
- provision of seminars, one-on-one sessions and information on superannuation and retirement planning to assist a positive transition to retirement
- continued support of the Bank Your Blood program where staff donate blood to the Australian Red Cross
- promotion of salary packaging options.

Governance disclosures

Contracts with senior officers

Other than normal contracts of employment of service, no senior officers, 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 DAFWA during the financial year.

Shares held by the department

Our department does not hold shares in any subsidiary body as defined by section 60 of the *Financial Management Act 2006*.

Audit and Risk Committee

DAFWA's Audit and Risk Committee advises the Director General and the Executive on the application and promotion of good governance throughout the organisation. The committee's role is to review and provide advice on governance processes with a focus on control, risk management, follow-up of audit recommendations and oversight of internal audit functions.

The committee meets quarterly with regular attendees including a senior officer from the Office of the Auditor General, the department's Executive Director of Business Support, the Director of Audit and Integrity and the Director of Finance.

Three Audit and Risk Committee meetings were held this year.

Table 18 **Audit and Risk Committee members and meetings attended**

Member	Meetings attended 2014/15
Rob Delane, Director General DAFWA	3
Keith Van Dongen, an independent member and Executive Director, Corporate Services, Department of Fisheries	1
Alain St Flour, an independent member and Executive Director, Finance, North Metropolitan Health Service	2
Andrew Harvey, an independent member and Deputy Inspector, Office of the Inspector of Custodial Services	3

Enterprise risk management

Our department is committed to effective risk management to support our operational objectives. Our risk management framework, which is subject to continuous review, includes:

- a risk management policy and procedure manual to ensure compliance with international risk management standard ISO31000, Treasurer's Instruction 825 and the Public Sector Commissioner's Good Governance Guide and Circulars
- integration of risk management with strategic planning
- the development and implementation of a risk module within the project management system
- a strategic risk management register.

Our Audit Committee regularly monitors the completeness and effectiveness of the risk management framework.

Other legal requirements

Finance Committee

The Finance Committee was established in December 2009 and meets monthly. The committee members are the Director General, the Chief Finance Officer and all Executive Directors. The committee's role is to:

- determine options to address funding pressures within the department
- provide advice with respect to making significant financial decisions
- understand the status of program, tactic and priority resource investments, highlighting resourcing issues
- determine the disbursement of financial and FTE (people) resources.

Compliance with public sector standards and ethical codes

Compliance issues that arose during 2014/15 regarding public sector standards (i.e. breach claims):

Table 19 **Compliance issues/breach claims**

	2013/14	2014/15
Applications carried over	0	0
New applications received	1	2
Total applications	1	2
Breach claims lodged		
Recruitment, selection and appointment	1	2
Transfer	0	0
Grievance resolution	0	0
Outcome of claims handled		
Withdrawn in agency	0	1
Resolved in agency	0	0
Still pending in agency	0	0
Referred to Public Sector Commission	1*	1*
Total applications completed	1	2

* The Public Sector Commission dismissed this claim.

Compliance issues that arose during 2014/15 regarding public sector standards (i.e. discipline):

a) Five matters were dealt with in accordance with the breach of discipline process pursuant to the *Public Sector Management Act 1994*. They related to:
   - inappropriate use of DAFWA email (one)
   - fraud and corrupt behaviour, conflicts of interest, external activities without approval (one)
   - unauthorised destruction of records (two)
   - unauthorised communication with the Minister (one).

b) Three of the above matters relating to the possible misconduct of departmental officers were reported to the Corruption and Crime Commission.

c) Significant action taken to monitor and ensure compliance included:
   - ongoing review and updating of internal policies to ensure consistency with changes to legislative instruments that regulate public sector employment
   - continuing roll-out of the Accountable and Ethical Decision Making training course across the organisation
   - providing a written reminder to staff not compliant with our mandatory training requirements informing them that training is to be completed within a specified timeframe.

Ethics and integrity

Our department promotes ethical behaviour and integrity. All new employees are required to complete an online induction course that contains modules on ethics, integrity and the requirements of the *Public Interest Disclosure Act 2003*.

Our online training course in Accountable and Ethical Decision Making has had excellent uptake since its commencement in 2010, with more than 98% of employees having completed or partially completed the course. We require all employees to complete the Equal Employment Opportunity (EEO) awareness course, which also covers aspects of ethics and integrity.

Our department has established an Integrity Committee, which provides assurance to the Director General that matters relating to integrity are managed appropriately. The Integrity Committee monitors integrity issues including, but not limited to, internal investigations, Corruption and Crime Commission investigations referred to the department and Public Interest Disclosure investigations.

Freedom of information

A description of the types of information and documents our department holds and how to access information under the *Freedom of Information Act 1992* (FOI Act) is contained in the Information Statement, available on our website.

Most applications received in 2014/15 related to regulatory matters under a number of statutes administered by the department.

Table 20 **Freedom of information applications 2014/15**

FOI	2014/15
Applications carried over	4
New applications received	30
Total applications	34
Application outcome	
Applications transferred in full	0
Applications withdrawn	4
Total applications completed	26
Applications outstanding at 30 June	4
Application types	
Personal information requests	0
Non-personal information requests	30
Request to amend personal information	0

Complaints handling

The department recognises that appropriate attention to the concerns of clients is an essential component of successful client-focused service delivery. Our Complaints Management Policy helps to ensure complaints are handled fairly and efficiently. Customers are encouraged to lodge their concerns via the Customer complaint and feedback form on our website. The total number of complaints received in 2014/15 is an acceptable level given the large number of regulatory statutes we administer on behalf of the government.

Table 21 **Complaints received 2014/15**

Types of complaints received	2014/15
Regulatory	5
Information accuracy and timeliness	6
Negligence/misconduct	4
Financial	0
Total	15

Recordkeeping plans

We reviewed our Recordkeeping Plan during 2013/14 and completed the update form required by the State Records Commission.

The plan was rewritten during the 2014/15 financial year to reflect changes to our business and recordkeeping practices. It will be submitted to the commission for approval in the 2015/16 financial year.

Our Functional Retention and Disposal Schedule RD2011014 was approved by the commission in 2011 and will be reviewed in 2016.

We introduced a department-wide electronic document and records management system (EDRMS) in 2013, which allows for efficient information sharing between staff and appropriate security and management of corporate records. We uploaded the one-millionth document to the system in May 2015.

All staff undertake an online recordkeeping awareness course as part of the induction process. Further training and ongoing support is available from the Document and Records Management team.

Comprehensive information about recordkeeping policies and procedures, including statutory obligations, is available to staff via our intranet.

Expenditure on advertising

In accordance with section 175ZE of the *Electoral Act 1907*, the department reports incurring the following expenditure on advertising, market research, polling, direct mail and media advertising.

Total expenditure for 2014/15 was $405 731. This included $87 014 as part of the department's Buy West Eat Best voluntary labelling and marketing campaign to promote Western Australian produce.

Table 22 **Expenditure on advertising, market research, polling, direct mail and media advertising 2014/15**

Advertising agencies	$
Adcorp Australia	66 455
Marketforce Advertising	132 686
Hype Communications	1 600
Celebrate WA	85 414
Total	**286 155**
Market research organisations	**$**
The Hub Marketing Communications	11 940
Total	**11 940**
Polling organisations	**$**
NA	–
Direct mail organisations	$
Campaign Monitor	773
Email Media	4 750
Total	**5 523**

Media advertising organisations	$
Eneabba Progress Association Inc.	20
Lake Grace Community Resource Centre Inc.	32
Muka Matters Inc.	40
Shire of Trayning	27
The Fence Post Newspaper Inc.	30
The Gimlet Newspaper Inc.	16
Chamber Of Commerce	140
Createsend	4 983
Google Ads	273
Crosswords Newsletter	160
Optimum Media Decision	54 487
Paypal Facebook	153
Regional Publishers	275
Sheep Updates Ad	16
Shire of Christmas Island	86
State Law Publisher	11 353
Telstra Paybyphone	18 438
Adcorp Australia	10 348
WA Newspapers	1 238
Total	**102 113**

EEO and Disability Access and Inclusion Plan

In 2014/15 we continued to provide opportunities to promote and encourage diversity within our workforce through three key plans, comprising the:

- Workforce and Diversity Plan 2012–15
- Disability Access and Inclusion Plan 2015–19
- Reconciliation Action Plan 2015–18.

Specific achievements

- We continued to support the employment and career development of youth through the continuation of our 2014 graduate program. In early 2015, the six graduates relocated to work in our regional offices, taking the skills that they developed in the first year of the graduate program to their new roles.
- We continued to celebrate women in leadership by hosting an event for International Women's Day, featuring guest speaker Sara Kenny, State President of the Country Women's Association of WA.

Our Disability Access and Inclusion Plan (DAIP) provides strategies for the inclusion of clients and staff with disability through improved access to information, services and facilities.

Our key achievements in relation to this plan are outlined below:

- We developed our third DAIP, covering 2015–19, and the associated implementation plan. A DAIP working group, comprising representatives from all directorates, was formed to develop and monitor the implementation of the DAIP and the draft plan was advertised for public comment in December 2014 and January 2015.
- As part of Disability Awareness Week (1–7 December), we showed our commitment to raising awareness of people with disability in the workplace and the community with a display in the main reception area of our South Perth headquarters. A Count Me In morning tea was held for staff at South Perth with guest speaker, Count Me In ambassador Dr Shayne Silcox.

Actively supporting people with disability

Case study

Our department was recognised for supporting the employment of people with disability during the year.

Disability Services Minister Helen Morton presented us with a certificate of appreciation at a WA Disability Enterprises (WADE) function in November 2014.

We employ workers from Activ, WA's largest disability service provider, to maintain our grounds and gardens at South Perth, Bunbury, Esperance and Geraldton.

We also contract disability service provider Intework to clean our car fleet at South Perth on weekends.

DAFWA Assets Director George Nunn said Activ had provided gardening services at South Perth for more than 10 years.

"The Activ workers are a happy crew who keep more than 20 hectares in great shape," he said.

"They have helped develop herb, native and aromatic gardens and ponds as well as carrying out everyday mowing, raking and watering.

Activ Business Services General Manager Vincent Long, Minister Helen Morton and George Nunn display the certificate of appreciation

"Both Activ and Intework teams provide quality work and allow us to contribute positive outcomes for people with disability."

DAFWA enters into contracts with disability enterprises through the State Supply Commission's competition policy, which allows agencies to engage a disability enterprise directly, without undertaking a competitive quote or tender process.

Government policy requirements

Occupational safety, health and injury management

Performance

Table 23 **Occupational safety, health and injury management performance**

Performance measure	2012/13	2013/14	2014/15	2014/15 Government target	Target achieved
Number of fatalities	0	0	0	0	Yes
Lost time injury/disease incidence rate	1.38	1.16	0.84	0 or 10% improvement over three years	Yes
Lost time injury severity rate	6.2	7.7	11.1	As above	No
Percentage of injured workers returned to work within 26 weeks	100	100	96	Greater than or equal to 80% return to work within 26 weeks	Yes
Percentage of injured workers returned to work within 13 weeks	100	78	89	Actual percentage	Yes
Percentage of managers trained in OSH and injury management	97	98	97	80% or greater	Yes

Key achievements and initiatives in 2014/15

The work of our Occupational Safety and Health (OSH) Unit included:

- providing a skin cancer screening program that was used by more than 400 staff. The free skin checks identified 31 skin cancers, allowing staff to seek the necessary treatment
- completing a three-year noise assessment program, which involved visiting all DAFWA sites across the state to assess potential noise hazards associated with equipment and activities and reducing noise exposure
- completing a noise and hearing awareness education program
- providing defibrillators to work sites to allow trained staff to assist someone who has had a cardiac arrest
- completing a review of aerial fatality risks.

OSH and injury management

Our department has a general OSH Policy, 29 other policies covering OSH systems and hazards, and one policy on injury management and workers' compensation. Most of these policies have been in place for more than a decade and are reviewed at least every three years. Any initiatives required for new or reviewed policies are determined by the OSH Policy Committee and are included in our annual OSH initiative strategy. OSH and injury management targets are also included in the strategy.

Changes to policy are communicated to all OSH committee chairs, OSH representatives and relevant managers immediately after each policy committee meeting. All policies are available on our intranet site and all new staff members are made aware of the location of policies and other OSH information through the induction process.

Executive commitment is demonstrated by:

- having defined Executive Director OSH roles and responsibilities
- monitoring of quarterly and annual OSH performance reports
- prioritisation of funding for facilities, machinery and equipment
- support of, and participation in, mandatory OSH training
- support of annual OSH initiatives.

Consultation on OSH and injury management

Our department has a two-tier system of consultation. The OSH Policy Committee is responsible for policy, strategy and monitoring performance. This committee comprises managers and regional OSH representatives. Local committees in larger regional offices and staff meetings in smaller offices form the second tier of consultation. Quarterly committee and staff meetings consider incident, hazard and inspection reports and actions raised by the policy committee.

There are elected OSH representatives in each regional office. Staff members are made aware of their local and regional OSH representatives through local OSH induction and OSH training courses.

Compliance with injury management requirements of *Workers' Compensation and Injury Management Act 1981*

The department's injury management system and return-to-work program are documented in our injury management policy and supporting guidelines. We have an early intervention injury management program, which exceeds the requirements of the Act.

OSH and injury management systems

An accredited consultant carried out a required five-yearly WorkSafe Plan assessment of our OSH systems in February 2013 and provided a rating of 77%. Our department was subsequently awarded a WorkSafe Plan Gold Certificate by the WorkSafe Commissioner in March 2014, which remained current during 2014/15.

OSH training

OSH awareness training is mandatory for staff; 97% of staff had completed the training at 30 June 2015.

We continue to provide two levels of driver training and a range of skills-based training related to the use of machinery, chemicals and other processes.

Substantive equality

Substantive equality means providing services in ways that consider people with differing needs and that create equitable outcomes for all Western Australians as far as possible.

We are committed to substantive equality, requiring all our programs to comply with the provision of the *Equal Opportunity Act 1984*. We seek to ensure that our services are designed and delivered in ways that meet the needs of all our clients by applying the following principles:

- serving members of the agriculture community regardless of age, race, culture, disability or gender
- seeking to meet the diverse needs of our clients by continuous review and development of service design and delivery
- ensuring substantive equality principles are incorporated into all plans, procedures and practices
- ensuring staff have the knowledge, skills and abilities to support the policy
- ensuring client services are developed and delivered appropriately and equitably.

Key achievements for 2014/15

The principles of substantive equality are reflected in our Agrifood 2025+ Strategic plan 2014–17 with our commitment to providing our services in ways that are accessible to all Western Australians.

Our commitment to implementing the policy framework for substantive equality in 2014/15 was shown through:

- redesigning our Plan, Prepare and Prosper workshop to meet the needs of Indigenous business enterprises. The workshop has been delivered to Indigenous Landholder Services (ILS) clients in Esperance, Northam and Albany and plans are in place to deliver to groups in the Kimberley in 2015/16
- continuing a three-year project (started in July 2013) to assist Vietnamese-speaking strawberry growers to improve irrigation and nutrient management through the translation of information into Vietnamese and the design of a best-practice demonstration site
- assisting Indigenous pastoral lessees through the ILS to comply with new lease requirements from the Department of Lands
- including substantive equality principles in our emergency management training to ensure the needs of all stakeholders and clients are considered in emergency response actions
- adopting a coordinated approach to training staff to ensure they are equipped with the skills and knowledge to understand and meet the needs of clients, including:
  - mandatory training for all new staff in EEO and Cultural Awareness, which include components on substantive equality
  - advanced training in Indigenous Australian Cultural Awareness for staff in the Rangelands region who are in direct contact with Indigenous clients.

Sign language to get quarantine message across

Case study

Rachel with detector dog Oscar

Quarantine inspector Rachel Wallace was pleased to put her newly acquired sign language skills to work at Perth Airport.

Rachel, who is based with our Detector Dog Unit, completed a beginners' sign language course during the year.

In her first interaction with a deaf passenger after the course, she was able to sign to ask a young woman if she was carrying any fruit or vegetables in her bag.

"I was able to get across what I needed to and felt brilliant at the end of it," Rachel said.

The passenger's delighted father later wrote to thank Rachel.

'It was great for my daughter to be able to communicate with someone from the public service using sign language," he said. "This helped her to understand the need to use the lovely beagle dog to help you with your work.

"Keep up this good work to keep our state's agriculture and food sector as good as it is and to also help the hearing impaired understand and feel more comfortable while communicating in public."

Rachel volunteered to do the signing course to help convey the quarantine message to hearing impaired passengers.

"In the past, we would provide passengers with brochures to read but I believe being able to communicate with sign language is a more personal and professional approach, which the passengers appreciate," she said.

An enthusiastic Rachel has committed to further sign language training.

Board and committee remuneration

We support six government boards or committees. These provide essential services and advice in regard to the ethical use of animals in science, biosecurity policy and the management of Industry Funding Schemes (IFS).

Members of these bodies are remunerated on a per-meeting basis, with differing rates applied to full and half-day meetings.

Table 24 does not list ex officio members who are DAFWA staff.

Total remuneration across all boards for 2014/15 was $143 599.

Table 24 **Board and committee remuneration**

Position	Member	Appointment		$ Paid in
		From	To	2014/15
Animal Ethics Committee				**14 329**
Member	B Frey	10/2014	10/2017	1 837
Member	I Robertson	12/2014	12/2017	735
Member	E Ball	12/2013	12/2015	2 205
Member	S Vanstan	1/2012	4/2016	2 205
Member	S Leitch	7/2013	7/2017	2 202
Member	G O'Hara	11/2010	11/2014	735
Member	A Coopes	12/2012	11/2015	2 573
Member	R Moore	5/2014	5/2017	1 837
Biosecurity Council of WA				**108 710**
Chair	M Allen	3/2008	12/2016	18 145
Chair	Alan Robson	3/2012	2/2015	18 375
Member	D Jarvie	3/2012	2/2018	13 700
Member	K Goss	3/2012	2/2018	13 700
Member	T Thorne	1/2014	12/2016	13 700
Member	S McKirdy	1/2014	12/2016	13 700
Member	B Large	3/2012	2/2018	13 700
Member	C Winfield	3/2015	2/2018	3 690
Cattle IFS* Management Committee				**5 310**
Chair	D Jarvie	6/2010	6/2016	1 470
Member	C Forsyth	5/2012	6/2018	640
Member	J Fry	7/2013	6/2016	320
Member	W Brockhurst	7/2013	6/2016	960
Member	G Giumelli	6/2010	6/2016	960
Member	G Nixon	7/2013	6/2016	960
Member	A Hiscock	7/2013	6/2016	0
Grains, Seed and Hay IFS* Management Committee				**5 950**
Chair	B Large	6/2010	6/2016	1 470
Member	S Woods	7/2013	6/2016	320
Member	R Creagh	7/2013	6/2016	960
Member	T Cattle	7/2013	6/2015	960
Member	AC Gillam	7/2013	6/2015	640
Member	D Leake	7/2013	6/2015	640
Member	B Young	7/2013	6/2015	960

Table 24 **Board and committee remuneration (continued)**

Position	Member	Appointment		$ Paid in
		From	To	2014/15
Sheep and Goat IFS* Management Committee				**8 850**
Chair	J Murray	6/2010	6/2016	1 960
Member	J Jensen	7/2013	6/2016	640
Member	S Meerwald	7/2013	6/2016	1 450
Member	E Rogister	7/2013	6/2016	1 600
Member	J Moyes	7/2013	6/2016	1 600
Member	D Slade	6/2010	6/2016	1 600
IFS* Appointments Committee				**450**
Chair	R Gillam	5/2015	4/2018	270
Member	W Cox	5/2015	4/2018	0
Member	T Fisher	5/2015	4/2018	180
Member	D Park	5/2015	4/2018	n/a
Member	A Seabrook	5/2015	4/2018	n/a

*IFS = Industry Funding Scheme

Appendix A

Statement from the Commissioner of Soil and Land Conservation

A report on the Commissioner's operations for 2014/15 is submitted in accordance with Section 25 F of the *Soil and Land Conservation Act 1945*.

Delegations

The long standing delegation of power under Part II of the Act to a Regional Manager in the Department of Water (DoW) to administer covenants under Part IV A remains in effect. A DAFWA officer was delegated power to review Soil Conservation Notices (SCN) under s 38(2). The Commissioner continues to have delegated authority from the Minister for the Environment to issue woodchip permits.

Land clearing assessments

Ninety-five clearing area and purpose permit applications were assessed for land degradation, with advice provided to the Department of Environment Regulation (DER) for agriculture purpose clearing or other agencies for infrastructure development (cf. 71 in 2013/14).

Compliance

The Commissioner registered 27 complaints during the year comprising 11 regarding soil erosion, four flooding, four clearing and eight drainage. The three breaches of Soil Conservation Notices and one of a covenant remain under investigation and 10 complaints are pending further investigation or monitoring of compliance with directions given.

Woodchip permits

No woodchip permits were issued.

Agreements to reserve and conservation covenants

During the year, the Commissioner registered five irrevocable Conservation Covenants protecting 782ha in perpetuity and one Agreement to Reserve protecting 6.5ha in perpetuity. All covenants registered were environmental offsets for clearing undertaken for development purposes. A total of 1807 instruments under the *Soil and Land Conservation Act 1945* remain registered on certificates of title protecting 152 709ha of native and planted vegetation.

Soil conservation notices

Two notices discharging soil conservation notices were issued during the year. One of the Soil Conservation Notices (SCN) was discharged to enable a pastoral lease under the *Land Administration Act 1997* to be renewed. Three breaches of soil conservation notices are under investigation. One of these notices was reviewed (s38) by the Commissioner's office and was confirmed.

Land drainage

During 2014/15 six landholders submitted Notices of Intention to Drain (NOI). The outcome of these assessments was that five landowners were issued letters of 'no objection' to the proposed works and one NOI remains pending. The level of non-compliance with the drainage regulation has increased, especially in the Esperance district, despite local publicity aimed at increasing awareness of the regulation.

Land Conservation District Committees (LCDCs)

At the beginning of the financial year, 98 Land Conservation Districts (LCDs) remained proclaimed under the *Soil and Land Conservation Act 1945*. By the year's close, 39 were active with 358 members appointed, 25 LCDCs were abolished with gazette notices published and a further nine LCDCs were in the process of being wound up. Twenty-five LCDCs are in recess with formal abolition process yet to commence. Work in that area effectively ceased on 29 May 2015 when the project officer's position was made redundant due to budget pressure. Negotiations with the Australian Taxation Office regarding more than $250 000 owing by LCDCs for penalties and interest is ongoing.

Condition of the resource base

Agricultural region

Agricultural activities are largely confined to the South West Land Division in WA and productivity is dependent upon the condition of the soil resource. These soils are susceptible to salinisation, acidification, soil erosion, water repellence and compaction. Inland waterways and wetlands are also susceptible to acid groundwater discharge. Agriculture affects wetlands, waterways and estuaries through salinity, nutrient export and sedimentation. The combination of soil constraints, climate variability and increasing production costs is having a significant impact on farm viability in the eastern margins of the wheatbelt.

Soil acidity

Soil acidity is the most serious, long-term preventable land degradation threat to the state's crop and pasture production. Assuming no other production constraints, the economic impact of soil acidity is estimated to be $1500 million per annum or 21% of gross value of annual production (GVAP) (Bennett, A 2015). This estimate, based on collected data, is more than a two-fold increase over the earlier modelled impact. With the exception of the Mid West and Esperance, most agricultural land is in either poor or very poor condition. More than 1.6 million tonnes of agricultural lime was applied during the year. This is about 60% of the estimated 2.5 million tonnes required to be applied annually over the next 10 years to raise soil pH to desirable levels.

Salinity

Salinity continues to have a serious impact on agriculture and offsite natural assets. More than one million hectares of farmland are severely salt affected and more than 2.8 million hectares developing shallow watertables are at risk. The economic impact for the period 2009–13 is estimated to be $519 million per annum or 7% of GVAP (Bennett, A 2015). Total offsite costs are estimated to exceed onsite costs (Simons, George and Raper 2013). During the year, 695 of the 1500 surveillance bore sites were monitored. The data indicate that East Binnu Sandplain, Dandaragan Plateau, South West Zone of Ancient Drainage and the Esperance Sandplain have a high risk of salinity expanding beyond its current extent.

Soil erosion

The economic impact of wind and water erosion for the period 2009–13 was revised downwards and is now estimated to be $53 million per annum or about 0.7% of GVAP (Bennett, A 2015).

Wind erosion is estimated to be an order of magnitude greater than water erosion. During the period 2009–12, pre-harvest and pre-seeding roadside surveys of more than 4000 sites assessed wind erosion risk factors. In each of the four years surveyed, the Central Region had a very high hazard rating due to stubble burning, tillage and low seasonal biomass production.

Localised severe wind erosion followed wildfires in the Gingin and Eneabba areas during the 2014/15 summer and where soil inversion techniques were applied (e.g. mouldboard ploughs and rotary spaders) to manage water repellent soils, herbicide resistant weeds and incorporate lime (Blake, A 2015).

Localised high intensity rainfall over the summer and autumn/early winter period caused flooding, soil erosion and infrastructure damage at centres in the northern, central and south coast regions.

Rivers and wetlands

The excessive application of farm fertilisers is a significant cost to agricultural industry in the south-west agricultural area ($400 million, Weaver and Summers 2013) as well as having serious offsite environmental impacts. Diffuse nutrient pollution from agriculture is a serious land degradation problem on the Swan Coastal Plain and the Lake Warden Catchment in Esperance. The resultant algal blooms and eutrophic conditions in waterways and wetlands have significant impacts on the environment and local communities. The Whole Farm Nutrient Mapping project soil test data indicates that the majority of soil samples have phosphorus levels in excess of production requirements. DoW modelling indicates that with no further phosphorus applications, continued leaching will adversely affect water quality over the coming three to four decades.

Pastoral region

WA's rangelands cover 87% of the state, with pastoral leases covering 35% (874 000km^2) and Unallocated Crown Lands (UCL) and land vested for conservation and Indigenous purposes making up the balance. There are currently 453 registered pastoral stations on 508 pastoral leases. The northern rangelands support 152 stations with 93 in the Kimberley and 59 in the Pilbara, while 292 stations are located in the southern rangelands. Nine stations are located in the South West Land Division.

Rangeland resource condition

The rangeland condition assessment in the Kimberley and much of the Pilbara is based on the frequency of perennial grasses. The density of perennial shrubs is used to determine condition in the southern rangelands. The key drivers for change in resource condition are seasonal conditions, grazing pressure and fire.

The Western Australian Rangeland Monitoring System (WARMS) was established between 1993 and 1999 to monitor rangeland condition trend at a regional scale.

There are 1608 sites, with 625 grassland sites and 983 shrubland sites.

Grassland sites are reassessed on a three-year cycle while shrubland sites are reassessed on a five-year cycle. The effect of rainfall and seasonal conditions is considered for each site and assessment period.

In 2014 a total of 361 WARMS sites were assessed on 105 stations in the Kimberley, Pilbara and southern shrublands.

Seasonal conditions

Last year, all WARMS sites in the Broome, Derby/West Kimberley and North Kimberley LCDs received average or above average seasonal conditions. While some sites in the Halls Creek/East Kimberley LCD had below average seasonal conditions, the Kimberley region has generally experienced 20 years of average or above average rainfall.

For the fourth successive season, 94% of Pilbara WARMS sites experienced average or above average seasonal conditions following the run of below average years leading up to 2010. Rainfall in the Pilbara is highly variable and the long-term average summer rainfall is about one-third of that received in the Kimberley.

Rainfall in the arid southern shrublands is also highly variable. Winter rainfall that promotes establishment and growth of shrubs was better in 2014 than 2013 with 65% of WARMS sites receiving average or above average seasonal quality (compared with 23% in 2012).

However, in the Gascoyne–Wooramel, Meekatharra and Murchison LCDs, between 75 and 100% of WARMS sites received below average winter rainfall in 2014.

Table A1 **Seasonal quality by region for WARMS sites in 2014/15**

Region	Above average (%)	Average (%)	Below average (%)
Kimberley	40	58	2
Pilbara	38	56	6
Southern	18	47	35

Plant trends and reported stock data

Northern rangelands

Grass frequency remains high on Kimberley WARMS sites. With the exception of the North Kimberley, the frequency of all perennial grasses (desirable and undesirable) has increased since 2003.

The 2014 reported stock numbers were above assessed present carrying capacity (PCC) on 83% of stations in the Derby/West Kimberley, 51% of Halls Creek/East Kimberley, 31% in the North Kimberley and 56% of Broome stations.

The situation is variable in the five Pilbara LCDs. The previously reported ongoing decline in desirable grass frequency on WARMS sites since 2000 has halted in response to the more recent favourable seasonal conditions. Overall, a slight increase was recorded in the most recently completed assessment cycle between 2009–11 and 2012–14.

Desirable grass frequency increased in *De Grey (+6.5%), East Pilbara (+18.4%) and Roebourne (+5.9%) LCDs and declined in the Ashburton (–6.8%) and Lyndon (–10.3%) LCDs. In the Ashburton, desirable grass frequency has declined at every assessment since 2000.

In the current assessment cycle, 71% of sites experienced above average seasonal conditions, 26% average and 3% below average seasonal conditions. The average summer rainfall for the most recent assessment cycle (2011–14) in the East Pilbara LCD was 170%, Roebourne 160%, De Grey 150%, and Ashburton and Lyndon at 120% of the long term average summer rainfall.

Applying 2014 reported stock data, the majority of stations were carrying stock in excess of assessed PCC (De Grey 100%, Roebourne 75%, East Pilbara 54%, Lyndon 63% and Ashburton 50%).

*Note: there is an error in last year's report where it was reported De Grey –6.5%; it should read De Grey +6.5%.

Southern Rangelands

There was overall decline in desirable shrub species of 14% in the most recent assessment cycle, 2011–15. The loss of shrubs species was greatest (24%) in those LCDs receiving below average seasonal quality, compared with 11% and 5% losses observed on WARMS sites in LCDs receiving average and above average seasonal conditions, respectively.

The ongoing negative trends reported since 2006/07 indicate a steady decline in the carrying capacity of these rangelands.

Of the 18 shrublands LCDs assessed to date, only Cue (+3%), Mount Magnet (+26%) and Sandstone (+11%) have recorded an increase in desirable shrub numbers. Desirable shrub numbers declined by 25% or more on WARMS sites in the Gascoyne Ashburton Headwaters, Gascoyne–Wooramel, Lyndon, Meekatharra and Wiluna LCDs.

The 2014 reported stocking levels were quite variable and when aggregated at LCD level, are well below the assessed PCC. Across the shrublands, a lower number of stations reported stock numbers above the assessed PCC (24% cf. 33% in 2013) with 67% of stations in the Upper Gascoyne and 64% in the Gascoyne Ashburton Headwaters LCDs above PCC.

The LCDs most at risk of land degradation and loss of carrying capacity are Gascoyne Ashburton Headwaters, Upper Gascoyne, Lyndon, Meekatharra, Wiluna and Gascoyne–Wooramel (note Lyndon has both grass and shrubland WARMS sites).

Cost of Rangeland degradation

Published inventory and condition surveys indicate that the average reduction in carrying capacity due to land degradation is about 27%. Analysis of these data and the Department of Agriculture (Australia) annual grazing industry survey data suggests that in aggregate, the average opportunity cost of land degradation is very significant at around $145 000 per annum per pastoral business (Bennett, A 2015). Accepting the limitations of this analysis, it nevertheless highlights that rangeland degradation has seriously undermined pastoral business viability and will have ongoing impacts unless it is adequately managed.

Conclusions

As reported in previous years, monitoring data point to a number of critical areas where land degradation is undermining the sustainability of our agricultural industries:

- Subsoil acidity is widespread and having a very significant economic impact. Long-term security of access to coastal lime resources remains a high priority for agriculture.
- The revised estimate of the impact of subsoil acidity highlights the importance of on-ground data collection and monitoring the condition of the resource base.
- On-farm nutrient mapping on the Coastal Plain and South West indicates widespread inappropriate fertiliser management continues to impact farm profitability through increased costs and lowered production as well as causing significant offsite land degradation.
- Salinity continues to expand in the South West Agricultural Region, with more than one million hectares of farmland severely salt affected and more than 2.8 million hectares developing shallow watertables at risk.
- The risk of wind erosion through loss of ground cover and tillage is a persistent problem of the low rainfall wheatbelt. Localised severe erosion continues to occur where inversion tillage to manage water repellence and herbicide resistant weeds is carried out on sandplain soils.
- In the Pilbara rangelands, the previously reported decline in desirable grass frequency has halted in response to recent favourable seasonal conditions, while in the southern rangelands, declining resource condition is indicated by the ongoing loss of desirable perennial species reported since 2006/07.

Andrew Watson
Commissioner of Soil and Land Conservation