2019–2020 Department of Communities and Justice

Annual Report

NSW GOVERNMENT

Volume 2 Audited consolidated financial statements for the year ended 30 June 2020

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INDEPENDENT AUDITOR'S REPORT

Department of Communities and Justice

To Members of the New South Wales Parliament

Opinion

I have audited the accompanying financial statements of the Department of Communities and Justice (the Department), which comprise the Statement of Comprehensive Income for the year ended 30 June 2020, the Statement of Financial Position as at 30 June 2020, the Statement of Changes in Equity and the Statement of Cash Flows, for the year then ended, notes comprising a Statement of Significant Accounting Policies and other explanatory information.

In my opinion, the financial statements:

- give a true and fair view of the financial position of the Department as at 30 June 2020, and of its financial performance and its cash flows for the year then ended in accordance with Australian Accounting Standards
- are in accordance with section 45E of the *Public Finance and Audit Act 1983* (PF&A Act) and the Public Finance and Audit Regulation 2015.

My opinion should be read in conjunction with the rest of this report.

Basis for Opinion

I conducted my audit in accordance with Australian Auditing Standards. My responsibilities under the standards are described in the 'Auditor's Responsibilities for the Audit of the Financial Statements' section of my report.

I am independent of the Department in accordance with the requirements of the:

- Australian Auditing Standards
- Accounting Professional and Ethical Standards Board's APES 110 'Code of Ethics for Professional Accountants (including Independence Standards)' (APES 110).

I have fulfilled my other ethical responsibilities in accordance with APES 110.

Parliament promotes independence by ensuring the Auditor-General and the Audit Office of New South Wales are not compromised in their roles by:

- providing that only Parliament, and not the executive government, can remove an Auditor-General
- mandating the Auditor-General as auditor of public sector agencies
- precluding the Auditor-General from providing non-audit services.

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

Level 19, Darling Park Tower 2, 201 Sussex Street, Sydney NSW 2000
GPO Box 12, Sydney NSW 2001 | t 02 9275 7101 | mail@audit.nsw.gov.au | audit.nsw.gov.au

Key Audit Matters

Key audit matters are those matters that, in my professional judgement, were of most significance in my audit of the financial statements for the year ended 30 June 2020. These matters were addressed in the context of my audit of the financial statements as a whole, and in forming my opinion thereon, I do not provide a separate opinion on these matters.

Key Audit Matter	How my audit addressed the matter
Machinery of Government (MoG) changes	

The Department was impacted by two Administrative Arrangement Orders in 2019-20:
• effective on 1 July 2019, the new Department of Communities and Justice (the Department) was created. Functions and staff, together with associated assets and liabilities were transferred to the Department from the former Department of Justice and former Department of Family and Community Services (the former Departments)
• effective on 1 May 2020, Resilience NSW was created. Functions and staff, together with associated assets and liabilties transferred out from the Office of Emergency Management division within the Department to Resilience NSW.
 	
As a result of the MoG changes, the Department:
• recognised net assets from equity transfers in of $6.7 billion at 1 July 2019
• derecognised net assets from equity transfers out of $41.6 million at 1 May 2020.
 	
I considered this to be a key audit matter because of the financial significance of the equity transfers and the heightened financial reporting risks from:
• not recognising assets and liabilities transferred in and out of the Department at fair value, including property, plant and equipment
• aggregation of multiple trial balances in the preparation of the Department's financial statements
• harmonising accounting policies.
 	
Details of the MoG changes and net assets transferred in and out of the Department are disclosed in Note 1(b) and Note 21 respectively.
	Key audit procedures included the following:
	• obtained an understanding of how:
	  – staff, assets and liabilities were identified and transferred among agencies
	  – financial data was aggregated between transferred in agencies to the Department's financial statements
	  – financial data was extracted from the systems used to prepare the Department's financial statements
	• assessed the reasonableness of the fair value of assets and liabilities, including property, plant and equipment, transferred into and out of the Department
	• verified the asset and liability balances transferred into the Department from the former Departments to the audited 30 June 2019 financial statements
	• validated the accuracy and completeness of all other asset and liability transfers transferred into and out of the Department to inter-entity confirmations and sign-offs
	• evaluated the design and implementation of relevant key controls over the aggregation process
	• reviewed the mapping of general ledger accounts between trial balances for consistency
	• ensured the aggregated financial statements were prepared using consistent accounting policies
	• reviewed the appropriateness of the disclosures in the financial statements arising from the MoG changes.

Expenditure on capital projects	

The Department spent $704 million on capital projects in 2019-20.
I considered this to be a key audit matter because of the:
• financial significance of the capital expenditure
• heightened financial reporting risks from not:
  – correctly recording costs between expense and capital allocations
	Key audit procedures included the following:
	• evaluated the design and implementation of relevant key controls over capital projects
	• for a sample of projects:
	  – reviewed the project cost allocation between expense and capital costs
	  – examined the timeliness of asset additions to the fixed asset register

Key Audit Matter	How my audit addressed the matter
– capitalising completed assets to the fixed asset register in a timely manner – depreciating completed assets from the date they were first available for use – removing replaced assets from the fixed asset register. Details of property, plant and equipment and capital works in progress for major asset classes are disclosed in Note 12.	– checked depreciation commenced from the date the assets were first available for use – verified that replaced assets were removed from the asset register.
Estimation of Victims Support Scheme (VSS) claims liabilities	
The liability for VSS claims relates to lodged but not yet paid claims and incurred but not reported (IBNR) claims. At 30 June 2020, the Department reported: • a liability for lodged but not yet paid claims of $193 million, which is based on management's judgement and actuarial expertise • a contingent liability for IBNR claims. There is significant uncertainty associated with the estimation of the potential liability. I considered the liabilities for VSS claims to be a key audit matter because: • of the financial significance of the estimated liability and contingent liability • of the extent of significant management judgements used in estimating and reliably measuring IBNR claims liabilities • a minor change in assumptions can result in a material change in the estimated liability and corresponding change to the net result • management engaged an independent actuary to determine the Department's outstanding claims liability • the Department's independent actuary adopted a revised valuation methodology compared to previous years. Details on the liabilities for VSS claims, together with the estimation uncertainties, are disclosed in Notes 19 and 23.	Key audit procedures included the following: • evaluated the design and implementation of relevant key controls over the claims handling process (including data inputs and data quality) • evaluated the nature and extent of management's oversight and review of the estimates determined by the independent actuary • assessed the competence, capability and objectivity of management's independent actuary • with the assistance of an independent expert, assessed the reasonableness of the valuation methodology and key actuarial assumptions and judgements used by the Department's actuary in estimating the liability for lodged but not yet paid claims • assessed the accuracy and completeness of the lodgements and payments data provided by the Department to the independent actuary • assessed the key actuarial assumptions and judgements used in forecasting expected IBNR claims • assessed the appropriateness of management's conclusion that IBNR claims cannot be reliably measured • assessed the adequacy of the financial statement disclosures against the requirements of applicable Australian Accounting Standards.
Implementation of AASB 16 'Leases'	
The Department adopted new Australian Accounting Standard AASB 16 'Leases' for the first time in 2019-20. The Department recognised: • right-of-use assets of $791 million and lease liabilities of $732 million at 30 June 2020 • a $35.3 million impairment loss against its right-of-use assets in 2019-20. I considered this to be a key audit matter because:	Key audit procedures included the following: • evaluated the design and implementation of key controls over leases processes and systems • tested the completeness, validity and accuracy of lease data in the lease calculations • reviewed the reasonableness of methodologies, management judgements and assumptions in the lease calculations including impairment

Key Audit Matter	How my audit addressed the matter
• right-of-use assets and lease liabilities are financially significant to the Statement of Financial Position • the recognition and measurement of leases including lease payments, lease extension options, discount rates, and impairment involved significant management judgements and assumptions • of the extent of leasing information that impacts on the complete and accurate recognition and measurement of leases. A description of the key assumptions and judgements are disclosed in Note 13.	• tested the mathematical accuracy of the lease calculations including impairment • assessed the adequacy of the financial statement disclosures against the requirements of applicable Australian Accounting Standards and NSW Treasurer's Directions.

Other Information

The Department's annual report for the year ended 30 June 2020 includes other information in addition to the financial statements and my Independent Auditor's Report thereon. The Secretary of the Department is responsible for the other information. At the date of this Independent Auditor's Report, the other information I have received comprise the Statement by the Secretary.

My opinion on the financial statements does not cover the other information. Accordingly, I do not express any form of assurance conclusion on the other information.

In connection with my audit of the financial statements, my responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or my knowledge obtained in the audit, or otherwise appears to be materially misstated.

If, based on the work I have performed, I conclude there is a material misstatement of the other information, I must report that fact.

I have nothing to report in this regard.

Secretary's Responsibilities for the Financial Statements

The Secretary is responsible for the preparation and fair presentation of the financial statements in accordance with Australian Accounting Standards and the PF&A Act and for such internal control as the Secretary determines is necessary to enable the preparation and fair presentation of the financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the Secretary is responsible for assessing the Department's ability to continue as a going concern, disclosing as applicable, matters related to going concern and using the going concern basis of accounting.

Auditor's Responsibilities for the Audit of the Financial Statements

My objectives are to:

- obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error
- issue an Independent Auditor's Report including my opinion.

Reasonable assurance is a high level of assurance, but does not guarantee an audit conducted in accordance with Australian Auditing Standards will always detect material misstatements. Misstatements can arise from fraud or error. Misstatements are considered material if, individually or in aggregate, they could reasonably be expected to influence the economic decisions users take based on the financial statements.

A description of my responsibilities for the audit of the financial statements is located at the Auditing and Assurance Standards Board website at: www.auasb.gov.au/auditors_responsibilities/ar6.pdf. The description forms part of my auditor's report.

The scope of my audit does not include, nor provide assurance:

- that the Department carried out its activities effectively, efficiently and economically
- about the assumptions used in formulating the budget figures disclosed in the financial statements
- about the security and controls over the electronic publication of the audited financial statements on any website where they may be presented
- about any other information which may have been hyperlinked to/from the financial statements.

Margaret Crawford

Auditor-General for New South Wales

12 October 2020
SYDNEY

Department of Communities and Justice
STATEMENT BY THE SECRETARY
for the year ended 30 June 2020

Pursuant to section 45F of the *Public Finance and Audit Act 1983*, I state that:

(a) The accompanying financial statements and notes have been prepared in accordance with:
- applicable Australian Accounting Standards (which include Australian Accounting Interpretations);
- the requirements of the *Public Finance and Audit Act 1983* (the Act) and *Public Finance and Audit Regulation 2015*; and
- the Treasury Directions issued under the Act.

(b) The financial statements and notes exhibit a true and fair view of the financial position as at 30 June 2020 and financial performance of the Department of Communities and Justice for the year ended; and

(c) As at the date of this statement, there are no circumstances which would render any particulars included in the financial statements to be misleading or inaccurate.

Michael Coutts-Trotter
Secretary
Department of Communities and Justice

2 October 2020

Elizabeth Stratford
Chief Financial Officer
Department of Communities and Justice

2 October 2020

Department of Communities and Justice
Statement of Comprehensive Income
for the year ended 30 June 2020

Start of audited financial statements

	Notes	PARENT		CONSOLIDATED
		Actual 2020 $'000	Budget 2020 $'000	**Actual 2020 $'000**
Continuing operations				
Expenses excluding losses				
Employee related expenses	2(a)	**3,024,649**	2,806,135	**3,024,649**
Operating expenses	2(b)	**2,017,955**	1,042,210	**2,018,109**
Depreciation and amortisation	2(c)	**404,067**	480,155	**404,197**
Grants and subsidies	2(d)	**8,228,558**	11,079,567	**8,228,558**
Finance costs	2(e)	**20,166**	32,367	**20,166**
Other expenses		**-**	34,374	**-**
Total expenses excluding losses		**13,695,395**	15,474,808	**13,695,679**
Revenue				
Appropriation (net of transfer payments)	3(a)	**13,160,954**	15,420,782	**13,160,954**
Sale of goods and services from contracts with customers	3(b)	**258,610**	271,006	**258,610**
Investment revenue	3(c)	**427**	29,222	**437**
Retained taxes, fees and fines	3(d)	**24,497**	11,900	**24,497**
Grants and other contributions	3(e)	**131,837**	121,609	**131,837**
Personnel services revenue	3(f)	**69,481**	-	**69,481**
Acceptance by the Crown Entity of employee benefits and other liabilities	3(g)	**160,321**	141,261	**160,321**
Other income	3(h)	**94,572**	38,072	**94,618**
Total revenue		**13,900,699**	16,033,852	**13,900,755**
Operating result		**205,304**	559,044	**205,076**
Loss on disposal	4	**(2,211)**	(223)	**(2,211)**
Impairment reversal on financial assets		**5,429**	-	**5,429**
Other losses	5	**(38,046)**	(1,389)	**(38,046)**
Net result from continuing operations		**170,476**	557,432	**170,248**
Other comprehensive income				
Items that will not be reclassified to net result in subsequent periods				
Net change in revaluation surplus of property, plant and equipment	12	**268,060**	-	**268,465**
Total other comprehensive income		**268,060**	-	**268,465**
TOTAL COMPREHENSIVE INCOME		**438,536**	557,432	**438,713**

The accompanying notes form part of these financial statements.

Department of Communities and Justice

Statement of Financial Position

as at 30 June 2020

	Notes	PARENT Actual 2020 $'000	PARENT Budget 2020 $'000	CONSOLIDATED Actual 2020 $'000
ASSETS				
Current Assets				
Cash and cash equivalents	9	**72,101**	147,769	**73,482**
Receivables	10	**223,268**	210,425	**223,268**
Inventories	11	**22,402**	18,821	**22,402**
		317,771	377,015	**319,152**
Non-current assets held for sale	15	**26,774**	-	**26,774**
Total Current Assets		**344,545**	377,015	**345,926**
Non-Current Assets				
Receivables	10	**30,878**	24,592	**30,878**
Financial assets at fair value		**-**	50	**-**
Property, plant and equipment	12			
Land and buildings		**7,067,024**	7,869,543	**7,076,724**
Plant and equipment		**393,941**	322,340	**393,941**
Total property, plant and equipment		**7,460,965**	8,191,883	**7,470,665**
Right-of-use assets	13	**790,990**	-	**790,990**
Intangible assets	14	**327,501**	280,646	**327,501**
Total Non-Current Assets		**8,610,334**	8,497,171	**8,620,034**
Total Assets		**8,954,879**	8,874,186	**8,965,960**
LIABILITIES				
Current Liabilities				
Payables	17	**423,182**	318,337	**423,182**
Borrowings	18	**90,608**	102,488	**90,608**
Provisions	19	**537,118**	400,434	**537,118**
Other current liabilities	20	**5,904**	11,595	**5,904**
Total Current Liabilities		**1,056,812**	832,854	**1,056,812**
Non-Current Liabilities				
Borrowings	18	**641,620**	684,748	**641,620**
Provisions	19	**173,786**	121,555	**173,786**
Other non-current liabilities	20	**432**	637	**432**
Total Non-Current Liabilities		**815,838**	806,940	**815,838**
Total Liabilities		**1,872,650**	1,639,794	**1,872,650**
Net Assets		**7,082,229**	7,234,392	**7,093,310**
EQUITY				
Reserves		**268,060**	-	**268,883**
Accumulated funds		**6,814,169**	7,234,392	**6,824,427**
Total Equity		**7,082,229**	7,234,392	**7,093,310**

The accompany notes form part of these financial statements.

Department of Communities and Justice

Statement of Changes in Equity

for the year ended 30 June 2020

PARENT	Notes	Accumulated funds $'000	Asset revaluation reserve $'000	Total equity $'000
Balance at 1 July 2019		-	-	-
Transactions with owners in their capacity with owners - increase in net assets from equity transfer - 1 July 2019	21	6,689,965	-	6,689,965
Changes in accounting policy	20	(4,715)	-	(4,715)
Restated balance at 1 July 2019		**6,685,250**	**-**	**6,685,250**
Net result for the year		170,476	-	170,476
Other comprehensive income				
Net change in revaluation surplus of property, plant and equipment	12	-	268,060	268,060
Total other comprehensive income		**-**	**268,060**	**268,060**
Total comprehensive income for the year		**170,476**	**268,060**	**438,536**
Transactions with owners in their capacity as owners				
Decrease in net assets from equity transfers - 1 May 2020	21	(41,557)	-	(41,557)
Balance at 30 June 2020		**6,814,169**	**268,060**	**7,082,229**

The accompanying notes form part of these financial statements.

Department of Communities and Justice
Statement of Changes in Equity
for the year ended 30 June 2020

CONSOLIDATED	Notes	Accumulated funds $'000	Asset revaluation reserve $'000	Total equity $'000
Balance at 1 July 2019		10,486	418	10,904
Transactions with owners in their capacity with owners - increase in net assets from equity transfer - 1 July 2019	21	6,689,965	-	6,689,965
Changes in accounting policy	20	(4,715)	-	(4,715)
Restated balance at 1 July 2019		**6,695,736**	**418**	**6,696,154**
Net result for the year		170,248	-	170,248
Other comprehensive income				
Net change in revaluation surplus of property, plant and equipment	12	-	268,465	268,465
Total other comprehensive income		**-**	**268,465**	**268,465**
Total comprehensive income for the year		**170,248**	**268,465**	**438,713**
Transactions with owners in their capacity as owners				
Decrease in net assets from equity transfers - 1 May 2020	21	(41,557)	-	(41,557)
Balance at 30 June 2020		**6,824,427**	**268,883**	**7,093,310**

The accompanying notes form part of these financial statements

Department of Communities and Justice
Statement of Cash Flows
for the year ended 30 June 2020

		PARENT		CONSOLIDATED
		Actual	Budget	**Actual**
		2020	2020	**2020**
	Notes	**$'000**	$'000	**$'000**
CASH FLOWS FROM OPERATING ACTIVITIES				
Payments				
Employee related		(2,809,866)	(2,694,713)	(2,809,866)
Suppliers for goods and services		(2,185,190)	(1,406,822)	(2,185,344)
Grants and subsidies		(8,234,754)	(11,131,813)	(8,234,754)
Finance costs		(21,514)	(32,348)	(21,514)
Total payments		**(13,251,324)**	(15,265,696)	**(13,251,478)**
Receipts				
Appropriations (excluding equity appropriations)		13,160,954	15,420,782	13,160,954
Sale of goods and services		347,058	270,481	347,058
Retained taxes, fees and fines		24,497	-	24,497
Interest received		427	26,423	437
Grants and other contributions		99,725	121,609	99,725
Other		438,131	422,121	438,177
Total receipts		**14,070,792**	16,261,416	**14,070,848**
NET CASH FLOWS FROM OPERATING ACTIVITIES	25	**819,468**	995,720	**819,370**
CASH FLOWS FROM INVESTING ACTIVITIES				
Proceeds from sale of property, plant and equipment		6,594	2	6,594
Purchase of property, plant and equipment and intangible assets		(704,393)	(824,338)	(704,393)
NET CASH FLOWS FROM INVESTING ACTIVITIES		**(697,799)**	(824,336)	**(697,799)**
CASH FLOWS FROM FINANCING ACTIVITIES				
Repayment of borrowings		(140)	-	(140)
Payment of principal portion of lease liabilities		(94,490)	(96,949)	(94,490)
NET CASH FLOWS FROM FINANCING ACTIVITIES		**(94,630)**	**(96,949)**	**(94,630)**
NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS		27,039	74,435	26,941
Opening cash and cash equivalents		-	10,411	1,479
Increase in cash from equity transfers on administrative restructure - 1 July 2019	21	250,891	62,923	250,891
Decrease in cash from equity transfers on administrative restructure - 1 May 2020	21	(205,829)	-	(205,829)
CLOSING CASH AND CASH EQUIVALENTS	9	**72,101**	147,769	**73,482**

The accompanying notes form part of these financial statements

1. Statement of Significant Accounting Policies

(a) Reporting entity

The Department of Communities and Justice (the Department) is a NSW government department and is controlled by the State of New South Wales, which is the ultimate parent. The Department is a not-for-profit entity (as profit is not its principal objective) and it has no cash generating units.

The parent Department as a reporting entity in 2019-20 incorporates:

- employee related transactions and balances of the NSW Trustee and Guardian (including the Office of the Public Guardian);
- employee related transactions and balances of the Legal Profession Admission Board;
- employee related transactions and balances of the Trustees of the Anzac Memorial Building;
- employee related transactions and balances of the Legal Services Council;
- employee related transactions and balances of the Ageing and Disability Commissioner;
- Courts and Tribunals;
- Corrective Services NSW (including Corrective Services Industries);
- Youth Justice NSW;
- Office of Emergency Management (OEM) (up to 30 April 2020);
- NSW Office of Veterans Affairs;
- Family and Community Services;
- 52.5% of all transactions and balances of Law Courts Ltd by Joint Arrangement.

The consolidated financial statements for the Department in 2019-20 includes the parent Department and the John Williams Memorial Charitable Trust.

The Secretary of the Department administers the John Williams Memorial Charitable Trust which was set up for the purpose of providing both respite and accommodation for children with disabilities and other care accommodation for children with disabilities where that accommodation is provided in conjunction with other support services of a medical nature.

In the process of preparing the consolidated financial statements, all intra-entity transactions and balances have been eliminated, and like transactions and other events are accounted for using uniform accounting policies.

These financial statements for the year ended 30 June 2020 have been authorised for issue by the Secretary on 2 October 2020, after recommendation by the Department's Audit and Risk Committee.

(b) Administrative restructure and other activities

In accordance with the *Administrative Arrangements (Administrative Changes – Public Service Agencies) Order 2019* dated 2 April 2019, the former Department of Justice and former Department of Family and Community Services were abolished on 1 July 2019.

On abolition, the former Departments' employees, assets, rights and liabilities were transferred to the Department of Communities and Justice and will continue to be used, recovered or settled in the normal course of business by the transferee Department. The exceptions are:

- the NSW Registry of Births, Deaths and Marriages (BDM) division of the former Department of Justice, which transferred to the Department of Customer Services (DCS); and
- the staff employed by the former Department of Family and Community Services for providing personnel services to the Land & Housing Corporation (LAHC) and Aboriginal Housing Office (AHO) which transferred to the Department of Planning, Industry and Environment (DPIE).

1. Statement of Significant Accounting Policies (cont'd)

(b) Administrative restructure and other activities (cont'd)

Further in accordance with *Administrative Arrangements (Administrative Changes – Miscellaneous) Order 2019* dated 28 June 2019, the following occurred:

- On 1 July 2019, the Countering Violent Extremism Division transferred from the Department of Premier and Cabinet (DPC) to the Department of Communities and Justice
- Department of Family and Community Services and Justice were renamed to Department of Communities and Justice.

In addition, in accordance with the *Administrative Arrangements (Administrative Changes – Resilience NSW) Order 2020 dated 1 April 2020,* the following occurred:

- On 1 May 2020, the functions and staff employed in the Office of Emergency Management division in the Department of Communities and Justice transferred to Resilience NSW.

Refer Note 21(i) for details of assets and liabilities transferred in and out as part of the administrative restructure.

(c) Basis of preparation

(i) The Department's financial statements are general purpose financial statements which have been prepared on an accrual basis and in accordance with:

- applicable Australian Accounting Standards (AAS) (which include Australian Accounting Interpretations)
- the requirements of the *Public Finance and Audit Act 1983* (the Act) and *Public Finance and Audit Regulation 2015* and
- Treasurer's Directions issued under the Act.

Judgements, key assumptions and estimations that management has made are disclosed in the relevant notes to the financial statements. Income, expense, impairment loss, assets and accruals that are incremental and directly attributable to the COVID-19 global pandemic have been disclosed in Note 31.

Property, plant and equipment and assets (or disposal groups) held for sale and certain financial assets and liabilities are measured at fair value. Other financial statements items are prepared in accordance with the historical cost convention adjusted for impairment loss, except where otherwise stated.

All amounts are rounded to the nearest one thousand dollars and are expressed in Australian currency, which is the Department's presentation and functional currency, except for written notes that accompany the main notes to the financial statements which are expressed in millions of Australian dollars to one decimal place.

The financial statements for the year ended 30 June 2020 are prepared on a going concern basis.

(i) National Disability Insurance Scheme (NDIS) full scheme operations for New South Wales commenced on 1 July 2018. As part of the implementation of the NDIS, disability services provided by the Department are continuing to transition to the Non-Government Organisation (NGO) sector (refer Note 21 for details of the transition of disability services to the NGO sector in 2019-2020).

(d) Statement of compliance

The financial statements and notes comply with Australian Accounting Standards, which include Australian Accounting Interpretations.

1. Statement of Significant Accounting Policies (cont'd)

(e) Administered activities

The Department administers, but does not control, certain activities on behalf of the Crown Entity. It is accountable for the transactions relating to those administered activities but does not have the discretion to deploy the resources for the achievement of the Department's own objectives.

Transactions and balances relating to the administered activities are not recognised as the Department's income, expenses, assets and liabilities, but are disclosed in the accompanying schedules as 'Transfer payments' in Note 7 and 'Administered Assets' and 'Administered Liabilities' in Note 28.

The accrual basis of accounting and applicable accounting standards have been adopted.

The Commonwealth and New South Wales Governments entered into a bilateral agreement under the National Disability Insurance Scheme (NDIS) for financial contributions to be paid to National Disability Insurance Agency (NDIA). Cash contributions paid by the Department to NDIA under the scheme is disclosed as an administered item, due to the transfer of majority of the disability services to the NGO sector. These payments are disclosed in Note 7 as transfer payments.

(f) Accounting for the Goods and Services Tax (GST)

Income, expenses and assets are recognised net of the amount of GST, except that the:

- amount of GST incurred by the Department as a purchaser that is not recoverable from the Australian Taxation Office (ATO) is recognised as part of an asset's cost of acquisition or as part of an item of expense; and
- receivables and payables are stated with the amount of GST included.

Cash flows are included in the Statement of Cash Flows on a gross basis. However, the GST components of cash flows arising from investing and financing activities which are recoverable from, or payable to, the ATO are classified as operating cash flows.

(g) Foreign currency translation

Transactions in foreign currencies are recorded using the spot rate at the date the transaction first qualifies for recognition.

Monetary assets and liabilities denominated in foreign currencies are translated at the functional currency spot rates of exchange at the end of the reporting date.

Differences arising on settlement or translation of monetary items are recognised in net result.

Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rates at the dates of the initial transactions. Non-monetary items measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value is determined. The gain or loss arising on translation of non-monetary items measured at fair value is treated in line with the recognition of the gain or loss on the change in fair value of the item (i.e., translation differences on items whose fair value gain or loss is recognised in other comprehensive income or net results are also recognised in other comprehensive income or net results, respectively).

(h) Equity and reserves

(i) Revaluation surplus

The revaluation surplus is used to record increments and decrements on the revaluation of non-current assets. This accords with the Department's policy on the revaluation of property, plant and equipment as discussed in Note 12.

(ii) Accumulated funds

The category 'Accumulated Funds' includes all current and prior period retained funds.

1. Statement of Significant Accounting Policies (cont'd)

(i) Budgeted amounts

The budgeted amounts are drawn from the original budgeted financial statements presented to Parliament for the Department in respect of the reporting period. The John Williams Memorial Charitable Trust does not have a published budget and has not been included. Subsequent amendments to the original budget (e.g. adjustments for transfer of functions between entities as a result of Administrative Arrangement Orders) are not reflected in the budgeted amounts. Major variances between the original budgeted amounts and the actual amounts disclosed in the primary financial statements are explained in Note 24.

(j) Comparative information

No comparative information is provided as this is the first financial year for the Department, except the comparative statements of comprehensive income and details of assets and liabilities transferred from the former departments, which are provided in Note 21. In addition, narrative information that is relevant to the current period has been disclosed, such as contingent liabilities and contingent assets in Note 23.

(k) Changes in accounting policy, including new or revised Australian Accounting Standards

(i) Effective for the first time in 2019-20

The Department applied AASB 15 *Revenue from Contracts with Customers*, AASB 1058 *Income of Not-for-Profit Entities*, and AASB 16 *Leases* for the first time. The nature and effect of the changes as a result of adoption of these new accounting standards are described below.

Several other amendments and interpretations apply for the first time in 2019-20, but do not have an impact on the financial statements of the Department.

AASB 15 *Revenue from Contracts with Customers* (AASB 15)

AASB 15 supersedes AASB 111 *Construction Contracts*, AASB 118 *Revenue* and related interpretations and it applies, with limited exceptions, to all revenue arising from contracts with customers. AASB 15 establishes a five-step model to account for revenue arising from contracts with customers and requires that revenue be recognised at an amount that reflects the consideration to which an entity expects to be entitled in exchange for transferring goods or services to a customer.

AASB 15 requires the Department to exercise judgement, taking into consideration all of the relevant facts and circumstances when applying each step of the model to contracts with their customers. The standard also specifies the accounting for incremental costs of obtaining a contract and the costs directly related to fulfilling a contract. In addition, the standard requires relevant disclosures.

In accordance with the transition provisions in AASB 15, the Department has adopted AASB 15 retrospectively with the cumulative effect of initially adopting the standard recognised at the date of initial application on 1 July 2019. The Department has not restated contracts that are completed contracts as at 1 July 2019. However, there is Nil impact arising from the application of this practical expedient.

The adoption of AASB 15 did not have an impact on the Statement of Financial Position, Statement of Comprehensive Income and the Statement of Cash Flows for the financial year.

AASB 1058 *Income of Not-for-Profit Entities* (AASB 1058)

AASB 1058 replaces most of the existing requirements in AASB 1004 *Contributions* (AASB 1004). The scope of AASB 1004 is now limited mainly to contributions by owners (including parliamentary appropriations that satisfy the definition of contribution by owners), administrative arrangements and liabilities of government departments assumed by other entities.

AASB 1058 applies to income with a donation component, i.e. transactions where the consideration to acquire an asset is significantly less than fair value principally to enable a not-for-profit entity to further its objectives; and volunteer services. AASB 1058 adopts a residual approach, meaning that the Department first applies other applicable Australian Accounting Standards (e.g. AASB 1004, AASB 15, AASB 16, AASB 9, AASB 137) to a transaction before recognising income.

1. Statement of Significant Accounting Policies (cont'd)

(k) Changes in accounting policy, including new or revised Australian Accounting Standards (cont'd)

(i) Effective for the first time in 2019-20 (cont'd)

AASB 1058 *Income of Not-for-Profit Entities* (cont'd)

The Department needs to determine whether a transaction is/contains a donation (accounted for under AASB 1058) or a contract with customer (accounted for under AASB 15).

AASB 1058 requires recognition of receipt of an asset, after the recognition of any related amounts in accordance with other Australian Accounting Standards, as income:

- when the obligations under the transfer is satisfied, for transfers to enable the Department to acquire or construct a recognisable non-financial asset that will be controlled by the Department
- immediately, for all other income within the scope of AASB 1058.

In accordance with the transition provisions in AASB 1058, the Department has adopted AASB 1058 retrospectively with the cumulative effect of initially applying the standard at the date of initial application on 1 July 2019.

The effect of adopting AASB 1058 is as follows:

Impact on Statement of Comprehensive Income (increase/ (decrease)):

	Notes	30 June 2020 $'000 AASB 1058	30 June 2020 $'000 Without adoption of AASB 1058	30 June 2020 $'000 Impact of AASB 1058
Revenue				
Grants to acquire/construct a recognisable non-financial asset to be controlled by the Department	3(e)			
Grants to acquire/construct a recognisable non-financial asset to be controlled by the Department		**2,712**	**5,993**	**(3,281)**
Grants without sufficiently specific performance obligations	3(e)			
Support and manage adult and juvenile offenders		**7,705**	**7,705**	**-**
Tenancy functions of courts and tribunals		**22,048**	**22,048**	**-**
Support for victims of crime		**899**	**899**	**-**
Redundancy grant from the Crown		**31,310**	**31,310**	**-**
Operation of dust diseased tribunals		**5,771**	**5,771**	**-**
Client facing justice services and legal assistance		**3,968**	**3,968**	**-**
Other court and tribunals		**2,964**	**2,964**	**-**
Information linkages and capacity building grants		**13,904**	**13,904**	**-**
Home Purchase Assistance Fund grants		**9,868**	**9,868**	**-**
Social and Affordable Housing Fund grants		**10,791**	**10,791**	**-**
Other grants		**19,897**	**19,897**	**-**
		131,837	**135,118**	**(3,281)**
Expenses		**-**	**-**	**-**
Operating result		**131,837**	**135,118**	**(3,281)**
Net result		**131,837**	**135,118**	**(3,281)**

1. Statement of Significant Accounting Policies (cont'd)

(k) Changes in accounting policy, including new or revised Australian Accounting Standards (cont'd)

(i) Effective for the first time in 2019-20 (cont'd)

AASB 1058 *Income of Not-for-Profit Entities* (cont'd)

Impact on Statement of Financial Position (increase / (decrease))

	Notes	30 June 2020 $'000 AASB 1058	30 June 2020 $'000 Without adoption of AASB 1058	30 June 2020 $'000 Impact of AASB 1058
Assets		-	-	-
Liabilities				
Liabilities under transfers to acquire or construct non-financial assets to be controlled by the entity	20	3,281	-	3,281
Total adjustment to equity				
Accumulated funds		3,281	-	3,281

The adoption of AASB 1058 did not have an impact on Other Comprehensive Income and the Statement of Cash Flows for the financial year.

(i) The Department received Commonwealth grants of $2.5 million specifically provided to construct a capital asset in the Corrective Services division was identified to have sufficiently specific performance obligations requiring revenue deferral at 1 July 2019. All the performance obligations were met by the Department and grant income of $2.5 million was recognised in 2019-20.

(ii) At 1 July 2019, the Department has also recognised $2.2 million in relation to unspent capital grants with sufficiently specific performance obligations from Commonwealth and State through Joint Arrangement control with Law Courts Limited. Unspent capital grants relating to Law Courts Limited of $3.3 million with unsatisfied performance obligations at 30 June 2020 are disclosed under Other liabilities in Note 21 and revenue of $0.2 million recognised in the Statement of Comprehensive Income.

AASB 16 *Leases* (AASB 16)

AASB 16 supersedes AASB 117 *Leases*, Interpretation 4 *Determining whether an Arrangement contains a Lease*, Interpretation 115 *Operating Leases – Incentives* and Interpretation 127 *Evaluating the Substance of Transactions Involving the Legal Form of Lease*. The standard sets out the principles for the recognition, measurement, presentation and disclosure of leases and requires lessees to recognise most leases on balance sheet.

Lessor accounting

Lessor accounting under AASB 16 is substantially unchanged from AASB 117. Lessors will continue to classify leases as either operating or finance leases using similar principles as in AASB 117. Therefore, AASB 16 does not have a significant impact for leases where the Department is the lessor.

1. Statement of Significant Accounting Policies (cont'd)

(k) Changes in accounting policy, including new or revised Australian Accounting Standards (cont'd)

(i) Effective for the first time in 2019-20 (cont'd)

***AASB 16 Leases* (cont'd)**

Lessee accounting

AASB 16 requires the Department to account for all leases under a single on-balance sheet model similar to the accounting for finance leases under AASB 117. As the lessee, the Department recognises a lease liability and right-of-use asset at the inception of the lease. The lease liability is measured at the present value of the future lease payments, discounted using the interest rate implicit in the lease, or the lessee's incremental borrowing rate if the interest rate implicit in the lease cannot be readily determined. The corresponding right-of-use asset is measured at the value of the lease liability adjusted for lease payments before inception, lease incentives, initial direct costs and estimates of costs for dismantling and removing the asset or restoring the site on which it is located.

The Department has adopted the partial retrospective option in AASB 16, where the cumulative effect of initially applying AASB 16 is recognised on 1 July 2019 and the comparatives for the year ended 30 June 2019 are not restated.

In relation to leases that had previously been classified as 'operating leases' under AASB 117, a lease liability is recognised at 1 July 2019 at the present value of the remaining lease payments, discounted using the lessee's incremental borrowing rate at the date of initial application. The weighted average lessee's incremental borrowing rate applied to the lease liabilities on 1 July 2019 was 1.42% for leases up to 5 years, 2.00% for leases over 5 years up to 10 years and 2.42% for leases over 10 years.

The corresponding right-of-use asset is initially recorded on transition at an amount equal to the lease liability, adjusted by the amount of any prepaid or accrued lease payments relating to that lease recognised in the statement of financial position as at 30 June 2019. These assets are measured at their fair value at 1 July 2019.

For leases previously classified as finance leases the Department recognised the carrying amount of the lease asset and lease liability immediately before transition as the carrying amount of the right of use asset and the lease liability at the date of initial application. The measurement principles of AASB 16 are only applied after that date.

The Department elected to use the practical expedient to expense lease payments for lease contracts that at their commencement date, have a lease term of 12 months or less and do not contain a purchase option (short-term leases), and lease contracts for which the underlying asset is valued at $10,000 or under when new (low-value assets).

In applying AASB 16 for the first time, the Department has used the following practical expedients permitted by the standard:

- Not reassessing whether a contract is, or contains, a lease at 1 July 2019, for those contracts previously assessed under AASB 117 and Interpretation 4
- Applying a single discount rate to a portfolio of leases with reasonably similar characteristics
- Not recognising a lease liability and right-of-use asset for short-term leases that end within 12 months of the date of initial application
- Excluding the initial direct costs from the measurement of the right-of-use asset at the date of initial application
- Using hindsight in determining the lease term where the contract contained options to extend or terminate the lease.

1. Statement of Significant Accounting Policies (cont'd)

(k) Changes in accounting policy, including new or revised Australian Accounting Standards (cont'd)

(i) Effective for the first time in 2019-20 (cont'd)

The effect of adopting AASB 16 as at 1 July 2019 (increase / (decrease)) is, as follows:

	Note	$'000
Assets		
Property, plant and equipment[1]	12	(209,824)
Right-of-use assets[2]	13	892,913
Total assets		**683,089**
Liabilities		
Borrowings	18	(785,028)
Total liabilities		**(785,028)**
Equity		
Accumulated funds		-
		-

The lease liabilities as at 1 July 2019 can be reconciled to the operating lease commitments as of 30 June 2019, as follows:

	$'000
Operating lease commitments as at 30 June 2019 (GST included)	563,542
(Less): GST included in operating lease commitments	(51,231)
Operating lease commitments as at 30 June 2019 (GST excluded)	**512,311**
(Less): Outgoings excluded at transition	(59,712)
Revised Operating lease commitments as at 30 June 2019 (GST excluded)	**452,599**
Weighted average incremental borrowing rate as at 1 July 2019	1.82%
Discounted operating lease commitments as at 1 July 2019	419,002
Add: commitments related to leases previously classified as finance leases (GST excluded)	100,670
(Less): commitments relating to short-term leases	(21,084)
Add/(less): contracts re-assessed as lease contracts	(746)
Add: Lease payments relating to renewal periods not included in operating lease commitments as at 30 June 2019	304,647
Add/(less): adjustments relating to changes in the index or rate affecting variable payments	(17,461)
Lease liabilities as at 1 July 2019	**785,028**

The operating lease commitments as at 30 June 2019 relates to the functions of the former Department of Justice and former Department of Family and Community Services which transferred to the Department of Communities and Justice on 1 July 2019.

[1] Includes finance lease assets and related liability balances at 1 July 2019 which is adjusted by $8.1 million due to rent free period.

[2] Right-of-use asset balance recorded on transition was adjusted by $1.3 million lease incentive liability as at 1 July 2019.

1. Statement of Significant Accounting Policies (cont'd)

(k) Changes in accounting policy, including new or revised Australian Accounting Standards (cont'd)

(ii) Issued but not effective

NSW public sector entities are not permitted to early adopt new Australian Accounting Standards (AAS), unless Treasury determines otherwise.

The following new AAS have not been applied and are not yet effective, as per NSW Treasury Circular TC 20/01:

- AASB 1059 *Service Concession Arrangements: Grantors*
- AASB 2018-5 Amendments to Australian Accounting Standards – *Deferral of AASB 1059*
- AASB 2018-7 Amendments to Australian Accounting Standards – *Definition of Material*
- AASB 2019-1 Amendments to Australian Accounting Standards – *References to the Conceptual Framework*
- AASB 2019-2 Amendments to Australian Accounting Standards – *Implementation of AASB 1059*
- AASB 2019-7 Amendments to Australian Accounting Standards – *Disclosure of GFS Measures of Key Fiscal Aggregates and GAAP/GFS Reconciliations.*

The Department has assessed the impact of the new standards and interpretations on issue but not yet effective where relevant and considers the impact to be not material except for AASB 1059.

AASB 1059 Service Concession Arrangements: Grantors

AASB 1059 *Service Concession Arrangements: Grantors* (AASB 1059) is effective for financial reporting periods commencing on or after 1 January 2020. Therefore, for the Department AASB 1059 will be effective from 1 July 2020. At the same time NSW Treasury Policy and Guideline Paper TPP 06-8: *Accounting for Privately Financed Projects* (TPP 06-8) will be withdrawn effective from 1 July 2020.

Service concession arrangements (SCAs) are contracts between a grantor and an operator where an operator provides public services related to a service concession asset on behalf of a public sector grantor for a specified period of time and manages at least some of those services.

The Department will adopt AASB 1059 retrospectively by recognising and measuring service concession assets and related liabilities, with any net adjustments to the amounts of assets and liabilities recognised in accumulated funds at the date of initial application of 1 July 2019.

The Department estimates that the adoption of AASB 1059 will impact the transactions and balances recognised in its financial statements as follows:

- At 1 July 2020, additional service concession (SC) assets of $1,084.7 million and SC liabilities of $759.8 million will be recognised. This includes reclassification of existing Property plant and equipment of $324.9 million as SC assets.

1. Statement of Significant Accounting Policies (cont'd)

(k) Changes in accounting policy, including new or revised Australian Accounting Standards (cont'd)

(ii) Issued but not effective (cont'd)

- For the period ended 30 June 2021, net result and total comprehensive income are expected to decrease by $84.0 million.
- The services concessions identified, and their impact on the Department's assets, liabilities, net result and comprehensive income are summarised as below:

Name & description of the SCA	Period of the arrangement	1 July 2020 $'000 Impact on assets	1 July 2020 $'000 Impact on liabilities	2020-21 $'000 Impact on net result	2020-21 $'000 Impact on total comprehensive income
Parklea Correctional Centre[3]	31 March 2019 - 31 March 2026	172,300	-	-	-
Junee Correctional Centre[4]	1 April 2019 - 31 March 2024	89,400	-	-	-
Clarence Correctional Centre[5]	1 July 2020 - 30 June 2040	823,000	759,800	84,000	84,000
Total impact		**1,084,700**	**759,800**	**84,000**	**84,000**

Based on the Department's assessment, the SCAs listed in the table above falls within the scope of AASB 1059. The arrangement involves external operators provided with discretionary responsibility to maintain and operate three specific correctional centre locations, as an integral part of NSW Corrective Services Network controlled by the Department, for periods as stated in the table. In return the external operators are compensated by agreed managed service fees and loan repayment.

The financial impact assessment above represents management's current best estimate and is subject to change based on further review.

[3] Parklea Correctional Centre is included in the Department's Property, plant and equipment as at 30 June 2020 and will be reclassified to Service Concession assets as at 1 July 2020.

[4] Junee Correctional Centres is included in the Department's Property, plant and equipment as at 30 June 2020 and will be reclassified to Service Concession assets as at 1 July 2020.

[5] $823.0 million for the Clarence Correctional Centre includes $63.2 million reclassified from Property, plant and equipment to Service Concession assets at 1 July 2020 and Asset Revaluation Reserve of $49.1 million at 1 July 2020.

1. Statement of Significant Accounting Policies (cont'd)

(l) Law Courts Ltd – Joint Arrangement

The NSW Government entered into an arrangement with the Commonwealth in 1977. That arrangement was set out in a general letter between the parties, which was confirmed in a letter dated 13 August 2008, co-signed by the Secretary, Federal Attorney General's Department and the Director General, NSW Attorney General's Department (now part of the Department of Communities and Justice), which confirmed ownership and funding arrangements of Law Courts Limited.

Law Courts Limited is located at Level 3, Law Courts Building, Queen's Square, Sydney, NSW 2000, and its principal activity is the provision of accommodation for Courts, Court registries and support services at a standard that is suitable and available for occupation. The NSW State Government's investment comprises 52.5% of the net assets of Law Courts Limited. Both Governments, however, have equal representation on the Board of Directors and in the membership of Law Courts Limited, with all decisions requiring unanimous consent.

As the Department has in substance rights to Law Courts Limited's assets, and obligations for its liabilities, it must recognise 52.5% of the assets and liabilities of Law Courts Limited on its Statement of Financial Position and 52.5% of the revenues and expenditure on its Statement of Comprehensive Income. The accounting treatment adopted complies with the requirements of AASB 11 *Joint Arrangements*.

2. Expenses excluding losses

(a) Employee related expenses

	PARENT	CONSOLIDATED
	2020	2020
	$'000	$'000
Salaries and wages (including annual leave)	2,426,799	2,426,799
Superannuation - defined benefit plan	44,429	44,429
Superannuation - defined contribution plan	208,635	208,635
Long service leave	114,975	114,975
Payroll tax and fringe benefits tax	149,113	149,113
Redundancy	10,693	10,693
Workers' compensation insurance premiums	70,081	70,081
Other	(76)	(76)
	3,024,649	3,024,649

Employee related costs capitalised in fixed asset accounts are excluded from the above and totalled $16.1 million.

Refer to Note 31 for impact of COVID-19 on employee related expenses.

(b) Operating expenses

	PARENT	CONSOLIDATED
	2020	2020
	$'000	$'000
Auditor's remuneration - audit of the financial statements	2,308	2,316
Auditor's remuneration - internal	684	684
Cleaning	23,623	23,623
Consultants	1,536	1,536
Expense relating to short-term leases	14,705	14,705
Expense relating to leases of low-value assets	-	-
General administration	14,301	14,301
Insurance premiums	29,679	29,679
Motor vehicle operating	18,327	18,327
Natural disaster claims	775,035	775,035
Prison hospital service fee	2,316	2,316
Repairs and maintenance (refer Note 2(b) – Note A below)	166,189	166,335
Telecommunication	30,889	30,889
Travel	25,496	25,496
Victims compensation costs	138,403	138,403
Correctional centre management	117,291	117,291
Fees for services	61,105	61,105
Staff related costs	34,908	34,908
Contractors and outsourced services	79,099	79,099
Legal and other professional fees	132,484	132,484
Postage and stationery	24,779	24,779
IT related costs	90,431	90,431
Corrective Services Industries and inmate related (refer Note 2(b) - Note B below)	113,309	113,309
Building outgoings	13,995	13,995
Utilities and rates	55,495	55,495
Tenancy management fees - disability services	9,549	9,549
Bad debt expense	188	188
Other expenses	41,831	41,831
	2,017,955	2,018,109

Refer to Note 31 for impact of COVID-19 on operating expenses.

2. Expenses excluding losses (cont'd)

(b) Operating expenses (cont'd)

	PARENT	CONSOLIDATED
	2020	**2020**
	$'000	**$'000**
Note A - Reconciliation - Total maintenance		
Maintenance expense - contracted labour and other (non-employee related) as above	**166,189**	**166,335**
Employed related maintenance expense included in Note 2 (a)	**5,647**	**5,647**
Total maintenance expense included in Note 2 (a) and 2 (b)	**171,836**	**171,982**
Note B - Total Cost of Goods Sold		
Direct costs as reported above (Note 2 (b))	**39,403**	**39,403**
Indirect costs - determined on a pro rata basis comprising salaries and wages, property outgoings, repairs and maintenance and depreciation	**14,817**	**14,817**
	54,220	**54,220**

Recognition and measurement

Insurance

The Department's insurance activities are conducted through the NSW Treasury Managed Fund Scheme of self-insurance for Government agencies. The expense (premium) is determined by the Fund Manager based on past claim experience.

Maintenance expense

Day-to-day servicing and maintenance costs are charged as expenses as incurred, except where they relate to the replacement or an enhancement of a part or component of an asset, in which case the costs are capitalised and depreciated.

Lease expense

From 1 July 2019, the Department recognises the lease payments associated with the following types of leases as an expense on a straight-line basis:

- Leases that meet the definition of short-term. i.e. where the lease term at commencement of the lease is 12 months or less. This excludes leases with a purchase option.
- Leases of assets that are valued at $10,000 or under when new.

Variable lease payments are not included in the measurement of the lease liability (i.e. variable lease payments that do not depend on an index or a rate, initially measured using the index or rate as at the commencement date). These payments are recognised in the period in which the event or condition that triggers those payments occurs.

(c) Depreciation and amortisation

	PARENT	CONSOLIDATED
	2020	**2020**
	$'000	**$'000**
Depreciation		
Buildings	**161,114**	**161,244**
Plant and equipment	**66,173**	**66,173**
Right-of-use asset - premises	**97,303**	**97,303**
Right-of-use asset - motor vehicles	**10,286**	**10,286**
	334,876	**335,006**
Amortisation		
Intangibles	**69,191**	**69,191**
	69,191	**69,191**
Total depreciaton and amortisation	**404,067**	**404,197**

Refer to Note 12 and 14 for recognition and measurement policies on depreciation and amortisation.

2. Expenses excluding losses (cont'd)

(d) Grants and subsidies

	PARENT	CONSOLIDATED
	2020	2020
	$'000	$'000
Adult Community and Offender Management services	18,697	18,697
Child Protection	134,600	134,600
Community Support and Development	52,064	52,064
Family and Domestic Violence	94,803	94,803
Homelessness	336,483	336,483
Justice Services	38,713	38,713
Juvenile Programs	6,115	6,115
Emergency Management	30,180	30,180
Out of Home Care and Permanency Support	1,215,785	1,215,785
Targeted Early Intervention	150,895	150,895
Their Futures Matter	143,758	143,758
Victim Services	6,477	6,477
Cluster Grants*	5,533,583	5,533,583
Disability Services	57,074	57,074
Social Housing	405,064	405,064
Other grants	4,267	4,267
	8,228,558	8,228,558

Refer to Note 31 for impact of COVID-19 on grants and subsidies.

Recognition and measurement

Grants are generally recognised as an expense when the Department transfers control of the contribution. Control is deemed to have transferred when the grant is paid or payable.

*The Department as the Principal Department within the Stronger Communities Cluster receives appropriations from NSW Treasury. Agencies within the cluster which receive their funding by way of grants from the Department include:

• NSW Police Force	3,585,531	3,585,531
• Fire and Rescue NSW	702,630	702,630
• NSW Rural Fire Service	499,118	499,118
• NSW Office of Sport	305,213	305,213
• Legal Aid Commission of NSW	274,171	274,171
• NSW State Emergency Service	116,852	116,852
• NSW Crime Commission	25,600	25,600
• Multicultural NSW	24,468	24,468
Total	5,533,583	5,533,583

(e) Finance costs

	PARENT	CONSOLIDATED
	2020	2020
	$'000	$'000
Interest on loans	13	13
Unwinding of discount and effect of changes in discount rate on provisions	(1,348)	(1,348)
Interest expense from lease liabilities	21,501	21,501
	20,166	20,166

Recognition and measurement

Finance costs consist of interest and other costs incurred in connection with the borrowing of funds. Borrowing costs are recognised as expenses in the period in which they are incurred, in accordance with Treasury's Mandate to not-for-profit NSW General Government Sector (GGS) entities.

3. Revenue

Recognition and Measurement

Until 30 June 2019, income is recognised in accordance with AASB 111 *Construction Contracts*, AASB 118 *Revenue* and AASB 1004 *Contributions*.

From 1 July 2019, income is recognised in accordance with the requirements of AASB 15 *Revenue from Contracts with Customers* or AASB 1058 *Income of Not-for-Profit Entities*, dependent on whether there is a contract with a customer defined by AASB 15 *Revenue from Contracts with Customers*. Comments regarding the accounting policies for the recognition of income are discussed below.

(a) Appropriations and transfers to the Crown Entity

Summary of Compliance	Appropriation $'000	2020 Expenditure $'000	Variance $'000
Original Budget per Appropriation Act	**15,420,782**	**17,075,427**	**(1,654,645)**
Other Appropriations / Expenditure			
Additional Appropriations			
Treasurer's Advance			
Section 4.9 GSF Act / Section 24 Public Finance and Audit Act (PFAA) – transfers of functions between entities	**(211,220)**	**-**	**(211,220)**
Section 4.11 GSF Act / Section 26 PFAA – Commonwealth specific purpose payments	**18,909**	**-**	**18,909**
Section 4.13 GSF Act Exigency of Government / Section 22 PFAA – expenditure for certain works and services	**995,658**	**-**	**995,658**
Any transfers (per Section 25(3) of the Appropriation Act)	**(38,109)**	**-**	**(38,109)**
Total annual Appropriations / Expenditure / Net Claim on Annual Appropriations (including transfer payments)	**16,186,020**	**17,075,427**	**(889,407)**
Amount drawn down against Annual Appropriations	**16,186,020**	**17,075,427**	**(889,407)**
Liability for lapsed Appropriations drawdown[6]	**-**	**-**	**-**
*Comprising:			
Transfer payments	**3,025,066**	**-**	
Appropriations (per Statement of Comprehensive Income) **	**13,160,954**	**-**	
Appropriations drawn down *	**16,186,020**		
** Appropriations (per Statement of Comprehensive Income):			
Recurrent	**12,495,966**	**-**	
Capital	**664,988**	**-**	
	13,160,954	**-**	

	2020 $'000
Movement of Section 4.7 GSF Act - deemed appropriations:	
Opening balance	**-**
Add: additions of deemed appropriations	**916,488**
Less: expenditure charged against deemed appropriations	**(794,917)**
Closing balance	**121,571**

[6] The 'Liability for lapsed appropriations drawn down' (formerly known as 'Liability to Consolidated Fund'), represents the difference between the 'Amount drawn down against annual Appropriation' and the 'Expenditure/Net Claim on Annual Appropriations.'

3. Revenue (cont'd)

(a) Appropriations and transfers to the Crown Entity (cont'd)

Note:

1. The summary of compliance is based on the assumption that annual appropriations monies are spent first (except where otherwise identified or prescribed).
2. 'Expenditure' refers to cash payments. The term 'expenditure' has been used for payments for consistency with AASB 1058 Income of Not-for-Profit Entities.

Refer to Note 31 for impact of COVID-19 on Appropriations.

Recognition and measurement

Parliamentary appropriations

Except as specified below, appropriations are recognised as income when the Department obtains control over the assets comprising the appropriations. Control over appropriations is normally obtained upon the receipt of cash.

Appropriations are not recognised as income in the following circumstances:

- Lapsed appropriations are recognised as liabilities rather than income, as the authority to spend the money lapses and the unspent amount is not controlled by the Department.
- The liability relating to lapsed appropriations is disclosed in Note 20 as part of 'Current liabilities – Other' as at 30 June 2020.

After AASB 15 and AASB 1058 became effective on 1 July 2019, the treatment of appropriations remains the same, because appropriations do not contain an enforceable sufficiently specific performance obligation as defined by AASB 15.

The Department receives its funding under appropriations from the Consolidated Fund / grant funding received from NSW Treasury which receives appropriations from the Consolidated Fund. Appropriations for each financial year are set out in the Appropriation Bill that is prepared and tabled for that year.

Due to COVID-19, the State Budget and related 2020-21 Appropriation Bill has been delayed and is anticipated to be tabled in Parliament in November/December 2020. However, pursuant to section 4.10 of the GSF Act, the Treasurer has authorised Ministers to spend specified amounts from Consolidated Fund. This authorisation is current from 1 July 2020 until the earlier of 31 December 2020 (or another day prescribed by the regulations) or enactment of the 2020-21 annual Appropriation Act.

3. Revenue (cont'd)

(b) Sale of goods and services from contracts with customers

	PARENT	CONSOLIDATED
	2020	2020
	$'000	$'000
Sale of goods		
Sale of goods - Corrective Services Industries	17,597	17,597
	17,597	17,597
Rendering of services		
Filing fees	65,542	65,542
Court Fees	57,199	57,199
Corrective Services Industries	37,427	37,427
Continuity of support services revenue	17,308	17,308
Statement of claims	13,107	13,107
Management fees	11,280	11,280
Minor usage charges	7,166	7,166
Fee for disability services	5,233	5,233
Rent	5,760	5,760
Transcription services	2,874	2,874
Sheriffs fees	2,493	2,493
Canteen sales	1,632	1,632
Other fees	13,992	13,992
	241,013	241,013
	258,610	258,610

Recognition and measurement

(i) Sale of goods

Revenue from sale of goods is recognised when the Department satisfies a performance obligation by transferring the promised goods to customers. The Department's sale of goods is related to the revenue from Corrective Services Industries (CSI) which is mainly derived from the on-sale of goods purchased and manufactured by CSI to external market. The Department typically satisfies its performance obligations when the goods are sold and delivered to external market customer. The payments are typically due when the goods are transferred to the customer or when invoices are generated at that point in time.

Revenue from these sales is recognised based on the price specified in the contract or display price, and revenue is only recognised to the extent that it is highly probable that a significant reversal will not occur. No element of financing is deemed present as the sales are made with cash or a short credit term. No volume discount or warranty is provided on the sale.

(ii) Rendering of services

Revenue from rendering of services is recognised when the Department satisfies the performance obligation by transferring the promised services. The nature of services rendered by the Department are as described above. The Department typically satisfies its performance obligations when the services are provided to the customers either at the point in time or over time (fortnightly or monthly). For performance obligation that the Department has satisfied at a point in time, the revenue is recognised when the promised services are transferred and the invoices are issued to the customers. For the performance obligations satisfied over time, because the customers simultaneously receive and consume the benefits of the services as the Department performs its obligations, the revenue is recognised when the Department has transferred the promised services to the customers fortnightly or monthly. The invoices are raised based on the number of clients receiving the services and fixed rate charges agreed in the contracts. The payments are typically due according to the terms stipulated in the agreement or contracts.

The revenue is measured at the transaction price agreed under the contract. No element of financing is deemed present as payments are due when service is provided.

3. Revenue (cont'd)

(c) Investment revenue

	PARENT	CONSOLIDATED
	2020	**2020**
	$'000	**$'000**
Bank interest	**427**	**437**
	427	**437**

Recognition and measurement

Interest Income

Interest income is calculated by applying the effective interest rate to the gross carrying amount of a financial asset except for financial assets that subsequently become credit-impaired. For the financial assets that become credit impaired, the effective interest rate is applied to the amortised cost of the financial asset (that is, after deducting the loss allowance for expected credit losses).

(d) Retained taxes, fees and fines

	PARENT	CONSOLIDATED
	2020	**2020**
	$'000	**$'000**
Restitution orders raised	**9,516**	**9,516**
Confiscation of crime proceeds	**3,993**	**3,993**
Victims compensation levies	**10,988**	**10,988**
	24,497	**24,497**

Recognition and measurement

Retained fees comprise monies due from individuals relating to matters dealt with by the Victims Compensation Tribunal, monies due from the confiscation of crime proceeds and levies raised by the Courts on perpetrators of acts of violence which are in the nature of non-contractual income arising from statutory requirements.

Under AASB 1058, the revenue is recognised as a residual amount, the Department first recognises the statutory receivable as per AASB 9 when restitution orders are made or confirmed by the Tribunal or when payment arrangements between the Director or Registrar and defendants are entered into, as there is no 'related amount' in accordance with other AAS, then the revenue is recognised immediately at the amount of the statutory receivable.

3. Revenue (cont'd)

(e) Grants and other contributions

	PARENT	CONSOLIDATED
	2020	2020
	$'000	$'000
Grants to acquire/construct a recognisable non-financial asset to be controlled by the entity		
Grants to acquire/construct a recognisable non-financial asset to be controlled by the entity	2,712	2,712
Grants without sufficiently specific performance obligations		
Support and manage adult and juvenile offenders	7,705	7,705
Tenancy functions of courts and tribunals	22,048	22,048
Support for victims of crime	899	899
Redundancy grant from the Crown	31,310	31,310
Operation of dust diseased tribunals	5,771	5,771
Client facing justice services and legal assistance	3,968	3,968
Other court and tribunals	2,964	2,964
Information linkages and capacity building grants	13,904	13,904
Home Purchase Assistance Fund grants	9,868	9,868
Social and Affordable Housing Fund grants	10,791	10,791
Other grants	19,897	19,897
	131,837	131,837

Recognition and measurement

Income from grants to acquire/construct a recognisable non-financial asset to be controlled by the Department is recognised when the Department satisfies its obligations under the transfer. The Department satisfies the performance obligations under the transfer to construct assets over time as the non-financial assets are being constructed. Revenue is recognised over time based on the cost incurred.

Income from grants to acquire/construct a recognisable non-financial asset to be controlled by the Department is recognised based on the grant amount specified in the funding agreement/funding approval or in accordance with legislation, and revenue is only recognised to the extent that it is highly probable that a significant reversal will not occur. No element of financing is deemed present as funding payments are usually received in advance or shortly after the relevant obligation is satisfied.

Income from grants without sufficiently specific performance obligations is recognised when the Department obtains control over the granted assets or when cash grant is received.

Receipt of volunteer services is recognised when and only when the fair value of those services can be reliably determined and the services would have been purchased if not donated. Volunteer services are measured at fair value. The Department did not receive any volunteer services for the year ended 30 June 2020.

Refer to Note 31 for impact of COVID-19 on grants and other contributions.

(f) Personnel services

	PARENT	CONSOLIDATED
	2020	2020
	$'000	$'000
Personnel services	69,481	69,481
	69,481	69,481

Personnel services revenue relates to the provision of personnel services to the NSW Trustee and Guardian, including the Office of the Public Guardian, the Legal Profession Admission Board, the Office of Ageing and Disability Commissioner and the Trustees of the Anzac Memorial Building. The Department does not control these entities.

Recognition and measurement

Under AASB 15, income arising from the provision of personnel services is recognised when the services provided and only to the extent that the associated recoverable expense is recognised.

3. Revenue (cont'd)

(g) Acceptance by Crown Entity of employee benefits and other liabilities

	PARENT	CONSOLIDATED
	2020	2020
	$'000	$'000
The following liabilities and / or expenses have been assumed by the Crown Entity:		
Superannuation	44,616	44,616
Long service leave	114,624	114,624
Payroll tax	1,081	1,081
	160,321	160,321

(h) Other income

	PARENT	CONSOLIDATED
	2020	2020
	$'000	$'000
TMF hindsight adjustment	10,829	10,829
Law Society contributions	7,943	7,943
Rental income	43,802	43,848
Insurance claims	14,478	14,478
Natural disaster claims	4,201	4,201
Goods received free of charge	2,092	2,092
Other	11,227	11,227
	94,572	94,618

Recognition and measurement

Other revenue

The revenue is recognised when the fee in respect of services provided is received or receivable.

Rental Income

Rent is recognised as revenue on a straight line basis over the term of the lease and in accordance with AASB 16 *Leases*.

Refer to Note 31 for impact of COVID-19 on other income.

4. Loss on disposal

	PARENT	CONSOLIDATED
	2020	2020
	$'000	$'000
Loss on disposal of land and buildings, plant and equipment and intangibles		
Proceeds from disposal	6,594	6,594
Written down value of assets disposed	(8,805)	(8,805)
Net loss on disposal of land and buildings, plant and equipment and intangibles	(2,211)	(2,211)

5. Other losses

	PARENT	CONSOLIDATED
	2020	2020
	$'000	$'000
Impairment loss on carrying value of land and buildings	(371)	(371)
Impairment loss on intangible assets	(2,388)	(2,388)
Loss on disposal of right-of-use assets	(18)	(18)
Impairment loss on right of use assets	(35,269)	(35,269)
	(38,046)	(38,046)

Recognition and measurement

Impairment losses on non-financial assets

Impairment losses may arise on non-financial assets held by the Department from time to time. Accounting for impairment losses is dependent upon the individual asset (or group of assets) subject to impairment. Accounting Policies and events giving rise to impairment losses are disclosed in the following notes:
Trade Receivables - Note 10
Property, plant and equipment – Note 12
Leases – Note 13
Intangible assets – Note 14

Refer to Note 31 for impact of COVID-19 on other losses.

6. Conditions and restrictions on income

The Department has the following Conditions and restrictions on contributions received since funds can only be expended on specific project objectives:

(i) The Department received $2.5 million Commonwealth funding in 2018-19 which was fully recognised as revenue in 2019-20. The funding was for specific capital projects for enhancing employability skills and opportunities for aboriginal women in custody across NSW. The related performance obligations were fully satisfied as at 30 June 2020.

The Department recognised $3.3 million unspent capital grants liability through Joint Arrangement control from Law Court Ltd. The funding was received from the Commonwealth and State Governments to enable the company to spend on various capital works projects. Capital grants received for the construction of these facilities are recognised as income when the asset is acquired and controlled by the company. For the construction of specified assets, income is recognised as the construction progresses on the basis of costs incurred relative to total expected cost. The balance of unspent capital grants of $3.3 million at 30 June 2020 will be recognised as income over a period of time. Refer to Note 3 (e) Grants and Contributions and Note 20 Other liabilities for details.

(ii) As at 30 June 2020 the Department held $0.1 million in cash at bank (Note 9) representing unspent contributions with conditions from Commonwealth and State agencies. The unspent contributions with conditions was from the Office of Protective Commissioner's Resident Amenities Fund.

(iii) The Departments' Cash and cash equivalents (Note 9) include restricted funds held by the Department which are related to the Affordable Housing Program of $27.6 million and Murdi Paaki Social Housing agreement of $14.6 million as at 30 June 2020.

The Affordable Housing Program related tied funds are sourced from various Local Councils and are required to be spent within the respective Council area through affordable housing projects developed by community housing providers.

The Murdi Paaki restricted fund is held for the purpose of implementing the Murdi Paaki Social Housing Agreement and can only be expensed for specific projects approved under the Agreement.

7. Transfer payments

Transfer payments are amounts received for transfer to eligible beneficiaries consistent with the parameters established by legislation or other authoritative requirements. They are not controlled by the Department. The Commonwealth and New South Wales Governments entered into a bilateral agreement under the National Disability Insurance Scheme (NDIS) for financial contributions to be paid to National Disability Insurance Agency (NDIA). Cash contributions received by the Department under the scheme is disclosed as administered income.

	PARENT	CONSOLIDATED
	2020	2020
	$'000	$'000
Administered Income		
Transfer payments (NDIA)	3,025,066	3,025,066
	3,025,066	3,025,066

Cash contributions paid by the Department to NDIA under the scheme, net of the impact of in-kind contribution administered receivables, are disclosed as a transfer payment expense.

	PARENT	CONSOLIDATED
	2020	2020
	$'000	$'000
Administered Expenses		
Transfer payments (NDIA)	2,911,161	2,911,161
	2,911,161	2,911,161

The cash contributions paid by the Department to NDIA in 2019-20 totalled $3,025.1 million. The transfer payment expense for 2019-20 includes a credit of $53.6 million for the in-kind contribution administered receivable at 1 July 2019 transferred from the former FACS and excludes $167.5 million for the in-kind administered receivable at 30 June 2020 which will be offset against 2020-21 payments to NDIA.

Refer to Note 3 (a), Note 8 and Note 28 for details on administered expenses, income and assets.

8. Consolidated State Outcome statements for the year ended 30 June 2020

Expense and income	State Outcome 1 - Enable people with disability to live independently	State Outcome 2 - Resilient to Disasters and Emergencies	State Outcome 3 - Effective and Efficient Resolution of Legal Disputes	State Outcome 4 - Maintain Rights and Records	State Outcome 5 - Build inclusive communities	State Outcome 6 - Breaking the Cycle of Re-offending	Outcome 7 - Protect children and families	Outcome 8 - Provide a safe and affordable place to live	Not attributable	Total
	$'000	$'000	$'000	$'000	$'000	$'000	$'000	$'000	$'000	$'000
Expenses excluding losses										
Employee related expenses	91,067	13,110	450,726	167,407	18,994	1,394,741	654,221	234,383	-	3,024,649
Operating expenses	60,165	786,405	173,949	167,171	11,970	564,611	195,275	58,563	-	2,018,109
Depreciation and amortisation	28,290	1,121	84,531	5,996	906	219,816	49,441	14,096	-	404,197
Grants and subsidies	57,074	30,180	3,097	45,190	53,230	24,816	1,739,841	741,547	5,533,583	8,228,558
Finance costs	-	55	7,884	463	73	7,679	2,931	1,081	-	20,166
Total expenses excluding losses	**236,596**	**830,871**	**720,187**	**386,227**	**85,173**	**2,211,663**	**2,641,709**	**1,049,670**	**5,533,583**	**13,695,679**
Revenue**										
Appropriations[7]	-	-	-	-	-	-	-	-	13,160,954	13,160,954
Sale of goods and services from contracts with customers	22,541	59	150,852	571	1,875	73,962	3,815	4,935	-	258,610
Investment revenue	10	-	46	-	-	60	-	321	-	437
Retained taxes, fees and fines	-	-	-	24,497	-	-	-	-	-	24,497
Grants and other contributions	36,293	155	30,904	5,979	428	22,173	4,879	31,026	-	131,837
Personnel services	3,005	-	-	66,476	-	-	-	-	-	69,481
Acceptance by the Crown Entity of employee benefits and other liabilities	-	-	-	-	-	-	-	-	160,321	160,321
Other income	55,443	740	6,173	7,152	1,052	12,355	7,370	4,333	-	94,618
Total revenue	**117,292**	**954**	**187,975**	**104,675**	**3,355**	**108,550**	**16,064**	**40,615**	**13,321,275**	**13,900,755**
Operating result	**(119,304)**	**(829,917)**	**(532,212)**	**(281,552)**	**(81,818)**	**(2,103,113)**	**(2,625,645)**	**(1,009,055)**	**7,787,692**	**205,076**
Loss on disposal	(167)	(6)	1,207	(43)	(8)	(2,748)	(334)	(112)	-	(2,211)
Impairment reversal on financial assets	(7,122)	66	1,995	408	72	6,422	2,906	682	-	5,429
Other losses	(371)	(7)	(7,003)	(1,191)	(214)	(17,873)	(8,382)	(3,005)	-	(38,046)
Net result from continuing operations	**(126,964)**	**(829,864)**	**(536,013)**	**(282,378)**	**(81,968)**	**(2,117,312)**	**(2,631,455)**	**(1,011,490)**	**7,787,692**	**170,248**
Other Comprehensive Income										
Net change in revaluation surplus of property, plant and equipment	53,949	-	62,543	191	13	149,084	2,507	178	-	268,465
Total Other Comprehensive Income	**53,949**	**-**	**62,543**	**191**	**13**	**149,084**	**2,507**	**178**	**-**	**268,465**
TOTAL COMPREHENSIVE INCOME	**(73,015)**	**(829,864)**	**(473,470)**	**(282,187)**	**(81,955)**	**(1,968,228)**	**(2,628,948)**	**(1,011,312)**	**7,787,692**	**438,713**

The names and purposes of each state outcome are summarised below.

[7] Appropriations are made on an entity basis and not to individual state outcomes. Consequently appropriations are included in the "Not Attributable" column. Cluster grant funding is also unlikely to be attributable to individual state outcomes. Consequently, cluster grant funding is also included in the "Not Attributable" column.

Department of Communities and Justice
Notes to the financial statements
for the year ended 30 June 2020

8. Consolidated State Outcome statements for the year ended 30 June 2020 (cont'd)

Assets and liabilities	State Outcome 1 - Enable people with disability to live independently	State Outcome 2 - Resilient to Disasters and Emergencies	State Outcome 3 - Effective and Efficient Resolution of Legal Disputes	State Outcome 4 - Maintain Rights and Records	State Outcome 5 - Build inclusive communities	State Outcome 6 - Breaking the Cycle of Re-offending	Outcome 7 - Protect children and families	Outcome 8 - Provide a safe and affordable place to live	Not attributabl e	Total
	$'000	$'000	$'000	$'000	$'000	$'000	$'000	$'000	$'000	$'000
ASSETS										
Current Assets										
Cash and cash equivalents	4,614	-	10,675	2,186	387	34,296	15,575	5,749	-	73,482
Receivables	11,963	-	52,609	27,062	1,861	29,983	72,972	26,818	-	223,268
Inventories	-	-	-	-	-	22,402	-	-	-	22,402
	16,577	**-**	**63,284**	**29,248**	**2,248**	**86,681**	**88,547**	**32,567**	**-**	**319,152**
Non-current assets held for sale	763	-	-	-	-	26,011	-	-	-	26,774
Total Current Assets	**17,340**	**-**	**63,284**	**29,248**	**2,248**	**112,692**	**88,547**	**32,567**	**-**	**345,926**
Non-Current Assets										
Receivables	1,740	-	692	27,359	21	145	680	241	-	30,878
Property, plant and equipment	1,386,934	-	2,121,005	16,455	1,185	3,788,700	133,124	23,263	-	7,470,665
Right-of-use assets	-	-	134,925	21,701	3,853	419,377	154,359	56,775	-	790,990
Intangible assets	-	-	111,662	8,659	1,444	65,953	118,464	21,319	-	327,501
Total Non-Current Assets	**1,388,674**	**-**	**2,368,284**	**74,174**	**6,503**	**4,274,175**	**406,627**	**101,598**	**-**	**8,620,034**
Total Assets	**1,406,014**	**-**	**2,431,568**	**103,422**	**8,751**	**4,386,867**	**495,174**	**134,165**	**-**	**8,965,960**
LIABILITIES										
Current Liabilities										
Payables	6,431	-	93,527	20,684	3,465	111,345	137,208	50,522	-	423,182
Borrowings	-	-	52,117	2,874	510	7,119	20,456	7,532	-	90,608
Provisions	6,837	-	87,085	104,108	3,026	195,249	103,763	37,050	-	537,118
Other current liabilities	-	-	1,631	334	59	622	2,380	878	-	5,904
Total Current Liabilities	**13,268**	**-**	**234,360**	**128,000**	**7,060**	**314,335**	**263,807**	**95,982**	**-**	**1,056,812**
Non-Current Liabilities										
Borrowings	-	-	212,330	11,711	2,078	301,477	83,336	30,688	-	641,620
Provisions	-	-	35,013	121,324	83	12,599	3,794	973	-	173,786
Other non-current liabilities	-	-	119	24	4	45	176	64	-	432
Total Non-Current Liabilities	**-**	**-**	**247,462**	**133,059**	**2,165**	**314,121**	**87,306**	**31,725**	**-**	**815,838**
Total Liabilities	**13,268**	**-**	**481,822**	**261,059**	**9,225**	**628,456**	**351,113**	**127,707**	**-**	**1,872,650**
NET ASSETS	**1,392,746**	**-**	**1,949,746**	**(157,637)**	**(474)**	**3,758,411**	**144,061**	**6,458**	**-**	**7,093,310**

The names and purposes of each state outcome are summarised below.

8. Consolidated State Outcome statements for the year ended 30 June 2020 (cont'd)

Administered expenses and income	State Outcome 1 - Enable people with disability to live independently	State Outcome 2 - Resilient to Disasters and Emergencies	State Outcome 3 - Effective and Efficient Resolution of Legal Disputes	State Outcome 4 - Maintain Rights and Records	State Outcome 5 - Build inclusive communities	State Outcome 6 - Breaking the Cycle of Re-offending	Outcome 7 - Protect children and families	Outcome 8 - Provide a safe and affordable place to live	Not attributable	Total
	$'000	$'000	$'000	$'000	$'000	$'000	$'000	$'000	$'000	$'000
Administered Expenses										
Transfer payments	2,911,161	-	-	-	-	-	-	-	-	2,911,161
Other	-	8,040	-	-	-	-	-	-	564,561	572,601
Total Administered Expenses	**2,911,161**	**8,040**	**-**	**-**	**-**	**-**	**-**	**-**	**564,561**	**3,483,762**
Administered Income										
Transfer receipts	3,025,066	-	-	-	-	-	-	-	-	3,025,066
Consolidated Fund										
Taxes, fees and fines	-	-	10,153	-	-	-	-	-	-	10,153
Other	-	21,683	632	9,775	23	2,032	9,741	483,727	-	527,613
Total Administered Income	**3,025,066**	**21,683**	**10,785**	**9,775**	**23**	**2,032**	**9,741**	**483,727**	**-**	**3,562,832**
Administered income less expenses	**113,905**	**13,643**	**10,785**	**9,775**	**23**	**2,032**	**9,741**	**483,727**	**(564,561)**	**79,070**

The names and purposes of each state outcome are summarised below.

Administered assets and liabilities are disclosed in Note 28.

8. State outcome statements for the year ended 30 June 2020 (cont'd)

State Outcome description

(a) State Outcome 1 – Enable people with disability to live independently

Purpose: Supporting the transition of clients to the National Disability Insurance Scheme and more inclusive communities.

(b) State Outcome 2 – Resilient to disasters and emergencies

Purpose: Delivering emergency management to enhance response and recovery efforts and build community resilience.

(c) State Outcome 3 – Effective and efficient resolution of legal disputes

Purpose: Supporting the administration of courts and tribunals and the delivery of legal services in New South Wales.

(d) State Outcome 4 – Maintain rights and records

Purpose: Providing client services, including support for victims and vulnerable people.

(e) State Outcome 5 – Build inclusive communities

Purpose: Delivering community support to increase community participation and promote social harmony and cohesion.

(f) State Outcome 6 – Breaking the cycle of reoffending

Purpose: Supporting and managing adult and juvenile offenders in correctional centres, and in the community.

(g) State Outcome 7 – Protect children and families

Purpose: Supporting the safety and wellbeing of vulnerable children, young people and families.

(h) State Outcome 8 – Provide a safe and affordable place to live

Purpose: Providing assistance for people unable to access or maintain appropriate housing, including homelessness services.

9. Cash and cash equivalents

	PARENT	CONSOLIDATED
	2020	**2020**
	$'000	**$'000**
Cash at bank and on hand	**72,101**	**73,482**
Total cash and cash equivalents	**72,101**	**73,482**

For the purposes of the Statement of Cash Flows, cash and cash equivalents includes cash on hand, cash at bank and short term deposits with original maturities of three months or less and subject to an insignificant risk of changes in value.

Cash and cash equivalent assets recognised in the statement of financial position are reconciled at the end of financial year to the statement of cash flows as follows:

Cash and cash equivalents (per statement of financial position)	**72,101**	**73,482**
Closing cash and cash equivalents (per statement of cash flows)	**72,101**	**73,482**

Cash at bank includes $42.2 million that is restricted. Refer to Note 6 for further details.

As at 30 June 2020 the Department held $0.1 million in cash at bank representing unspent contributions with conditions from Commonwealth and State agencies. Refer to Note 6 for further details.

Refer to Note 26 for details regarding credit risk and market risk arising from financial instruments.

10. Receivables

	PARENT 2020 $'000	CONSOLIDATED 2020 $'000
Current		
Trade receivables from contracts with customers	37,961	37,961
Rental receivables	6,039	6,039
Bond loan receivables	14,811	14,811
Other receivables	16,508	16,508
	75,319	75,319
Less Allowance for expected credit losses*		
- Trade receivables from contracts with customers	(13,805)	(13,805)
- Other receivables	(12,157)	(12,157)
Total expected credit losses	(25,962)	(25,962)
Amounts due from other government agencies	51,994	51,994
Goods and services tax recoverable from ATO	46,741	46,741
Long service leave	20,671	20,671
Personnel services	10,430	10,430
Victims compensation fund/criminal injuries	6,770	6,770
Prepayments - other	37,305	37,305
	223,268	223,268

***Movements in the allowance for expected credit losses**		
Balance at 1 July 2019	-	-
Increase from equity transfers on administrative restructure - 1 July 2019	35,079	35,079
Amounts written off during the year	(2,948)	(2,948)
Increase/(decrease) in allowance recognised in net results	(5,429)	(5,429)
Other movement	(740)	(740)
Balance at 30 June 2020	25,962	25,962

	PARENT 2020 $'000	CONSOLIDATED 2020 $'000
Non-current		
Lease incentives	1,740	1,740
Long service leave	1,798	1,798
Personnel services	212	212
Victims compensation fund/criminal injuries	27,085	27,085
Other receivables	43	43
	30,878	30,878
Total Receivables	254,146	254,146

10. Receivables (cont'd)

(a) Sales of goods and services debtors

	PARENT	CONSOLIDATED
	2020	2020
	$'000	$'000
Amounts receivable from the sale of good and services	106,156	106,156
Less:		
Amounts receivable that do not meet the asset recognition criteria	(68,195)	(68,195)
Allowance for impairment	(16,267)	(16,267)
	21,694	21,694

(b) Retained fees – Victim Support Fund debtors

	PARENT	CONSOLIDATED
Amounts receivable from restitution orders made or confirmed by the Victims Compensation Tribunal	265,215	265,215
Less:		
Amounts receivable that do not meet the asset recognition criteria	(231,361)	(231,361)
Victims Compensation Fund Debtors	33,854	33,854
This is represented by:		
Current	6,771	6,771
Non-current	27,083	27,083
	33,854	33,854

(c) Retained fees – Criminal injuries Compensation

	PARENT	CONSOLIDATED
Amounts receivable from restitution orders made or confirmed by the Victims Compensation Tribunal	143	143
Less:		
Amounts receivable that do not meet the asset recognition criteria	(140)	(140)
Victims Compensation Fund Debtors	3	3
This is represented by:		
Current	1	1
Non-current	2	2
	3	3

Details regarding credit risk of trade receivables that are neither past due nor impaired, are disclosed in Note 26.

Recognition and measurement

Receivables are initially recognised at fair value plus any directly attributable transaction costs. Trade receivables that do not contain a significant financing component are measured at the transaction price.

All 'regular way' purchases or sales of financial assets are recognised and derecognised on a trade date basis. Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the time frame established by regulation or convention in the marketplace.

(a) Trade receivables from contracts with customers and other receivables are recognised for accounting purposes only when they comply with established asset recognition criteria, where debts can be reliably measured and provide a future economic benefit.

Court debtors held at Revenue NSW are recognised based on average cash receipts for the three years ended 30 June 2020. The balance of the court debts held at Revenue NSW, which are not recognised, are shown above as "Receivable that do not meet the asset recognition criteria".

10. Receivables (cont'd)

Recognition and measurement (cont'd)

(b) Retained fees – Victims Support Fund debtors

Victims Support Fund debtors are recognised for accounting purposes only when they comply with established asset recognition criteria, where debts can be reliably measured and provide a future economic benefit.

This represents the Department's best estimate in accordance with accounting standards. The majority of the gross receivable of $265.2 million does not meet the asset recognition criteria because the Department has a documented history of non-payment by the perpetrators of crimes. Current balance is represented by the average collection rate and the non-current balance is represented by five years of reliable recovery rate.

(c) Retained fees – Criminal Injuries Compensation debtors under the former Criminal Injuries Compensation Act 1967 are recognised for accounting purposes only when they comply with established asset recognition criteria, where debts can be reliably measured and provide a future economic benefit.

This represents the Department's best estimate in accordance with accounting standards. The majority of the gross receivable of $0.1 million does not meet the asset recognition criteria because the Department has a documented history of non-payment by the perpetrators of crimes. A five year average collection rate best represents those debtors that management believe will be received.

Details regarding credit risk of trade debtors that are neither past due nor impaired, are disclosed in Note 26.

Subsequent measurement

The Department holds receivables with the objective to collect the contractual cash flows and therefore measures them at amortised cost using the effective interest method, less any impairment. Changes are recognised in the net result for the year when impaired, derecognised or through the amortisation process.

Impairment

The Department recognises an allowance for expected credit losses (ECLs) for all debt financial assets not held at fair value through profit or loss. ECLs are based on the difference between the contractual cash flows and the cash flows that the Department expects to receive, discounted at the original effective interest rate.

For trade receivables, the Department applies a simplified approach in calculating ECLs. The Department recognises a loss allowance based on lifetime ECLs at each reporting date. The Department has established a provision matrix based on its historical credit loss experience for trade receivables, adjusted for forward-looking factors specific to the receivable.

11. Inventories

	PARENT	CONSOLIDATED
	2020	**2020**
	$'000	**$'000**
Raw materials - at cost	**6,817**	**6,817**
Work in progress - at cost	**1,203**	**1,203**
Finished goods - at cost	**12,872**	**12,872**
Livestock - At net realisable value[8]	**1,510**	**1,510**
	22,402	**22,402**

Recognition and measurement

Inventories held for distribution are stated at cost, adjusted when applicable, for any loss of service potential. A loss of service potential is identified and measured based on the existence of a current replacement cost that is lower than the carrying amount. Inventories (other than those held for distribution) are stated at the lower of cost and net realisable value. Cost is calculated using the weighted average cost method.

The cost of inventories acquired at no cost or for nominal consideration is the current replacement cost as at the date of acquisition. Current replacement cost is the cost the Department would incur to acquire the asset. Net realisable value is the estimated selling price in the ordinary course of business less the estimated costs of completion and the estimated costs necessary to make the sale.

[8] Market appraisals have been obtained to determine fair value, less cost to sell, of all livestock held at the end of the reporting period.

12. Property, plant and equipment

(a) Total property, plant and equipment

PARENT	Land and buildings $'000	Plant and equipment $'000	Finance lease assets $'000	Total $'000
Assets transferred from administrative restructure - 1 July 2019				
Gross carrying amount	8,693,646	828,661	291,808	9,814,115
Accumulated depreciation and impairment	(2,230,511)	(436,524)	(63,897)	(2,730,932)
Net carrying amount	**6,463,135**	**392,137**	**227,911**	**7,083,183**
At 30 June 2020 - fair value				
Gross carrying amount	9,525,868	874,364	-	10,400,232
Accumulated depreciation and impairment	(2,458,844)	(480,423)	-	(2,939,267)
Net carrying amount	**7,067,024**	**393,941**	**-**	**7,460,965**

Reconciliation

A reconciliation of the carrying amount of each class of property, plant and equipment at the beginning and end of the current reporting period is set out below:

	PARENT			
	Land and buildings $'000	Plant and equipment $'000	Finance lease assets $'000	Total $'000
Year ended 30 June 2020				
Net carrying amount at beginning of year	-	-	-	-
Increase in Property, Plant and Equipment from equity transfers on administrative restructure - 1 July 2019	6,463,135	392,137	227,911	7,083,183
Lease incentive adjustment on initial application of AASB 16	-	-	(18,087)	(18,087)
Derecognition of finance lease assets on initial application of AASB 16	-	-	(209,824)	(209,824)
Adjusted net carrying amount at beginning of year	6,463,135	392,137	-	6,855,272
Additions	528,573	67,961	-	596,534
Disposals	(1,665)	(214)	-	(1,879)
Impairment losses	(371)	-	-	(371)
Net change in revaluation surplus of property, plant and equipment	268,060	-	-	268,060
Assets transferred out on administrative restructure - 1 May 2020	-	(376)	-	(376)
Transfers (to)/from intangible assets	(3,217)	822	-	(2,395)
Assets held for sale (out)/in	(26,593)	-	-	(26,593)
Depreciation expense	(161,114)	(66,173)	-	(227,287)
Reclassification between classes	216	(216)	-	-
Net carrying amount at end of year	**7,067,024**	**393,941**	**-**	**7,460,965**

Refer to Note 31 for impact of COVID-19 on property, plant and equipment.

12. Property, plant and equipment (cont'd)

(a) Total property, plant and equipment (cont'd)

CONSOLIDATED	Land and buildings $'000	Plant and equipment $'000	Finance lease assets $'000	Total $'000
Assets transferred from administrative restructure - 1 July 2019				
Gross carrying amount	8,703,771	828,661	291,808	9,824,240
Accumulated depreciation and impairment	(2,231,211)	(436,524)	(63,897)	(2,731,632)
Net carrying amount	**6,472,560**	**392,137**	**227,911**	**7,092,608**
At 30 June 2020 - fair value				
Gross carrying amount	9,536,371	874,364	-	10,410,735
Accumulated depreciation and impairment	(2,459,647)	(480,423)	-	(2,940,070)
Net carrying amount	**7,076,724**	**393,941**	**-**	**7,470,665**

Reconciliation

A reconciliation of the carrying amount of each class of property, plant and equipment at the beginning and end of the current reporting period is set out below:

	CONSOLIDATED			
	Land and buildings $'000	Plant and equipment $'000	Finance lease assets $'000	Total $'000
Year ended 30 June 2020				
Net carrying amount at beginning of year	9,425	-	-	9,425
Increase in Property, Plant and Equipment from equity transfers on administrative restructure - 1 July 2019	6,463,135	392,137	227,911	7,083,183
Lease incentive adjustment on initial application of AASB 16	-	-	(18,087)	(18,087)
Derecognition of finance lease assets on initial application of AASB 16	-	-	(209,824)	(209,824)
Adjusted net carrying amount at beginning of year	6,472,560	392,137	-	6,864,697
Additions	528,573	67,961	-	596,534
Disposals	(1,665)	(214)	-	(1,879)
Impairment losses	(371)	-	-	(371)
Net change in revaluation surplus of property, plant and equipment	268,465	-	-	268,465
Assets transferred out on administrative restructure - 1 May 2020	-	(376)	-	(376)
Transfers (to)/from intangible assets	(3,217)	822	-	(2,395)
Assets held for sale (out)/in	(26,593)	-	-	(26,593)
Depreciation expense	(161,244)	(66,173)	-	(227,417)
Reclassification between classes	216	(216)	-	-
Net carrying amount at end of year	**7,076,724**	**393,941**	**-**	**7,470,665**

Further details regarding the fair value measurement of property, plant and equipment are disclosed in Note 16.

12. Property, plant and equipment (cont'd)

(a) Total property, plant and equipment (cont'd)

Asset under Construction/ Works in Progress

Land and buildings comprise land and buildings and related work in progress. Plant and equipment comprises of computer equipment, furniture and fittings, plant, equipment, make-good assets, leasehold improvements, voice communications, data communications and work in progress.

The value of works in progress relating to land and buildings and plant and equipment for parent and consolidated entities is $1,175.3 million at 30 June 2020.

Finance Lease Arrangements

The Department has the following finance lease arrangements:

(i) An arrangement entered into to lease the John Maddison Tower constructed by a private sector company to house the District Court and the Dust Diseases Tribunal; and

(ii) A Corrective Services NSW division lease for the Long Bay Forensic and Prison Hospitals at Long Bay under a Project Deed.

The John Maddison Tower lease (refer (i) above) commenced on 1 July 1995, with a non-cancellable term of 25 years and provision for an option of a further 15 years. The option has been exercised and will commence on 1 July 2020. The building is constructed on land owned by the Department. The land is subject to a head lease from the Department to the private sector company. The head lease rental is $1.2 million which the Department recovers in rental offsets. The classification of the lease as a finance lease was based on the assumption that the option to extend the lease for a further 15 years would be taken up by the Department.

In 2006-07, the former Department of Corrective Services engaged a private sector company, PPP Solutions (Long Bay) Pty Limited, to finance, design, construct and maintain the Long Bay Forensic and Prison Hospitals at Long Bay under a Project Deed. The asset was delivered via finance lease. The Department recognises a finance lease liability for the duration of the term until May 2034.

12. Property, plant and equipment (cont'd)

(b) Property, plant and equipment held and used by the Department

PARENT	Land and buildings $'000	Plant and equipment $'000	Finance lease assets $'000	Total $'000
Assets transferred from administrative restructure - 1 July 2019				
Gross carrying amount	7,425,905	828,661	291,808	8,546,374
Accumulated depreciation and impairment	(2,143,593)	(436,524)	(63,897)	(2,644,014)
Net carrying amount	**5,282,312**	**392,137**	**227,911**	**5,902,360**
At 30 June 2020 - fair value				
Gross carrying amount	8,205,381	874,364	-	9,079,745
Accumulated depreciation and impairment	(2,352,541)	(480,423)	-	(2,832,964)
Net carrying amount	**5,852,840**	**393,941**	**-**	**6,246,781**

Reconciliation

A reconciliation of the carrying amount of each class of property, plant and equipment held and used by the Department at the beginning and end of the current reporting period is set out below:

PARENT	Land and buildings $'000	Plant and equipment $'000	Finance lease assets $'000	Total $'000
Year ended 30 June 2020				
Net carrying amount at beginning of year	-	-	-	-
Increase in Property, Plant and Equipment from equity transfers on administrative restructure - 1 July 2019	5,282,312	392,137	227,911	5,902,360
Lease incentive adjustment on initial application of AASB 16	-	-	(18,087)	(18,087)
Derecognition of finance lease assets on initial application of AASB 16	-	-	(209,824)	(209,824)
Adjusted net carrying amount at beginning of year	5,282,312	392,137	-	5,674,449
Additions	522,525	67,961	-	590,486
Disposals	(1,665)	(214)	-	(1,879)
Impairment losses	(371)	-	-	(371)
Net change in revaluation surplus of property, plant and equipment	217,903	-	-	217,903
Assets transferred out on administrative restructure - 1 May 2020	-	(376)	-	(376)
Transfers (to)/ from intangible assets	(3,217)	822	-	(2,395)
Assets held for sale (out)/in	(26,593)	-	-	(26,593)
Depreciation expense	(138,054)	(66,173)	-	(204,227)
Reclassification between classes	-	(216)	-	(216)
Net carrying amount at end of year	**5,852,840**	**393,941**	**-**	**6,246,781**

12. Property, plant and equipment (cont'd)

(b) Property, plant and equipment held and used by the Department

CONSOLIDATED	Land and buildings $'000	Plant and equipment $'000	Finance lease assets $'000	Total $'000
Assets transferred from administrative restructure - 1 July 2019				
Gross carrying amount	7,425,905	828,661	291,808	8,546,374
Accumulated depreciation and impairment	(2,143,593)	(436,524)	(63,897)	(2,644,014)
Net carrying amount	**5,282,312**	**392,137**	**227,911**	**5,902,360**
At 30 June 2020 - fair value				
Gross carrying amount	8,205,381	874,364	-	9,079,745
Accumulated depreciation and impairment	(2,352,541)	(480,423)	-	(2,832,964)
Net carrying amount	**5,852,840**	**393,941**	**-**	**6,246,781**

Reconciliation

A reconciliation of the carrying amount of each class of property, plant and equipment held and used by the Department at the beginning and end of the current reporting period is set out below:

CONSOLIDATED	Land and buildings $'000	Plant and equipment $'000	Finance lease assets $'000	Total $'000
Year ended 30 June 2020				
Net carrying amount at beginning of year	-	-	-	-
Increase in Property, Plant and Equipment from equity transfers on administrative restructure - 1 July 2019	5,282,312	392,137	227,911	5,902,360
Lease incentive adjustment on initial application of AASB 16	-	-	(18,087)	(18,087)
Derecognition of finance lease assets on initial application of AASB 16	-	-	(209,824)	(209,824)
Adjusted net carrying amount at beginning of year	5,282,312	392,137	-	5,674,449
Additions	522,525	67,961	-	590,486
Disposals	(1,665)	(214)	-	(1,879)
Impairment losses	(371)	-	-	(371)
Net change in revaluation surplus of property, plant and equipment	217,903	-	-	217,903
Assets transferred out on administrative restructure - 1 May 2020	-	(376)	-	(376)
Transfers (to)/ from intangible assets	(3,217)	822	-	(2,395)
Assets held for sale (out)/in	(26,593)	-	-	(26,593)
Depreciation expense	(138,054)	(66,173)	-	(204,227)
Reclassification between classes	-	(216)	-	(216)
Net carrying amount at end of year	**5,852,840**	**393,941**	**-**	**6,246,781**

12. Property, plant and equipment (cont'd)

(c) Property, plant and equipment where the Department is lessor under operating leases

PARENT	Land and buildings $'000	Plant and equipment $'000	Finance lease assets $'000	Total $'000
Assets transferred from administrative restructure - 1 July 2019				
Gross carrying amount	1,267,741	-	-	1,267,741
Accumulated depreciation and impairment	(86,918)	-	-	(86,918)
Net carrying amount	**1,180,823**	**-**	**-**	**1,180,823**
At 30 June 2020 - fair value				
Gross carrying amount	1,320,487	-	-	1,320,487
Accumulated depreciation and impairment	(106,303)	-	-	(106,303)
Net carrying amount	**1,214,184**	**-**	**-**	**1,214,184**

Reconciliation

A reconciliation of the carrying amount of each class of property, plant and equipment subject to an operating lease at the beginning and end of the current reporting period is set out below:

PARENT	Land and buildings $'000	Plant and equipment $'000	Finance lease assets $'000	Total $'000
Year ended 30 June 2020				
Net carrying amount at beginning of year	-	-	-	-
Increase in Property, Plant and Equipment from equity transfers on administrative restructure - 1 July 2019	1,180,823	-	-	1,180,823
Lease incentive adjustment on initial application of AASB 16	-	-	-	-
Derecognition of finance lease assets on initial application of AASB 16	-	-	-	-
Adjusted net carrying amount at beginning of year	1,180,823	-	-	1,180,823
Additions	6,048	-	-	6,048
Disposals	-	-	-	-
Impairment losses	-	-	-	-
Net change in revaluation surplus of property, plant and equipment	50,157	-	-	50,157
Assets transferred out on administrative restructure - 1 May 2020	-	-	-	
Transfers (to)/from intangible assets	-	-	-	
Assets held for sale (out)/in	-	-	-	-
Depreciation expense	(23,060)	-	-	(23,060)
Reclassification between classes	216	-	-	216
Net carrying amount at end of year	**1,214,184**	**-**	**-**	**1,214,184**

12. Property, plant and equipment (cont'd)

(c) Property, plant and equipment where the Department is lessor under operating leases (cont'd)

CONSOLIDATED	Land and buildings $'000	Plant and equipment $'000	Finance lease assets $'000	Total $'000
Assets transferred from administrative restructure - 1 July 2019				
Gross carrying amount	1,277,866	-	-	1,277,866
Accumulated depreciation and impairment	(87,618)	-	-	(87,618)
Net carrying amount	**1,190,248**	**-**	**-**	**1,190,248**
At 30 June 2020 - fair value				
Gross carrying amount	1,330,990	-	-	1,330,990
Accumulated depreciation and impairment	(107,106)	-	-	(107,106)
Net carrying amount	**1,223,884**	**-**	**-**	**1,223,884**

Reconciliation

A reconciliation of the carrying amount of each class of property, plant and equipment subject to an operating lease at the beginning and end of the current reporting period is set out below:

CONSOLIDATED	Land and buildings $'000	Plant and equipment $'000	Finance lease assets $'000	Total $'000
Year ended 30 June 2020				
Net carrying amount at beginning of year	9,425	-	-	9,425
Increase in Property, Plant and Equipment from equity transfers on administrative restructure - 1 July 2019	1,180,823	-	-	1,180,823
Lease incentive adjustment on initial application of AASB 16	-	-	-	-
Derecognition of finance lease assets on initial application of AASB 16	-	-	-	-
Adjusted net carrying amount at beginning of year	1,190,248	-	-	1,190,248
Additions	6,048	-	-	6,048
Disposals	-	-	-	-
Impairment losses	-	-	-	-
Net change in revaluation surplus of property, plant and equipment	50,562	-	-	50,562
Assets transferred out on administrative restructure - 1 May 2020	-	-	-	-
Transfers (to)/from intangible assets	-	-	-	-
Assets held for sale (out)/in	-	-	-	-
Depreciation expense	(23,190)	-	-	(23,190)
Reclassification between classes	216	-	-	216
Net carrying amount at end of year	**1,223,884**	**-**	**-**	**1,223,884**

12. Property, plant and equipment (cont'd)

Recognition and measurement

Heritage Assets

The Department owns various heritage collection assets within the Courts and Tribunal Services and Corrective Services divisions. The heritage collection was valued by an independent valuer as at 31 March 2018 in accordance with the Accounting Standards and NSW Treasury policies. The Department has recorded the heritage collection assets in the fixed asset register as non-depreciable assets under the Plant and Equipment asset class. Impairment of these assets will be assessed annually based on an independent valuer's certificate.

Acquisition of property, plant and equipment

Property, plant and equipment are initially measured at cost and subsequently revalued at fair value less accumulated depreciation and impairment. Cost is the amount of cash or cash equivalents paid or the fair value of the other consideration given to acquire the asset at the time of its acquisition or construction or, where applicable, the amount attributed to that asset when initially recognised in accordance with the requirements of other Australian Accounting Standards.

Assets acquired at no cost, or for nominal consideration, are initially recognised at their fair value at the date of acquisition. Fair value is the price that would be received to sell an asset in an orderly transaction between market participants at measurement date.

Where payment for an asset is deferred beyond normal credit terms, its cost is the cash price equivalent; i.e. deferred payment amount is effectively discounted over the period of credit.

Capitalisation thresholds

Property, plant and equipment and intangible assets costing $5,000 and above individually are capitalised.

When property, plant and equipment and intangible assets form part of a network, the cost of individual assets comprising the network are aggregated when applying the capitalisation threshold of $5,000 or more. Once the $5,000 capitalisation threshold is reached, further asset acquisitions that form part of the network are capitalised regardless of the amount.

Revaluation of property, plant and equipment

Physical non-current assets are valued in accordance with the '*Valuation of Physical Non-Current Assets at Fair Value'* Policy and Guidelines Paper (TPP 14-01). This policy adopts fair value in accordance with AASB 13 *Fair Value Measurement* and AASB 116 *Property, Plant and Equipment*.

Property, plant and equipment is measured at the highest and best use by market participants that is physically possible, legally permissible and financially feasible. The highest and best use must be available at a period that is not remote and take into account the characteristics of the asset being measured, including any socio-political restrictions imposed by government. In most cases, after taking into account these considerations, the highest and best use is the existing use. In limited circumstances, the highest and best use may be a feasible alternative use, where there are no restrictions on use or where there is a feasible higher restricted alternative use.

Fair value of property, plant and equipment is based on a market participants' perspective, using valuation techniques (market approach, cost approach, income approach) that maximise relevant observable inputs and minimise unobservable inputs. Also refer to Note 16 for further information regarding fair value.

Revaluations are made with sufficient regularity to ensure the carrying amount of each asset in the class does not differ materially from its fair value at reporting date. The Department conducts a comprehensive revaluation at least every three years for its land and buildings (where the market, income or cost approach is the most appropriate valuation technique) and at least every five years for other classes of property, plant and equipment. A comprehensive revaluation of the Department's land, building, infrastructure and finance leased assets was completed as at 31 March 2018 by a qualified independent valuer.

Interim revaluations are conducted between comprehensive revaluations where cumulative changes to indicators suggest fair value may differ materially from carrying value. The Department used an external professionally qualified valuer to conduct the interim fair value assessment for land and buildings.

12. Property, plant and equipment (cont'd)

Recognition and measurement (cont'd)

Revaluation of property, plant and equipment (cont'd)

Non-specialised assets with short useful lives are measured at depreciated historical cost, which for these assets approximates fair value. The Department has assessed that any difference between fair value and depreciated historical cost is unlikely to be material.

For Law Courts Limited, land is measured at fair value based on the market comparable approach that reflects recent transaction prices for similar properties. Buildings are measured at fair value less any subsequent accumulated depreciation and subsequent accumulated impairment losses. The fair value is recognised in the financial statements, and is reviewed at the end of each reporting period to ensure that the carrying value of the land and buildings is not materially different from their fair value.

When revaluing non-current assets using the cost approach, the gross amount and the related accumulated depreciation are separately restated. Where the income approach or market approach is used, accumulated depreciation is eliminated against the gross carrying amount of the asset and the net amount restated to the revalued amount of the asset.

For other assets valued using other valuation techniques, any balances of accumulated depreciation at the revaluation date in respect of those assets are credited to the asset accounts to which they relate. The net asset accounts are then increased or decreased by the revaluation increments or decrements.

Revaluation increments are recognised in other comprehensive income and credited to revaluation surplus in equity. However, to the extent an increment reverses a revaluation decrement in respect of the same class of asset previously recognised as a loss in the net result, the increment is recognised immediately as a gain in the net result.

Revaluation decrements are recognised immediately as a loss in the net result, except to the extent that it offsets an existing revaluation surplus on the same class of assets, in which case the decrement is debited directly to the revaluation surplus.

As a not-for-profit entity, revaluation increments and decrements are offset against one another within a class of non-current assets, but not otherwise.

Where an asset that has previously been revalued and is disposed of, any balance remaining in the asset revaluation surplus in respect of that asset is transferred to accumulated funds.

The residual values, useful lives and methods of depreciation of property, plant and equipment are reviewed at each financial year end.

Right-of-Use Assets acquired by lessees

From 1 July 2019, AASB 16 *Leases* (AASB 16) requires a lessee to recognise a right-of-use asset for most leases. The Department has elected to present right-of-use assets separately in the Statement of Financial Position.

As at 1 July 2019, finance lease assets under AASB 117 included in property, plant and equipment are derecognised, and right-of-use assets arising from these leases are recognised and included in the separate line item together with those right-of-use assets arising from leases previously treated as operating leases under AASB 117.

Further information on leases is contained at Note 13.

12. Property, plant and equipment (cont'd)

Recognition and measurement (cont'd)

Impairment of property, plant and equipment

As a not-for-profit entity with no cash generating units, impairment under AASB 136 *Impairment of Assets* is unlikely to arise. Since property, plant and equipment are carried at fair value or an amount that approximates fair value, impairment can only arise in rare circumstances such as where the costs of disposal are material.

The Department assesses, at each reporting date, whether there is an indication that an asset may be impaired. If any indication exists, or when annual impairment testing for an asset is required, the Department estimates the asset's recoverable amount. When the carrying amount of an asset exceeds its recoverable amount, the asset is considered impaired and is written down to its recoverable amount.

Specialised assets held for continuing use of their service capacity are rarely sold and their cost of disposal is typically negligible. Their recoverable amount is expected to be materially the same as fair value, where they are regularly revalued under AASB 13 *Fair Value Measurement*.

As a not for-profit entity, an impairment loss is recognised in the net result to the extent the impairment loss exceeds the amount in the revaluation surplus for the class of asset.

After an impairment loss has been recognised, it is reversed only if there has been a change in the assumptions used to determine the asset's recoverable amount. The reversal is limited so that the carrying amount of the asset does not exceed its recoverable amount, nor exceed the carrying amount that would have been determined, net of depreciation, had no impairment loss been recognised for the asset in prior years. Such reversal is recognised in net result and is treated as a revaluation increase. However, to the extent that an impairment loss on the same class of asset was previously recognised in net result, a reversal of that impairment loss is also recognised in net result.

Depreciation of property, plant and equipment

Depreciation is provided for on a straight-line basis so as to write off the depreciable amount of each asset as it is consumed over its useful life to the Department.

All material identifiable components of assets are depreciated over their useful lives. Land and heritage collection assets are not depreciable.

Heritage assets including original artworks, collections and furniture items may not have a limited useful life because appropriate curatorial and preservation policies are adopted. Such assets are not subject to depreciation. The decision not to recognise depreciation for these assets is reviewed annually.

12. Property, plant and equipment (cont'd)

Recognition and measurement (cont'd)

Depreciation of property, plant and equipment (cont'd)

The estimated useful lives of the Department's depreciable assets used for each class of assets are as follows:

Asset Class	Estimated Useful Life	Depreciation Rate
Land	Infinite	Not depreciated
Buildings and Infrastructure	10 to 50 years	2% to 10%
Right of use assets	Over the shorter of the asset's useful life and the lease term	Over the shorter of the asset's useful life and the lease term
Plant, furniture and equipment - general and commercial	4 to 10 years	10% to 25%
Plant, furniture and equipment - industrial	20 years	5%
Motor Vehicles	4 to 7 years	14.3% to 25%
Leasehold improvements	Shorter of estimated useful life or term of lease	

For Law Courts Limited

Asset Class	Estimated Useful life	Depreciation rates
Buildings	6 to 40 years	2.5% to 16.7%
Buildings (plant component)	10 to 40 years	2.5% to 10%
Furniture, Fittings and Fixtures	10 to 15 years	6.7% to 10%

Major inspection costs

When a major inspection is performed, its cost is recognised in the carrying amount of the plant and equipment as a replacement if the recognition criteria are satisfied.

Restoration costs

The present value of the expected cost for the restoration or cost of dismantling of an asset after its use is included in the cost of the respective asset if the recognition criteria for a provision are met.

13. Leases

As a Lessee

The Department leases various properties (office accommodation), equipment and motor vehicles. Lease contracts are typically made for fixed periods of 1 to 12 years, but may have extension options. Lease terms are negotiated on an individual basis and contain a wide range of different terms and conditions. The lease agreements do not impose any covenants, but leased assets may not be used as security for borrowing purposes. The Department does not provide residual value guarantees in relation to leases.

Extension and termination options are included in a number of property and equipment leases. These terms are used to maximise operational flexibility in terms of managing contracts. The majority of extension and termination options held are exercisable only by the Department and not by the respective lessor. In determining the lease term, management considers all facts and circumstances that create an economic incentive to exercise an extension option, or not exercise a termination option. Extension options (or periods after termination options) are only included in the lease term if the lease is reasonably certain to be extended (or not terminated). Potential future cash outflows of $234.4 million have not been included in the lease liability because it is not reasonably certain that the leases will be extended (or not terminated). The assessment is reviewed if a significant event or a significant change in circumstances occurs which affects this assessment and that is within the control of the lessee. During the current financial year, the financial effect of revising lease terms to reflect the effect of exercising extension and termination options was a decrease in recognised lease liabilities and right-of-use assets of $3.8 million.

From 1 July 2019, AASB 16 Leases (AASB 16) requires a lessee to recognise a right-of-use asset and a corresponding lease liability for most leases.

The Department has elected to recognise payments for short-term leases and low value leases as expenses on a straight-line basis, instead of recognising a right-of-use asset and lease liability. Short-term leases are leases with a lease term of 12 months or less. Low value assets are assets with a fair value of $10,000 or less when new.

Right-of-use assets under leases

The following table presents right-of-use assets that do not meet the definition of investment property.

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		Land and Buildings $'000	Plant and Equipment $'000	Total $'000
Balance at 1 July 2019		871,310	21,603	892,913
Additions		31,193	12,581	43,774
Depreciation expense	2 (c)	(97,303)	(10,286)	(107,589)
Right-of-use assets transferred out on administrative restructure on 1 May 2020	21	(3,006)	(63)	(3,069)
Impairment losses	5	(35,269)	-	(35,269)
Lease modifications		3,846	267	4,113
Disposal		(3,802)	(80)	(3,882)
Balance at 30 June 2020		**766,969**	**24,022**	**790,991**

13. Leases (cont'd)

As a Lessee (cont'd)

Lease liabilities

The following table presents liabilities under leases:

PARENT AND CONSOLIDATED

	Total
	$'000
Balance at 1 July 2019	**785,028**
Additions	43,774
Interest expenses	22,388
Lease liabilities transferred out on administrative restructure on 1 May 2020	(3,125)
Payments	(115,992)
Disposal	(3,864)
Lease modifications	3,724
Balance at 30 June 2020	**731,933**

The following amounts were recognised in the statement of comprehensive income for the year ending 30 June 2020 in respect of leases where the Department is the lessee:

	$'000
Depreciation expense of right-of-use assets	107,589
Interest expense on lease liabilities	21,501
Expense relating to short-term leases	14,705
Expense relating to leases of low-value assets	-
Total amount recognised in the statement of comprehensive income	**143,795**

The Department had total cash outflows for leases of $116.0 million in 2019-20.

Refer to Note 31 for impact of COVID-19 on leases.

Leases at significantly below-market terms and conditions principally to enable the Department to further its objectives

The Department has the following major categories for concessionary leases in 2019-20:

(i) The Department entered into a 16 year lease with the NSW Land and Housing Corporation (LAHC) for the use of 13 residential buildings. The lease contract specifies lease payments of $1 per annum. The leased premises must be used only to provide specialist disability accommodation under the NDIS. These buildings are subleased to the NGOs and account for a small portion of the similar assets the Department is providing for the purpose of specialist disability accommodation under the NDIS. Therefore, it does not have a significant impact on the Department's operation.

13. Leases (cont'd)

As a Lessee (cont'd)

Lease liabilities

(ii) The Department entered into 5 separate lease agreements of 10 to 40 years of lease with the local councils, Police Citizens Youth Clubs NSW, Health Administration Corporation NSW and Minister for Education NSW for the use of these community centres. The lease contract specifies lease payments of $1 per annum. The leased premises must be used for integrated delivery of services for children, families and communities and as Aboriginal Child and Family Centres. These properties are subleased to the NGOs and account for a small portion of the similar assets the Department is providing as community centres. Therefore, it does not have a significant impact on the Department's operation.

Recognition and measurement

The Department assesses at contract inception whether a contract is, or contains, a lease. That is, if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration.

The Department recognises lease liabilities to make lease payments and right-of-use assets representing the right to use the underlying assets, except for short-term leases and leases of low-value assets.

i. Right-of-use assets

The Department recognises right-of-use assets at the commencement date of the lease (i.e. the date the underlying asset is available for use). Right-of-use assets are initially measured at the amount of initial measurement of the lease liability (refer to Note 13 (ii) below), adjusted by any lease payments made at or before the commencement date and lease incentives, any initial direct costs incurred, and estimated costs of dismantling and removing the asset or restoring the site.

The right-of-use assets are subsequently measured at cost. They are depreciated on a straight-line basis over the shorter of the lease term and the estimated useful lives of the assets, as follows:

- land and buildings 1 to 36 years
- motor vehicles and other equipment 1 to 5 years

If ownership of the leased asset transfers to the Department at the end of the lease term or the cost reflects the exercise of a purchase option, depreciation is calculated using the estimated useful life of the asset.

The right-of-use assets are also subject to impairment. The Department assesses, at each reporting date, whether there is an indication that an asset may be impaired. If any indication exists, or when annual impairment testing for an asset is required, the Department estimates the asset's recoverable amount. When the carrying amount of an asset exceeds its recoverable amount, the asset is considered impaired and is written down to its recoverable amount. After an impairment loss has been recognised, it is reversed only if there has been a change in the assumptions used to determine the asset's recoverable amount. The reversal is limited so that the carrying amount of the asset does not exceed its recoverable amount, nor exceed the carrying amount that would have been determined, net of depreciation, had no impairment loss been recognised for the asset in prior years. Such reversal is recognised in the net result.

Impairment Losses for Right-of-Use Assets leased property

The COVID-19 outbreak occurring throughout the 2019-20 financial year had an unprecedented effect on the NSW and global economies. COVID-19 significantly impacted the market rent for property leases and therefore the value of right-of-use assets in the Statement of Financial Position.

The Department has performed an impairment assessment for its right-of-use assets, to determine whether the carrying amount exceeded their recoverable amount. Impacted right-of-use assets were written down to their recoverable amounts by reference to the right-of-use asset's fair value less costs of disposal.

The Department recognised impairment losses for property right-of-use assets during the 2019-20 financial year of $35.3 million. Impairment losses for right-of-use assets are included in Other Losses as part of 'Operating Result' in the Statement of Comprehensive Income.

13. Leases (cont'd)

As a Lessee (cont'd)

Recognition and measurement (cont'd)

ii. Lease liabilities

At the commencement date of the lease, the Department recognises lease liabilities measured at the present value of lease payments relating to lease components to be made over the lease term. Lease payments include:

- fixed payments (including in substance fixed payments) less any lease incentives receivable
- variable lease payments that depend on an index or a rate if any
- payments of penalties for terminating the lease, if the lease term reflects the entity exercising the option to terminate if any.

Variable lease payments that do not depend on an index or a rate are recognised as expenses (unless they are incurred to produce inventories) in the period in which the event or condition that triggers the payment occurs.
The lease payments are discounted using the interest rate implicit in the lease. If that rate cannot be readily determined, which is generally the case for the Department's leases, the Department's incremental borrowing rate is used, being the rate that the Department would have to pay to borrow the funds necessary to obtain an asset of similar value to the right-of-use asset in a similar economic environment with similar terms, security and conditions. The Department uses T-Corp rates issued by NSW Treasury as it's incremental borrowing rate.

After the commencement date, the amount of lease liabilities is increased to reflect the accretion of interest and reduced for the lease payments made. In addition, the carrying amount of lease liabilities is remeasured if there is a modification, a change in the lease term, a change in the lease payments (e.g., changes to future payments resulting from a change in an index or rate used to determine such lease payments) or a change in the assessment of an option to purchase the underlying asset.

The Department's lease liabilities are included in borrowings.

iii. Short-term leases and leases of low-value assets

The Department applies the short-term lease recognition exemption to its short-term leases of properties and motor vehicles (i.e., those leases that have a lease term of 12 months or less from the commencement date and do not contain a purchase option). It also applies the lease of low-value assets recognition exemption to leases of office equipment that are considered to be low value. Lease payments on short-term leases and leases of low value assets are recognised as expense on a straight-line basis over the lease term.

iv. Leases that have significantly below-market terms and conditions principally to enable the Department to further its objectives

The initial and subsequent measurement of right-of-use assets under leases at significantly below-market terms and conditions that are entered into principally to enable the Department to further its objectives is same as normal right-of-use assets. They are measured at cost, subject to impairment.

The Department's properties are leased to tenants under operating leases with rentals payable monthly. Lease payments for some contracts include CPI increases, but there are no other variable lease payments that depend on an index or rate.

13. Leases (cont'd)

As a Lessee (cont'd)

Lease liabilities

v. For leases that were classified as finance leases applying AASB 117, the carrying amount of the right-of-use asset and the lease liability at the date of initial application shall be the carrying amount of the lease asset and lease liability immediately before that date measured applying AASB 117.

As a Lessor for operating leases

Future minimum rentals receivable (undiscounted) under non-cancellable operating lease as at 30 June are, as follows:

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	2020
	$'000
Within one year	41,780
One to two years	42,616
Two to three years	31,351
Three to four years	7,304
Four to five years	7,418
Later than five years	21,120
Total (exclusive GST)	**151,589**

Operating leases where Department is a lessor relates to group home leases entered with Specialist Disability Accommodation providers as part of the implementation of the NDIS. The rental income receivable is in the nature of residential leasing arrangement, this is considered as input taxed sales and hence does not include GST in the figures disclosed above.

Recognition and measurement - lessor for operating leases

An operating lease is a lease other than a finance lease. Rental income arising is accounted for on a straight-line basis over the lease terms and is included in revenue in the statement of comprehensive income due to its operating nature. Initial direct costs incurred in negotiating and arranging an operating lease are added to the carrying amount of the underlying asset and recognised over the lease term on the same basis as rental income. Contingent rents are recognised as revenue in the period in which they are earned.

14. Intangible assets

PARENT AND CONSOLIDATED

	Software $'000	Internally developed assets $'000	Total $'000
Assets transferred from administrative restructure - 1 July 2019			
Cost (gross carrying amount)	628,446	114,248	742,694
Accumulated amortisation and impairment	(331,104)	(69,382)	(400,486)
Net carrying amount	**297,342**	**44,866**	**342,208**
At 30 June 2020			
Cost (gross carrying amount)	664,459	66,393	730,852
Accumulated amortisation and impairment	(379,121)	(24,230)	(403,351)
Net carrying amount	**285,338**	**42,163**	**327,501**

Reconciliation

A reconciliation of the carrying amount of intangible assets at the beginning and end of the current reporting period is set out below:

Year ended 30 June 2020	Software $'000	Internally developed assets $'000	Total $'000
Net carrying amount at beginning of year	-	-	-
Increase in Intangible Assets from equity transfers on administrative restructure - 1 July 2019	297,342	44,866	342,208
Additions	42,262	12,508	54,770
Transfer to/ (from) property, plant and equipment	2,082	313	2,395
Assets transferred out on administrative restructure 1 May 2020	(30)	-	(30)
Disposals	(83)	(180)	(263)
Impairment losses	(1,062)	(1,326)	(2,388)
Amortisation expense	(55,173)	(14,018)	(69,191)
Net carrying amount at end of year	**285,338**	**42,163**	**327,501**

Recognition and measurement

The Department recognises intangible assets only if it is probable that future economic benefits will flow to the Department and the cost of the asset can be measured reliably. Intangible assets are measured initially at cost. Where an asset is acquired at no or nominal cost, the cost is its fair value as at the date of acquisition.

Following initial recognition, intangible assets are subsequently measured at fair value only if there is an active market. If there is no active market for the Department's intangible assets, the assets are carried at cost less any accumulated amortisation and impairment losses. All research costs are expensed. Development costs are only capitalised when certain criteria are met.

The useful lives of intangible assets are assessed to be finite. The Department's intangible assets are amortised using the straight-line method over a period of three to ten years. The amortisation period and the amortisation method for an intangible asset with a finite useful life are reviewed at least at the end of each reporting period.

Intangible assets are tested for impairment where an indicator of impairment exists. If the recoverable amount is less than the carrying amount, the carrying amount is reduced to recoverable amount and the reduction is recognised as an impairment loss.

15. Non-current assets held for sale

	PARENT	CONSOLIDATED
	2020	**2020**
	$'000	**$'000**
Assets held for sale - land and buildings	26,774	26,774
	26,774	**26,774**

Amounts recognised in other comprehensive income relating to assets held-for-sale

	PARENT	CONSOLIDATED
	2020	**2020**
	$'000	**$'000**
Net change in revaluation surplus of property, plant and equipment	1,224	1,224
	1,224	**1,224**

Assets in held for sale comprises of residential land & building assets ($0.4 million), disability assets ($0.7 million) and three correctional centres ($25.8 million), namely Brewarrina, Ivanhoe and Grafton which are surplus to requirements and are being actively marketed for sale in 2020-21.

Recognition and measurement

The Department has certain non-current assets (or disposal groups) classified as held-for-sale, where their carrying amount will be recovered principally through a sale transaction, not through continuing use. Non-current assets (or disposal groups) held-for-sale are measured at the lower of their carrying amount and fair value less costs of disposal.

These assets are not depreciated / amortised while they are classified as held-for-sale. Interest and other expenses attributable to the liabilities of a disposal group classified as held for sale are continued to be recognised.

16. Fair value measurement of non-financial assets

Fair value measurement and hierarchy

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The fair value measurement is based on the presumption that the transaction to sell the asset or transfer the liability takes place either in the principal market for the asset or liability or in the absence of a principal market, in the most advantageous market for the asset or liability.

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. When measuring fair value, the valuation technique used maximises the use of relevant observable inputs and minimises the use of unobservable inputs. Under AASB 13 *Fair Value Measurement*, the Department categorises, for disclosure purposes, the valuation techniques based on the inputs used in the valuation techniques as follows:

- Level 1 – quoted (unadjusted) prices in active markets for identical assets / liabilities that the Department can access at the measurement date
- Level 2 – inputs other than quoted prices included within Level 1 that are observable, either directly or indirectly
- Level 3 – inputs that are not based on observable market data (unobservable inputs).

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

16. Fair value measurement of non-financial assets (cont'd)

(a) Fair value hierarchy

		Parent			
2020	Note	**Level 1**	**Level 2**	**Level 3**	**Total fair value**
Property, plant and equipment	12				
Land and buildings		-	462,058	5,527,705	5,989,763
Plant and equipment		-	3,392	-	3,392
Non-current assets held for sale	15	-	762	26,011	26,773
Total Fair value measurement of non-financial assets		**-**	**466,212**	**5,553,716**	**6,019,928**

		Consolidated			
2020	Note	**Level 1**	**Level 2**	**Level 3**	**Total fair value**
Property, plant and equipment	12				
Land and buildings		-	467,185	5,532,278	5,999,463
Plant and equipment		-	3,392	-	3,392
Non-current assets held for sale	15	-	762	26,011	26,773
Total Fair value measurement of non-financial assets		**-**	**471,339**	**5,558,289**	**6,029,628**

There were no transfers between level 1 or 2 during the periods.

(b) Valuation techniques, inputs and processes

An index revaluation of all the Department's properties has been performed by an external professionally qualified valuer as at 30 June 2020. A full valuation is conducted every three years with the previous full valuation occurring in 2018. In the intervening periods relevant indexation factors are used as an estimate of fair value.

The assets valued under level 2 inputs are valued using the market approach, due to the availability of market transactions and observable prices for similar assets. Valuers have considered matters such as zoning, location, topography, aspect, frontage, size, shape, date of valuation and current market sentiment in determining the values. These values largely relate to all land assets and the majority of "buy/modify" building assets for which comparable values are available.

The assets valued under level 3 inputs are specialised assets which have been valued using the cost approach which is based on replacing the "service capacity" of the asset. These specialised assets are either:

- purpose built group homes where the replacement cost is based on actual construction costs incurred by the Department
- highly modified buildings which are significantly modified for the purpose of provision of care to disability clients, and the replacement costs are based on actual costs incurred by the Department
- large residential centres which are older, large institutional style buildings and valued by the external valuer at replacement value
- court houses, prisons and youth justice centres where depreciated replacement cost is used due to highly specialised nature of the buildings and lack of market evidence.

16. Fair value measurement of non-financial assets (cont'd)

(b) Valuation techniques, inputs and processes (cont'd)

Refer to table of valuation techniques, inputs and processes in the table below.

Asset Class	Level	Valuation technique	Inputs	Process
Land – Group homes – with buildings with minor modifications	2	Market Approach	Observable inputs - recent sales considering matters such as zoning, location, topography, aspect, frontage, size, shape, date of valuation and current market sentiment.	Direct comparison approach against recent sales considering matters such as zoning, location, topography, aspect, frontage, size, shape, date of valuation and current market sentiment.
Land – Group homes – with purpose built or significantly modified buildings	3	Market Approach	Observable inputs - recent sales in the residential property market considering matters such as zoning, location, topography, aspect, frontage, size, shape, date of valuation and current market sentiment. Unobservable inputs - buildings on the land are either purpose built or significantly modified and as land and building are considered as one complete asset for existing use purposes, these assets are measured at level 3.	Direct comparison approach against recent sales considering matters such as zoning, location, topography, aspect, frontage, size, shape, date of valuation and current market sentiment. The unobservable level 3 inputs are not considered to impact on the values determined by the market approach considering existing use of the asset.
Land – Large Residential Centres (LRC)	3	Market Approach	Observable inputs - land assets are considered special use assets with no direct comparable sales. The most relevant available site data for similar sites is considered using highest and best use. Unobservable inputs - specialised buildings are located on the land and as land and buildings are considered as one complete asset, these assets are measure at level 3.	These are large sites with few relevant recent sales of similar properties. Fair value is determined by considering the sales of the most relevant large properties. These provide a range of values per hectare and an appropriate rate per hectare within the range to arrive at a fair value.
Land – Specialised (court houses, prisons and youth justice centres)	3	Market Approach	Observable Inputs - these land assets are valued using market evidence, (that is, based on a market selling price), with adjustments for varying characteristics including zoning, shape, flood and bushfire affectation, condition, location, comparability. Unobservable inputs - specialised buildings are located on the land and as Land and building are considered as one complete asset, these assets are measured at level 3.	The Direct Comparison Method has been utilised as the primary method of valuation. In this approach, the relative merits of the subject property and each of the sales are analysed and compared, having regard to matters such as location, aspect, topography, size of land, shape of land, size and quality of the improvements, features and condition of the improvements and current market sentiment.

16. Fair value measurement of non-financial assets (cont'd)

Valuation techniques, inputs and processes (cont'd)

Asset Class	Level	Valuation technique	Inputs	Process
Buildings – Group homes – with buildings with minor modifications	2	Market Approach	Observable inputs - recent sales of comparable properties with adjustment for condition, location, comparability etc.	Visual inspection of the properties and assessment against recent sales of comparable properties with adjustment for condition, location, comparability etc.
Buildings – purpose built or significantly modified group homes	3	Cost Approach	Unobservable inputs - the highly modified and costly nature of the buildings positioned on residential land and utilised for mandated services. Observable inputs - actual construction costs are used for these purpose built and significantly modified buildings.	Actual construction costs are checked against the latest Rawlinson's Construction Handbook.
Buildings – (LRC)	3	Cost Approach	Unobservable inputs: market data are not available and are developed using the best information available about the assumptions that market participants would use when pricing such assets. Observable inputs - Construction cost per square metre applied to determine replacement cost.	For comprehensive valuations, visual inspection of the properties and assessment of replacement cost by independent registered valuer, using building area and cost per square metre. Construction costs are checked against the latest Rawlinson's Construction Handbook.
Buildings – Specialised (court houses, prisons and youth justice centres)	3	Cost Approach	Unobservable inputs: market data are not available and are developed using the best information available about the assumptions that market participants would use when pricing such assets. Observable inputs - actual construction costs are used for these purpose built and significantly modified buildings.	Specialised buildings are assessed at depreciated replacement cost, due to lack of market evidence. Construction costs are checked against the latest Rawlinson's Construction Handbook.
Plant and Equipment – Heritage assets	2	Market Approach	Observable inputs – market selling prices are used for heritage assets that are marketable.	Sample based inspection for various in conjunction with market evidence was used for valuation.

16. Fair value measurement of non-financial assets (cont'd)

(c) Reconciliation of recurring Level 3 fair value measurements

	PARENT			
	Land and Buildings $'000	**Plant and Equipment $'000**	**Non-current assets held for sale $'000**	**Total $'000**
Fair value as at 1 July 2019	-	-	-	-
Increase from equity transfers on administrative restructure - 1 July 2019	5,130,550	-	388	5,130,938
Lease incentive adjustment on initial application of AASB 16	(18,087)	-	-	(18,087)
Derecognition of finance lease assets on initial application of AASB 16	(209,824)	-	-	(209,824)
Adjusted fair value as at 1 July 2019	4,902,639	-	388	4,903,027
Additions	561,592	-	-	561,592
Net change in revaluation surplus of property, plant and equipment recognised in other comprehensive income	241,922	-	-	241,922
Disposals	(1,665)	-	(208)	(1,873)
Depreciation expense	(151,168)	-	-	(151,168)
Assets held for sale in/(out)	(25,831)	-	25,831	-
Other movements	216	-	-	216
Fair value as at 30 June 2020	**5,527,705**	**-**	**26,011**	**5,553,716**

	CONSOLIDATED			
	Land and Buildings $'000	**Plant and Equipment $'000**	**Non-current assets held for sale $'000**	**Total $'000**
Fair value as at 1 July 2019	4,450	-	-	4,450
Increase from equity transfers on administrative restructure - 1 July 2019	5,130,550	-	388	5,130,938
Lease incentive adjustment on initial application of AASB 16	(18,087)	-	-	(18,087)
Derecognition of finance lease assets on initial application of AASB 16	(209,824)	-	-	(209,824)
Adjusted fair value as at 1 July 2019	4,907,089	-	388	4,907,477
Additions	561,592	-	-	561,592
Net change in revaluation surplus of property, plant and equipment recognised in other comprehensive income	242,107	-	-	242,107
Disposals	(1,665)	-	(208)	(1,873)
Depreciation expense	(151,230)	-	-	(151,230)
Assets held for sale in/(out)	(25,831)		25,831	-
Other movements	216	-	-	216
Fair value as at 30 June 2020	**5,532,278**	**-**	**26,011**	**5,558,289**

17. Payables

	PARENT	CONSOLIDATED
	2020	**2020**
	$'000	**$'000**
Current		
Accrued capital expenditure	**22,457**	**22,457**
Accrued grant expenditure	**25,454**	**25,454**
Accrued operating expenditure	**129,619**	**129,619**
Accrued salaries, wages and on-costs	**61,121**	**61,121**
Creditors	**184,531**	**184,531**
Total payables	**423,182**	**423,182**

Details regarding liquidity risk, including a maturity analysis of the above payables, are disclosed in Note 26.

Accrued operating expenditure includes accruals for claims relating to the Victims Support Fund totalling $19.8 million.

Refer to Note 31 for impact of COVID-19 on Payables.

Recognition and measurement

Payables

Payables represent liabilities for goods and services provided to the Department and other amounts. Short-term payables with no stated interest rate are measured at the original invoice amount where the effect of discounting is immaterial.

Payables are financial liabilities at amortised cost, initially measured at fair value, net of directly attributable transaction costs. These are subsequently measured at amortised cost using the effective interest method. Gains and losses are recognised in net result when the liabilities are derecognised as well as through the amortisation process.

18. Borrowings

	PARENT	CONSOLIDATED
	2020	**2020**
	$'000	**$'000**
Current borrowings		
Other borrowings	**145**	**145**
Lease liabilities (refer Note 13)	**90,463**	**90,463**
	90,608	**90,608**

	PARENT	CONSOLIDATED
Non-current borrowings		
Other borrowings	**149**	**149**
Lease liabilities (refer Note 13)	**641,471**	**641,471**
	641,620	**641,620**

Changes in liabilities arising from financing activities

	PARENT AND CONSOLIDATED		
	Other Borrowings	**Leases**	**Total liabilities from financing activities**
Balance at 1 July 2019	-	-	-
Lease liabilities transferred in on administrative restructure - 1 July 2019	434	100,670	101,104
Recognised on adoption of AASB 16	-	684,358	684,358
Adjusted 1 July 2019 balance	434	785,028	785,462
Cash flows	(140)	(115,992)	(116,132)
New leases	-	43,774	43,774
Finance charges	-	22,388	22,388
Lease liabilities transferred out on administrative restructure - 1 May 2020	-	(3,125)	(3,125)
Disposal on right-of-use liabilites	-	(3,864)	(3,864)
Other movements	-	3,724	3,724
Balance at 30 June 2020	**294**	**731,933**	**732,227**

Details regarding liquidity risk including a maturity analysis of the above borrowings are disclosed in Note 26.

Recognition and measurement

Financial liabilities at amortised cost

Borrowings classified as financial liabilities at amortised cost are initially measured at fair value, net of directly attributable transaction costs. These are subsequently measured at amortised cost using the effective interest method. Gains and losses are recognised in net result when the liabilities are derecognised as well as through the amortisation process. From 1 July 2019, finance and operating lease liabilities are determined in accordance with AASB 16. Refer to Note 1(k) and Note 13.

18. Borrowings (cont'd)

Financial Guarantee

A financial guarantee contract is a contract that requires the issuer to make specified payments to reimburse the holder for a loss it incurs because a specified debtor fails to make payment when due in accordance with the original or modified terms of a debt instrument. Financial guarantee contracts are recognised as a financial liability at the time the guarantee is issued. The liability is initially measured at fair value, being the premium received. Subsequent to initial recognition, the Department's liability under each guarantee is measured at the higher of the amount initially recognised less cumulative amortisation, and an expected credit loss provision.

The Department has reviewed its financial guarantees and determined that there is no material liability to be recognised for financial guarantee contracts as at 30 June 2020. Refer Note 23 regarding disclosures on Contingent liabilities.

19. Provisions

	PARENT	CONSOLIDATED
	2020	2020
	$'000	$'000
Current		
Employee benefits and related on-costs		
Sundays and public holidays	4,095	4,095
Annual leave*	276,613	276,613
Long service leave*	129,417	129,417
Redundancy	23,502	23,502
Other provisions – employee related	12,536	12,536
Total current employee benefits and related on-costs	446,163	446,163
Other Provisions		
Restoration costs	19,420	19,420
Pending victims' support scheme claims	71,535	71,535
Total current other provisions	90,955	90,955
Total current provisions	537,118	537,118
*Expected settlement of current employee benefits and related on-costs		
No later than 12 months	232,097	232,097
Later than 12 months	173,932	173,932
	406,029	406,029
Non-current		
Employee benefits and related on-costs		
Long service leave	10,177	10,177
Total non-current employee benefits and related on-costs	10,177	10,177
Other Provisions		
Restoration costs	42,609	42,609
Pending victims' support scheme claims	121,000	121,000
Total non-current other provisions	163,609	163,609
Total non-current provisions	173,786	173,786

19. Provisions (cont'd)

	PARENT	CONSOLIDATED
	2020	**2020**
	$'000	**$'000**
Aggregate employee benefits and related on-costs		
Provisions - current	**446,163**	**446,163**
Provisions - non-current	**10,177**	**10,177**
Accrued salaries, wages and on-costs (Note 17)	**61,121**	**61,121**
	517,461	**517,461**

Movements in provisions (other than employee benefits)

	PARENT AND CONSOLIDATED		
	Restoration Costs $'000	**Pending victims' support scheme claims $'000**	**Total $'000**
Carrying amount at beginning of the financial year	**-**	**-**	**-**
Increase in provisions from equity transfers on administrative restructure - 1 July 2019	63,716	135,200	**198,916**
Additional provision recognised	2,269	114,500	**116,769**
Amounts used	(1,676)	(65,165)	**(66,841)**
Unused amounts reversed	(2,084)	-	**(2,084)**
Unwinding/change in the discount rate	(1,348)	1,000	**(348)**
Amounts transferred out on administrative retructure - 1 May 2020	(398)	-	**(398)**
Change in experience and actuarial assumptions	-	7,000	**7,000**
Other movement	1,550	-	**1,550**
Carrying amount at end of the year	**62,029**	**192,535**	**254,564**

Recognition and measurement

Employee benefits and related on-costs

(i) Salaries and wages, annual leave and sick leave

Salaries and wages (including non-monetary benefits) and paid sick leave that are expected to be settled wholly within 12 months after the end of the period in which the employees render the service are recognised and measured at the undiscounted amounts of the benefits.

Annual leave is not expected to be settled wholly before twelve months after the end of the annual reporting period in which the employees render the related service. As such, it is required to be measured at present value in accordance with AASB 119 *Employee Benefits* (although short-cut methods are permitted).

Actuarial advice obtained by Treasury has confirmed that using the nominal annual leave balance plus the annual leave entitlements accrued while taking annual leave (calculated using 7.9% of the nominal value of annual leave) can be used to approximate the present value of the annual leave liability. The Department has assessed the actuarial advice based on the Department's circumstances and has determined that the effect of discounting is immaterial to annual leave. All annual leave is classified as a current liability even where the Department does not expect to settle the liability within 12 months as the Department does not have an unconditional right to defer settlement.

Unused non-vesting sick leave does not give rise to a liability as it is not considered probable that sick leave taken in the future will be greater than the benefits accrued in the future.

19. Provisions (cont'd)

Recognition and measurement (cont'd)

Employee benefits and related on-costs (cont'd)

(ii) Long service leave

Long service leave - assumed by the Crown

Some of the Department's liabilities for long service leave are assumed by Crown Entity and others are not.

The Department accounts for the liability as having been extinguished, resulting in the amount assumed being shown as part of the non-monetary revenue item described as 'Acceptance by the Crown Entity of Employee Benefits and Other Liabilities'.

Long service leave is measured at present value of expected future payments to be made in respect of services provided up to the reporting date. Consideration is given to certain factors based on actuarial review, including expected future wage and salary levels, experience of employee departures, and periods of service. Expected future payments are discounted using Commonwealth government bond rate at the reporting date.

Long service leave funded by agency Crown LSL pool

Long service leave liabilities not assumed by Crown Entity relate to:

- Former Compensation Court (closed in December 2003) (recouped from Workcover Authority);
- Dust Diseases Tribunal;
- Office of the Legal Services Commissioner
- NSW Trustee and Guardian; and
- Legal Profession Admission Board.

Long service leave liabilities not assumed by Crown Entity requires contributions to the NSW Non Budget Long Service Leave Pool Account. The Treasury "pool" account administers the long service leave provision for agencies and commercial activities whose liabilities were previously assumed by the Crown Entity due to being part of the Budget Sector. Contributions made to NSW Treasury are included in Employee Related Expenses. The Department recognises a receivable amount from the Long Service Leave Pool.

Long service leave funded by the Department

Long service leave liabilities funded by the Department relates to Department staff who provide personnel services to the Legal Services Council and the Trustees of the Anzac Memorial Building. Refer Note 1(a) for details.

Long service leave liability funded by the Department is measured at present value in accordance with AASB 119 *Employee Benefits*. This is based on the application of certain factors specified in NSW TC 18/13 to employees with five or more years of service, using current rates of pay.

(iii) Superannuation

Superannuation Liabilities Assumed by Crown

The Department's liabilities for defined benefit superannuation are assumed by the Crown Entity. The Department accounts for the liability as having been extinguished, resulting in the amount assumed being shown as part of the non-monetary revenue item described as 'Acceptance by the Crown Entity of employee benefits and other liabilities'.

The superannuation expense for the financial year is determined by using the formulae specified in the Treasurer's Directions. The expense for defined contribution superannuation schemes (that is, Basic Benefit and First State Super) is calculated as a percentage of the employees' salary. For defined benefit superannuation schemes (i.e. State Superannuation Scheme and State Authorities Superannuation Scheme), the expense is calculated as a multiple of the employees' superannuation contributions.

19. Provisions (cont'd)

Recognition and measurement (cont'd)

Employee benefits and related on-costs (cont'd)

(iv) Consequential on-costs

Consequential costs to employment are recognised as liabilities and expenses where the employee benefits to which they relate have been recognised. This includes outstanding amounts of payroll tax, workers' compensation insurance premiums and fringe benefits tax.

(v) Pending victims' support scheme claims

The provision for pending victims support scheme claims is an estimate of the liability associated with the cost of lodged but not yet paid claims of the victims support scheme. The estimate is based on an actuarial assessment.

The provision:

1) Is only in respect of lodged but not yet paid claims. No provision has been made for any acts of violence that may have already been Incurred but Not Reported (IBNR) (refer Note 23 Contingent Liabilities).
2) Contains an allowance for the time value of money. Claims costs have been discounted back to the valuation date using risk free discount rates.
3) Includes claims handling costs, such as staff costs, that may be incurred as a result of processing these claims.
4) Is a central estimate and does not include any additional risk margin related to the uncertainty of estimates.

The actuarial Professional Standard 302 "Valuations of General insurance Claims" (PS 302) applies to actuaries undertaking a valuation of General Insurance Claims for an entity. While the claims being valued are not General Insurance Claims as defined under PS 302, there are some similarities in the characteristics of this valuation when compared to PS 302 valuations. Thus PS 302 has been used as a proxy for determining provisions in this valuation.

(vi) Other provisions

Provisions are recognised when the Department has a present legal or constructive obligation as a result of a past event; it is probable that an outflow of resources will be required to settle the obligation; and a reliable estimate can be made of the amount of the obligation. When the Department expects some or all of a provision to be reimbursed, for example, under an insurance contract, the reimbursement is recognised as a separate asset, but only when the reimbursement is virtually certain. The expense relating to a provision is presented net of any reimbursement in the Statement of Comprehensive Income.

Any provisions for restructuring are recognised only when the Department has a detailed formal plan and the Department has raised a valid expectation in those affected by the restructuring that it will carry out the restructuring by starting to implement the plan or announcing its main features to those affected.

If the effect of the time value of money is material, provisions are discounted at a pre-tax rates that reflects the current market assessments of the time value of money and the risks specific to the liability. When discounting is used, the increase in the provision due to the passage of time (i.e. unwinding of discount rate) is recognised as a finance cost.

Other provisions include restoration costs on leased office premises. Restoration costs represent estimated costs that the Department is obliged to incur to restore premises to an acceptable condition as agreed with the owners of the premises, upon expiry of operating lease arrangements. The amount and timing of each estimate is reassessed annually. In the majority of cases the provision is calculated by using the restoration rate per square metre implicit in each lease agreement, which is then discounted to present value using the appropriate government bond rate as at 30 June 2020. The provisions are established by individual lease and amortised over the term of the lease. The unamortised value of the obligation is recorded as an asset.

20. Other liabilities

	PARENT	CONSOLIDATED
	2020	**2020**
	$'000	**$'000**
Current		
Liabilities under transfers to acquire or construct non-financial assets to be controlled by the entity	**2,849**	**2,849**
Unearned revenue	**3,055**	**3,055**
	5,904	**5,904**
Non-current		
Liabilities under transfers to acquire or construct non-financial assets to be controlled by the entity	**432**	**432**
	432	**432**

Refer to Note 3(e) for a description of the Department's obligations under transfers received to acquire or construct non-financial assets to be controlled by the entity.

The Department expects to recognise as income the liability for unsatisfied obligations for $2.8 million within 12 months and $0.4 million after 12 months as at 30 June 2020, as the related assets are constructed/acquired.

	2020
	$'000
Reconciliation of financial assets and corresponding liabilities arising from transfers to acquire or construct non-financial assets to be controlled by the entity	**3,281**
Liabilities arising from transfers to acquire/construct non-financial assets to be controlled by the entity recognised upon initial application of AASB 1058 - 1 July 2019 equity adjustment	4,715
Add: receipt of cash during the financial year	1,278
Deduct: income recognised during the financial year	(2,712)
Closing balance of liabilities arising from transfers to acquire/construct non-financial assets to be controlled by the entity	**3,281**

21. Increase / (decrease) in net assets from equity transfers

(i) The Department of Communities and Justice was formed on 1 July 2019 following the *Administrative Arrangements (Administrative Changes - Public Service Agencies) Order 2019* issued on 2 April 2019 which abolished the former Department of Family and Community Services and former Department of Justice with effect from 1 July 2019. The Department assumed most of the functions from the former Department of Family and Community Services, and the former Department of Justice. Refer Note 1(b) for details of the administrative restructure.

Statement of Comprehensive Income for the former Departments for the year ended 30 June 2019

	Department of Justice $'000	Department of Family and Community Services (Parent) $'000
Expenses excluding losses		
Employee related expenses	1,884,132	1,121,184
Operating expenses	819,351	398,317
Depreciation and amortisation	225,412	76,076
Grants and subsidies	5,017,796	2,369,365
Finance costs	10,709	802
Other expenses	169,514	-
Total expenses excluding losses	**8,126,914**	**3,965,744**
Revenue		
Appropriations	8,039,425	3,466,457
Sale of goods and services	251,426	179,223
Investment revenue	3,262	641
Retained taxes, fees and fines	26,431	-
Grants and other contributions	130,968	58,860
Personnel services	57,951	85,932
Acceptance by the Crown Entity of employee benefits and other liabilities	155,869	56,606
Other income	53,588	74,556
Total revenue	**8,718,920**	**3,922,275**
Operating result	**592,006**	**(43,469)**
Gain / (loss) on disposal	(8,064)	(883)
Impairment losses on financial assets	(6,532)	(931)
Other gains / (losses)	(487)	(5,033)
Net result	**576,923**	**(50,316)**
Other comprehensive income		
Items that will not be reclassified to net result in subsequent periods		
Net changes in revaluation surplus of property, plant and equipment	20,511	(12,289)
Reversal of prior year revaluation decrement due to an error	34,189	-
Superannuation actuarial gains/(losses)	-	(2,039)
Transfer from asset revaluation reserve on disposal	-	(79)
Total other comprehensive income	**54,700**	**(14,407)**
TOTAL COMPREHENSIVE INCOME	**631,623**	**(64,723)**

21. Increase / (decrease) in net assets from equity transfer (cont'd)

Assets and liabilities transferred in/out of the Department as at 1 July 2019

	Department of Justice		Department of Family and Community Services		Department of Premier and Cabinet	Total transferred to the Department
	Transfer to the Department $'000	Transfer to DCS $'000	Transfer to the Department $'000	Transfer to DPIE $'000	Transfer to the Department $'000	$'000
Assets						
Current Assets						
Cash and cash equivalents	150,225	1,235	100,666	-	-	250,891
Receivables[9]	115,230	4,988	87,471	24,365	-	202,701
Inventories	22,985	-	-	-	-	22,985
Non-current assets held for sale	388	-	6,452	-	-	6,840
Total Current Assets	**288,828**	**6,223**	**194,589**	**24,365**	**-**	**483,417**
Non-Current Assets						
Receivables	27,874	327	2,465	-	-	30,339
Property, plant and equipment						
Land and buildings	5,089,793	16,129	1,373,342	-	-	6,463,135
Plant and equipment	304,317	351	87,820	-	-	392,137
Land and building under finance lease	227,911	-	-	-	-	227,911
Total Property, plant and equipment	**5,622,021**	**16,480**	**1,461,162**	**-**	**-**	**7,083,183**
Intangibles	167,883	10,503	174,325	-	-	342,208
Total Non-Current Assets	**5,817,778**	**27,310**	**1,637,952**	**-**	**-**	**7,455,730**
Total Assets	**6,106,606**	**33,533**	**1,832,541**	**24,365**	**-**	**7,939,147**
Liabilities						
Current Liabilities						
Payables	(328,004)	(435)	(153,017)	-	-	(481,021)
Borrowings	(6,508)	-	-	-	-	(6,508)
Provisions	(330,179)	(6,515)	(148,647)	(13,064)	(93)	(478,919)
Other current liabilities	-	-	(30,959)	-	-	(30,959)
Total Current Liabilities	**(664,691)**	**(6,950)**	**(332,623)**	**(13,064)**	**(93)**	**(997,407)**
Non-Current Liabilities						
Provisions	(89,408)	(493)	(48,333)	(11,301)	(1)	(137,742)
Borrowings	(113,032)	-	-	-	-	(113,032)
Other non-current liabilities	-	-	(1,001)	-	-	(1,001)
Total Non-Current Liabilities	**(202,440)**	**(493)**	**(49,334)**	**(11,301)**	**(1)**	**(251,775)**
Total Liabilities	**(867,131)**	**(7,443)**	**(381,957)**	**(24,365)**	**(94)**	**(1,249,182)**
NET ASSETS	**5,239,475**	**26,090**	**1,450,584**	**-**	**(94)**	**6,689,965**

[9] Transfer from the Department of Family and Community Services excludes $53.6 million in-kind receivable from NDIA (administered asset) as at 1 July 2019.

21. Increase / (decrease) in net assets from equity transfer (cont'd)

(ii) The functions and staff employed in the Office of Emergency Management division in the Department of Communities and Justice were transferred to Resilience NSW on 1 May 2020 in accordance with the *Administrative Arrangements (Administrative Changes – Resilience NSW) Order 2020*. Refer Note 1(b) for details of the administrative restructure.

The following statement discloses the assets and liabilities which were transferred out from the Department:

	Department of Communities and Justice (Parent) transfer to Resilience NSW $'000
Assets	
Current Assets	
Cash and cash equivalents	205,829
Receivables (including prepayment)	134,339
Total Current Assets	**340,168**
Non-Current Assets	
Receivables	-
Property, plant and equipment	
Land and buildings	-
Plant and equipment	376
Total Property, plant and equipment	**376**
Right-of-use assets	**3,069**
Intangibles	30
Total Non-Current Assets	**3,475**
Total Assets	**343,643**
Liabilities	
Current Liabilities	
Payables	(297,509)
Borrowings	(630)
Provisions	(1,443)
Total Current Liabilities	**(299,582)**
Non-Current Liabilities	
Borrowings	(2,495)
Provisions	(9)
Total Non-Current Liabilities	**(2,504)**
Total Liabilities	**(302,086)**
NET ASSETS	**41,557**

21. Increase / (decrease) in net assets from equity transfer (cont'd)

Recognition and measurement

The transfer of net assets between agencies as a result of an administrative restructure, transfers of programs/functions and parts thereof between NSW public sector agencies are designated or required by Accounting Standards to be treated as contributions by owners and recognised as an adjustment to "Accumulated Funds". This treatment is consistent with AASB 1004 *Contributions* and Australian Interpretation 1038 *Contributions by Owners Made to Wholly- Owned Public Sector Entities*.

Transfers arising from an administrative restructure involving not-for-profit and for-profit government entities are recognised at the amount at which the assets and liabilities were recognised by the transferor immediately prior to the restructure. Subject to below, in most instances this will approximate fair value.

All other equity transfers are recognised at fair value, except for intangibles. Where an intangible has been recognised at (amortised) cost by the transferor because there is no active market, the Department recognises the asset at the transferor's carrying amount. Where the transferor is prohibited from recognising internally generated intangibles, the Department does not recognise that asset.

(iii) The disability services of the former Department of Family and Community Services have been transitioning to the Non-Government Organisation (NGO) sector as part of the NSW Government implementation of the NDIS since 2015-2016.

In 2019-20, the Specialist Disability Services were transferred as per the agreements entered by the State of NSW with six Supported Independent Living (SIL) providers to support the current residents of Stockton, Tomaree, Kanangra, Dubbo and Lake Albert in their new homes under Hunter Residences Redevelopment Program. The six providers are New Horizons Enterprises Limited (NH), Cerebral Palsy Alliance (CPA), The Disability Trust (TDT), Disability Services Australia Limited (DSA), Westhaven Limited and The Northcott Society. The transfers to Westhaven Limited and Northcott Society are not included in the below table as the transfers did not include employees. Vesting orders are in place to facilitate the transfer of assets and liabilities to the NGOs.

The long service leave provision and certain consequential employment costs were assumed by the Crown. The Department only recognised a portion of relevant consequential costs. To transfer the in scope employees to the NGOs, the Department made the cash payment that covered both the Department assumed and Crown assumed liabilities to the NGOs. The Department then recovered the amount paid relating to Crown assumed liabilities, in accordance with the guidance of Treasury Circular 14-06 *Funding Arrangements for Long Service Leave and Transferred Officers Leave Entitlements*. In the current financial year, the employees entitlements provision transferred that were assumed and funded by the Crown amounted to $4.4 million.

21. Increase / (decrease) in net assets from equity transfer (cont'd)

As at 30 June 2020, Post Completion Adjustments relating to 18 home transfers to various NGOs were not finalised
The following statements disclose the assets and liabilities which were transferred to the NGO sector:

PARENT and CONSOLIDATED

	Cerebral Palsy Alliance $'000	New Horizons Enterprises Limited $'000	The Disability Trust $'000	Disability Services Australia $'000	Total $'000
Assets					
Current Assets					
Cash at bank	(525)	(324)	(435)	(146)	(1,430)
Total Current Assets	**(525)**	**(324)**	**(435)**	**(146)**	**(1,430)**
Total Assets	**(525)**	**(324)**	**(435)**	**(146)**	**(1,430)**
Liabilities					
Current Liabilities					
Annual leave	(397)	(246)	(314)	(91)	(1,048)
Long service leave on costs	(118)	(72)	(111)	(51)	(352)
Total Current Liabilities	**(515)**	**(318)**	**(425)**	**(142)**	**(1,400)**
Non-Current Liabilities					
Long service leave on costs	(10)	(6)	(10)	(4)	(30)
Total Non-Current Liabilities	**(10)**	**(6)**	**(10)**	**(4)**	**(30)**
Total Liabilities	**(525)**	**(324)**	**(435)**	**(146)**	**(1,430)**
NET ASSETS	**-**	**-**	**-**	**-**	**-**

Liabilities transferred that are assumed by and funded by the Crown entity

	Cerebral Palsy Alliance $'000	New Horizons Enterprises Limited $'000	The Disability Trust $'000	Disability Services Australia $'000	Total $'000
Crown assumed employees entitlements - Annual Leave	10	6	8	3	27
Crown assumed employees entitlements - Long Service Leave	1,460	887	1,359	619	4,325
	1,470	**893**	**1,367**	**622**	**4,352**
Cash transferred (out) as a result of employee transfer to the NGOs	(1,995)	(1,217)	(1,802)	(768)	(5,782)
Cash transferred in/receivable as a result of employee transfer to the NGOs	1,470	893	1,367	622	4,352
Net cash transferred (out) as a result of employee transfer to the NGOs	**(525)**	**(324)**	**(435)**	**(146)**	**(1,430)**

22. Commitments for expenditure

a) Capital Commitments

	PARENT	CONSOLIDATED
	2020	2020
	$'000	$'000
Aggregate capital expenditure for the acquisition of property, plant and equipment contracted for at reporting date and not provided for:		
Within one year	129,033	129,033
Later than one year and not later than five years	13,413	13,413
Later than five years	-	-
Total (including GST)	**142,446**	**142,446**

Input tax credits of $13.0 million which is expected to be recoverable from the Australian Taxation Office is included above.

23. Contingent liabilities and contingent assets

Contingent liabilities

Suitors' Fund

There are 27 claims estimated at $0.2 million pending on the Suitors' Fund as at 30 June 2020. The Suitors' Fund is established under Section 3 of the Suitors' Fund Act 1951 to support the payment of costs for certain appeals relating to the Supreme Court (on a question of law or fact) or the High Court (from a decision of the Supreme Court on a question of law). Contributions to the fund are specially appropriated from Consolidated Revenue based on a percentage of court fees collected by the Department.

Current litigation

Claims have been made against the Department, which if the claimant is successful, the legal costs, disbursements and financial settlements estimated to be $1.6 million will be met by the Department.

Various other claims totalling $104.5 million have also been made against the Department, which, if successful, would be met from the NSW Treasury Managed Fund and Solvency Fund.

Victims Support Scheme – Incurred But Not Reported (IBNR) Claims

The Victims Support Scheme (the VSS) was created on 3 June 2013 through legislation known as the Victims' Rights and Support Act 2013. This act replaced the Victims Compensation Scheme (the VCS), legislated through the Victims Support and Rehabilitation Act 1996, that was closed to new applications for support on 7 May 2013.

The VSS provides victims of violent crime, upon application after 7 May 2013 and within an eligibility period of 2 to 10 years (with some exceptions) from the date of the occurrence of a violent act of crime, support in the form of counselling services, financial assistance and recognition payments. Violent acts can include assault, sexual assault, child sexual assault, domestic violence, robbery, homicide and other eligible violent acts.

The Department has obtained actuarial advice from an independent Actuary to determine a liability provision as at 30 June 2020 in respect to lodged but not yet paid claims (refer to Note 19 Provisions). However, reliable estimates, which could be included in the liability provision, of the amount attributable for IBNR claims are unable to be made by the Actuary. The reasons noted by the Actuary are:

23. Contingent liabilities and contingent assets (cont'd)

Contingent liabilities (cont'd)

Victims Support Scheme – Incurred But Not Reported (IBNR) Claims (cont'd)

- Future payments in respect to child sexual assault claims accounted for the majority of IBNR liabilities. The reporting of child sexual assault claims has continued to increase, due to a shift in societal attitudes and increased awareness from the Royal Commission into Institutional Responses to Child Sexual Abuse. In addition, the introduction of the National Redress Scheme is likely to have a significant impact on the quantum and reporting pattern of these claims.
- Future payments in respect to domestic violence claims accounts for a large portion of the IBNR range. Over the last few years, the number of domestic violence claims has increased significantly. This can be attributed to an increased focus on family violence in the media which has increased awareness and usage of assistance from the scheme and also other initiatives aimed at helping domestic violence victims gain direct access to the Victims Services unit. In addition, the introduction of the Immediate Needs Support Package is likely to increase claim numbers due to easier and faster access to financial support.

The plausible scenarios determined by the Actuary do not represent an upper or lower limit as to what the potential IBNR liability could be. Rather, each represents the Actuary's view of a particular plausible scenario depending on the valuation parameters used, and it is possible for combinations of scenarios to occur that would increase the range of outcomes.

The Actuary has also been unable to recommend a central estimate for the IBNR liability nor estimate a probability of likelihood for each scenario due to the limited empirical evidence available to support any selection of probabilities, and hence is unable to determine a weighted average of the plausible scenarios.

Given the range of key uncertainties described above, the amount attributable to IBNR liabilities under the VSS could reasonably lie within the range of $333.0 million to $564.0 million. Whilst the Actuary is of the view that it is not possible to reliably estimate the IBNR liability as at 30 June 2020, this will be reassessed as the VSS matures and experience for child sexual assault and domestic violence claims stabilises.

Further details on the Victims Support Scheme is provided in Note 29.

Other Matters

(i) There is a potential liability regarding the placement of forensic patients in the correctional facilities. Following a court decision in the case of the State of NSW v TD 2013 NSWCA32, the State and Corrective Services NSW are exposed to liability in relation to further claims for damages arising from non-compliance with the lawful orders of a Court or the Mental Health Review Tribunal. At this point the amount of the contingent liability for damage claims is being assessed by the State-wide Administrative Sentences and Orders Branch. The matter is subject to further appeal.

(ii) The liability for the development of the Long Bay Hospital is based on a financing arrangement involving floating interest rate bank debt. The estimate value of the contingent liability cannot be fully determined because of uncertain future events.

Contingent assets

The Department does not have any contingent assets as at 30 June 2020.

24. Budget Review

The budgeted amounts are drawn from the original budgeted financial statements presented to Parliament for the Department in respect of the reporting period. The John Williams Memorial Charitable Trust does not have a published budget and has not been included. Subsequent amendments to the original budget (e.g. adjustments for transfer of functions between entities as a result of Administrative Arrangement Orders) are not reflected in the budgeted amounts. Major variances between the original budgeted amounts and the actual amounts disclosed in the primary financial statements are explained below.

Net result

The actual net result was lower than budget by $387.2 million, primarily due to:

Expenses

Total expenses excluding losses were $1,779.1 million favourable to budget, driven mainly by:

Employee related expenses - unfavourable to budget by $218.5 million

Mainly attributable to the Department's inability to achieve efficiency savings imposed by NSW Treasury. Other significant unfavourable variances to budget are due to the following items not taken account for in the budget:

- Long service leave actuarial assessment of $52.0 million
- Recreation leave expense true-up of $19.0 million
- Superannuation expense back pay for Victims Support Counsellors of $13.0 million

Operating expenses - unfavourable to budget by $975.9 million

The major variances are a result of the differences between the financial statement account mapping and the account mapping in the budget, being:

- Natural Disaster response expenses of $775.0 million, Victim Compensation expenses of $138.0 million and Treasury Managed Fund contribution expenses of $11.0 million are mapped to Grants and subsidies in the budget.
- Other expenses of $34.4 million are mapped to Other expenses in the budget.

Depreciation and amortisation - favourable to budget by $76.0 million

Mainly attributable to expenditure timing delays associated with the implementation of the Prison Bed Capacity Program and Criminal Justice Reform envelope funding.

Grants and subsidies - favourable to budget by $2,851.0 million

The major variance to budget is transfer payments to the National Disability Insurance Agency (NDIA) of $2,911 million not included in actual grants expenditure. The transfer payments are recorded as administered expenses in accordance with AASB – 1050 *Administered Items.*

Other significant variances to budget are due to the following items:

- Favourable: differences between the financial statement account mapping and the account mapping in the budget. Natural Disaster response expenses of $775.0 million, Victim Compensation expenses of $138.0 million and Treasury Managed Fund contribution expenses of $11.0 million are mapped to operating expenses in the financial statements, the related budget are included within Grants and subsidies.
- Unfavourable: additional in-year budget approvals not included in the original budget, being a net increase in Natural Disaster expenses budget of $662.0 million, a net increase in Out of Home Care expenses budget of $121.0 million, an increase in NDIA budget of $63.0 million, an increase in Social Housing budget of $61.0 million and an increase to Foster Care budget of $30.0 million.
- Unfavourable: Victims Compensation expenses were $86.0 million over budget mainly due to an unfavourable year-end actuarial assessment not in taken account for in the budget.

Other expenses - favourable to budget by $34.4 million

The variance is due to actual expenses of $34.4 million being mapped to Operating expenses in the Statement of Comprehensive Income.

24. Budget Review (cont'd)

Revenue

Total revenue was $2,133.1 million unfavourable to budget, driven by:

Appropriations - unfavourable to budget by $2,259.8 million
The major variance to budget is transfer payments to the National Disability Insurance Agency (NDIA) of $3,025.0 million not included in actual appropriation revenue. The income is recorded as administered income in accordance with AASB – 1050 Administered Items.

The other significant variance to budget was favourable being, additional in-year net appropriation approvals of $765 million not included in the original budget (refer to note 3(a)).

Sale of goods and services – unfavourable to budget by $12.4 million
The major variance is a result of the differences between the financial statement account mapping and the account mapping in the budget, being:

- Unfavourable: personnel services revenue of $69.5 million is mapped to Sale of goods and services in the budget.
- Favourable: Disability related unearned revenue of $17.0 million not taken account for in the budget.
- Favourable: Correctives Services Industries revenue was $25.0 million over budget due to an increase in production and sales.

Investment revenue - unfavourable to budget by $28.8 million
The major variance is a result of the difference between the financial statement account mapping and the account mapping in the budget. Rental income is mapped to Investment revenue in the budget and Other income in the financial statements, which was $43.8 million, $18.0 million over budget due to increase in expected rental income compared to budget.

Retained taxes, fees and fees - favourable to budget by $12.6 million
The major variance is a result of the difference between the financial statement account mapping and the account mapping in the budget, being restitution orders of $10.0 million are mapped to Sale of goods and services in the budget.

Personnel services revenue – favourable to budget by $69.5 million
The variance is due to personnel services revenue of $69.5 million being mapped to Sale of goods and services in the budget.

Acceptance by the Crown Entity of employee benefits and other liabilities – favourable to budget by $19.1 million

Mainly attributable to the Department's inability to achieve efficiency savings imposed by NSW Treasury.

Other income – favourable to budget by $56.5 million
The major variance is a result of the differences between the financial statement account mapping and the account mapping in the budget. Rental income is mapped to Investment revenue in the budget and Other income in the financial statements, which was $43.8 million.

Other variances include the Treasury Managed Fund hindsight adjustment revenues of $11.0 million not budgeted for.

Loss on disposal and impairment reversal on financial assets – favourable to budget by $3.4 million

Loss on disposal was unfavourable to budget by $2.0 million and impairment reversal on financial assets was favourable to budget by $5.4 million.

Other Losses – unfavourable to budget by $36.7 million

Mainly attributable to impairment losses on right-of-use assets of $35.3 million not budgeted for.

24. Budget Review (cont'd)

Assets and liabilities

The major variances between original budget and actual assets and liabilities in the Statement of Financial Position are noted below:

Assets
Current Assets were unfavourable to budget by $31.1 million
Mainly attributable to decreases in cash balances by $75.7 million, offset by an increase in receivables of $12.8 million and assets held for sale of $26.8 million.

Non-Current Assets were favourable to budget by $122.9 million
The overall increase in property, plant and equipment values is due to lower depreciation and amortisation of $76.0 million and a revaluation increment of $268.1 million, offset by approved net capital carry forwards of $186.0 million.

Liabilities
Current Liabilities were unfavourable to budget by $224.0 million
Mainly attributable to increases in payables for operating expenditure, annual leave provisions and redundancy provisions.

Cash flows

Cash flows from operating activities
Actual cash flows from operating activities are prepared inclusive of GST, whereas the budget is prepared exclusive of GST. As a result, the budget variances are overstated by the GST amount.

Further, the unfavourable budget result of $176.4 million in Net Cash Flows from Operating Activities was offset by a favourable budget result of $126.5 million in Net Cash Flows from Investing Activities. These offsetting budget variations were mainly attributable to underspends in purchases of land and buildings, plant and equipment, and intangible assets.

25. Reconciliation of cash flows from operating activities to net result

	PARENT 2020 $'000	CONSOLIDATED 2020 $'000
Reconciliation of cash flows from operating activities to net result as reported in the Statement of Comprehensive Income as follows:		
Net cash used on operating activities	819,468	819,370
Net loss on disposal of assets	(2,211)	(2,211)
Impairment loss on intangible assets	(2,388)	(2,388)
Impairment losses on right-of-use assets	(35,269)	(35,269)
Loss on disposal of right-of-use Assets	(18)	(18)
Impairment on carrying value of land and buildings	(371)	(371)
Impairment reversal on financial assets	5,429	5,429
Bad debts written off	(188)	(188)
Depreciation and amortisation	(404,067)	(404,197)
Unwinding of discount	1,348	1,348
Write back of unused make good provision	(2,084)	(2,084)
(Increase) / decrease in creditors	(132,900)	(132,900)
(Increase) / decrease in provisions	(90,317)	(90,317)
Increase / (decrease) in prepayments and other assets	14,044	14,044
Net result	**170,476**	**170,248**

26. Financial instruments

The Department's principal financial instruments are outlined below. These financial instruments arise directly from the Department's operations or are required to finance the Department's operations. The Department does not enter into or trade financial instruments, including derivative financial instruments, for speculative purposes.

The Department's main risks arising from financial instruments are outlined below, together with the Department's objectives, policies and processes for measuring and managing risk. Further quantitative and qualitative disclosures are included throughout these financial statements.

The Secretary has overall responsibility for the establishment and oversight of risk management and reviews and agrees policies for managing each of these risks. Risk management policies are established to identify and analyse the risks faced by the Department, to set risk limits and controls and to monitor risks. Compliance with policies is reviewed by the Department on a regular basis.

De-recognition of financial assets and financial liabilities

A financial asset (or, where applicable, a part of a financial asset or part of a group of similar financial assets) is derecognised when the contractual rights to the cash flows from the financial assets expire; or if the Department transfers its rights to receive cash flows from the asset or has assumed an obligation to pay the received cash flows in full without material delay to a third party under a ‘pass-through’ arrangement; and either:

- the Department has transferred substantially all the risks and rewards of the asset; or
- the Department has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control.

When the Department has transferred its rights to receive cash flows from an asset or has entered into a pass-through arrangement, it evaluates if, and to what extent, it has retained the risks and rewards of ownership.

Where the Department has neither transferred nor retained substantially all the risks and rewards or transferred control, the asset continues to be recognised to the extent of the Department’s continuing involvement in the asset. In that case, the Department also recognises an associated liability. The transferred asset and the associated liability are measured on a basis that reflects the rights and obligations that the Department has retained.

Continuing involvement that takes the form of a guarantee over the transferred asset is measured at the lower of the original carrying amount of the asset and the maximum amount of consideration that the Department could be required to repay.

A financial liability is derecognised when the obligation specified in the contract is discharged or cancelled or expires. When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as the de-recognition of the original liability and the recognition of a new liability. The difference in the respective carrying amounts is recognised in the net result.

26. Financial instruments (cont'd)

(i) Financial instrument categories

	Note	Category	PARENT	CONSOLIDATED
Class:			**$'000**	**$'000**
Financial Assets			**Carrying Amount**	
Cash and cash equivalents	9	Amortised cost	72,101	73,482
Receivables[10]	10	Amortised cost	101,351	101,351
			173,452	**174,833**
Class: Financial liabilities			**Carrying Amount**	
Payables[11]	17	Financial liabilities measured at amortised cost	380,818	380,818
Other borrowings	18	Financial liabilities measured at amortised cost	294	294
Lease liabilites	18	Financial liabilities measured at amortised cost	731,934	731,934
			1,113,046	**1,113,046**

The Department determines the classification of its financial assets and liabilities after initial recognition and, when allowed and appropriate, re-evaluates this at each financial year end.

(ii) Credit Risk

Credit risk arises when there is the possibility of the Department's debtors defaulting on their contractual obligations, resulting in a financial loss to the Department. The maximum exposure to credit risk is generally represented by the carrying amount of the financial assets (net of any allowance for credit losses and allowance for impairment).

Credit risk arises from the financial assets of the Department, including cash, receivables and authority deposits. No collateral is held by the Department. The Department has not granted any financial guarantees.

Credit risk associated with the Department's financial assets, other than receivables, is managed through the selection of counterparties and establishment of minimum credit rating standards.

The Department considers a financial asset in default when contractual payments are 90 days past due. However, in certain cases, the Department may also consider a financial asset to be in default when internal or external information indicates the Department is unlikely to receive the outstanding contractual amounts in full before taking into account any credit enhancements held by the Department.

Cash and cash equivalents

Cash comprises cash on hand and bank balances within the NSW Treasury Banking System. Interest is earned on daily bank balances at the monthly average NSW Treasury Corporation (TCorp) 11am unofficial cash rate, adjusted for a management fee to NSW Treasury.

Accounting policy for impairment of trade debtors and other financial assets

Receivables – trade receivables

Collectability of trade debtors is reviewed on an ongoing basis. Procedures as established in the Treasurer's Directions are followed to recover outstanding amounts, including letters of demand.

The Department applies the AASB 9 simplified approach to measuring expected credit losses which uses a lifetime expected loss allowance for all trade receivables including lease receivables.

To measure the expected credit losses, trade receivables have been grouped based on shared credit risk characteristics and the days past due.

[10] Excludes statutory receivables and prepayments (that is, not within scope of AASB 7).

[11] Excludes statutory payables and unearned revenue (that is, not within scope of AASB 7).

26. Financial instruments (cont'd)

(ii) Credit Risk (cont'd)

Accounting policy for impairment of trade debtors and other financial assets (cont'd)

Receivables – trade receivables (cont'd)

The expected loss rates are based on historical observed loss rates. The historical loss rates are adjusted to reflect management assumption and current and forward-looking information on macroeconomic factors affecting the ability of the customers to settle the receivables. The Department has identified the unemployment rate, wages growth rate and CPI inflation to be the most relevant factors, and accordingly adjusts the historical loss rates based on expected changes in these factors.

Trade receivables are written off when there is no reasonable expectation of recovery.

The loss allowance for trade receivables as at 30 June 2020 was determined as follows:

PARENT AND CONSOLIDATED

	30 June 2020 $'000
Current	23,325
< 30 days	2,605
30 - 60 days	6,720
61 - 90 days	2,052
> 90 days	40,617
Total	**75,319**

The loss allowance for trade debtors as at 30 June 2020 was $26.0 million. This equates to an expected credit loss rate of 35%.

Note: The analysis excludes statutory receivables and prepayments, as these are not within the scope of AASB 7. Therefore, the 'total' will not reconcile to the receivables total in Note 10.

The Department is not materially exposed to concentrations of credit risk to a single debtor or group of debtors as at 30 June 2020.

Authority deposits

The Department has placed its Wards Trust funds on deposit with TCorp, which has been rated "AAA" by Standard and Poor's. These deposits are similar to money market or bank deposits and are placed for a fixed term. The interest rate payable by TCorp is negotiated initially and is fixed for the term of the deposit. There were no indicators for impairment on these securities during the year.

(iii) Liquidity Risk

Liquidity risk is the risk that the Department will be unable to meet its payment obligations when they fall due. The Department continuously manages risk through monitoring future cash flows, which coordinates the payment of creditors with cash inflows from the Crown Entity and cash receipts from debtors. Liabilities are recognised for amounts due to be paid in the future for goods or services received, whether or not invoiced. Amounts owing to suppliers (which are unsecured) are settled in accordance with the policy set out in NSW TC11/12. For small business suppliers, where terms are not specified, payment is made not later than 30 days from date of receipt of a correctly rendered invoice. For other suppliers, if trade terms are not specified, payment is made no later than the end of the month following the month in which an invoice or a statement is received. For small business suppliers, where payment is not made within the specified time period, simple interest must be paid automatically unless an existing contract specifies otherwise. For payments to other suppliers, the payment of simple interest is at the discretion of the Secretary. The rates of interest applied were 9.54% per annum for the quarter ended 30 September 2019, 8.98% per annum for the quarter ended 31 December 2019, 8.91% for the quarter ended 31 March 2020 and 8.89% for the quarter ended 30 June 2020.

During the current year and prior year, there were no defaults of loans payable. No assets have been pledged as collateral. The Department's exposure to liquidity risk is deemed insignificant based on prior periods' data and current assessment of risk.

26. Financial instruments (cont'd)

The table below summarises the maturity profile of the Department's financial liabilities based on contractual undiscounted payments, together with the interest rate exposure.

Maturity Analysis and interest rate exposure of financial liabilities

			Interest rate exposure			Maturity dates		
2020	**Weighted average effective interest rate**	**Nominal Amount**	**Fixed Interest Rate**	**Variable Interest Rate**	**Non-Interest Bearing**	**< 1 year**	**1-5 years**	**> 5 years**
		$'000	**$'000**	**$'000**	**$'000**	**$'000**	**$'000**	**$'000**
PARENT								
Payables:								
Accrued capital expenditure	-	22,457	-	-	22,457	22,457	-	-
Accrued grant expenditure	-	25,454	-	-	25,454	25,454	-	-
Accrued operating expenditure	-	109,854	-	-	109,854	109,854	-	-
Accrued salaries, wages and on-costs	-	41,594	-	-	41,594	41,594	-	-
Creditors	-	181,459	-	-	181,459	181,459	-	-
Borrowings:								-
Other borrowings	3.25	294	294	-	-	145	149	-
Lease liabilities	3.35	917,410	917,410	-	-	108,459	358,409	450,542
		1,298,522	**917,704**	**-**	**380,818**	**489,422**	**358,558**	**450,542**
CONSOLIDATED								
Payables:								
Accrued capital expenditure		22,457	-	-	22,457	22,457	-	-
Accrued grant expenditure		25,454	-	-	25,454	25,454	-	-
Accrued operating expenditure		109,854	-	-	109,854	109,854	-	-
Accrued salaries, wages and on-costs		41,594	-	-	41,594	41,594	-	-
Creditors		181,459	-	-	181,459	181,459	-	-
Borrowings:								
Other borrowings	3.25	294	294	-	-	145	149	-
Lease liabilities	3.35	917,410	917,410	-	-	108,459	358,409	450,542
		1,298,522	**917,704**	**-**	**380,818**	**489,422**	**358,558**	**450,542**

The amounts disclosed are the contractual undiscounted cash flows of each class of financial liabilities based on the earliest date on which the Department can be required to pay. The tables include both interest and principal cash flows and therefore will not reconcile to the amounts in the statement of financial position.

26. Financial instruments (cont'd)

(iv) Market Risk

Market risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices. The Department's exposures to market risk are primarily through interest rate risk on the Department's borrowings. The Department has no exposure to foreign currency risk and does not enter into commodity contracts.

The effect on profit and equity due to a reasonably possible change in risk variable is outlined in the information below, for interest rate risk and other price risk. A reasonably possible change in risk variable has been determined after taking into account the economic environment in which the Department operates and the time frame for the assessment (i.e. until the end of the next annual reporting period).The sensitivity analysis is based on risk exposures in existence at the Statement of Financial Position reporting date. The analysis assumes that all other variables remain constant.

Interest Rate Risk

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. Exposure to interest rate risk arises primarily through the Department's interest-bearing liabilities. This risk is minimised by undertaking mainly fixed rate borrowings, primarily with NSW TCorp.The Department does not account for any fixed rate financial instruments at fair value through profit or loss or as at fair value through other comprehensive income. Therefore, for these financial instruments, a change in interest rates would not affect profit or loss or equity. A reasonably possible change of +/- 1% is used, consistent with current trends in interest rates (based on official RBA interest rate volatility over the last five years). The basis will be reviewed annually and amended where there is a structural change in the level of interest rate volatility.

The following table demonstrates the sensitivity to a reasonably possible change in interest rates:

	PARENT		CONSOLIDATED	
	2020	2020	2020	2020
	$'000	$'000	$'000	$'000
	-1%	+1%	-1%	+1%
Net result	(466)	466	(480)	480
Equity	(466)	466	(480)	480

(v) Fair value measurement

Fair value compared to carrying amount

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The fair value measurement is based on the presumption that the transaction to sell the asset or transfer the liability takes place either in the principal market for the asset or liability or in the absence of a principal market, in the most advantageous market for the asset or liability.

The Department does not hold financial assets or financial liabilities where their fair values differ from carrying amount.

Fair value recognised in the Statement of Financial Position

Management assessed that cash, trade receivables, trade payables, and other current liabilities approximate their fair values, largely due to the short-term maturities of these instruments. The Department does not hold financial assets or financial liabilities that are valued at fair value using valuation techniques.

27. Trust Funds

The Department holds monies in trust, which represent funds belonging to parties involved in court cases, or amounts held in trust for third parties including inmates, Wards, persons in care.

The following is a summary of the transactions in the trust accounts.

(a) Ward trust fund

The Department holds money in bank trust accounts which are used for Ward persons in residential care.

	PARENT	CONSOLIDATED
	2020	2020
	$'000	$'000
Cash at the beginning of the financial year	-	-
Cash transferred in from administrative restructure - 1 July 2019	31,840	31,840
Add: Receipts	425,888	425,888
Less: Expenditure	(425,573)	(425,573)
Cash balance at the end of the financial year	32,155	32,155

(b) Client funds

The Department holds monies in bank trust accounts which are used for persons in residential care.

Cash at the beginning of the financial year	-	-
Cash transferred in from administrative restructure - 1 July 2019	61	61
Add: Receipts	1,445	1,445
Less: Expenditure	(1,451)	(1,451)
Cash balance at the end of the financial year	55	55

(c) Inmates funds

The Department holds monies in trust, which represent funds belonging to inmates. Trust monies are held in public monies accounts on behalf of inmates. Interest earned is brought to account in the financial statements and used for the benefit of inmates.

Cash at the beginning of the financial year	-	-
Cash transferred in from administrative restructure - 1 July 2019	7,711	7,711
Add: Receipts	57,460	57,460
Less: Expenditure	(57,560)	(57,560)
Cash balance at the end of the financial year	7,611	7,611

Recognition and measurement

The Department performs only a custodial role in respect of these monies, and because the monies cannot be used for the achievement of the Department's own objectives, these funds are not recognised in the financial statements.

In addition to the above, the Department holds monies outside of the Public Monies Account and invests them in accordance with various Court rules and orders.

For the Supreme Court, an amount of $131.2 million is held outside the Department's Public Monies Account for Supreme Court matters and is invested with NSW Trustee and Guardian. This amount is not included in the above figures.

For the District Court, an amount of $13.2 million is held outside the Department’s Public Monies Account for District Court matters, being invested with NSW Trustee and Guardian, and represents suitors’ monies that the District Court has ordered the Registrar to invest on behalf of the parties concerned and for the sole benefit of those parties. This amount is not included in the above figures.

Bail securities other than cash, are held by the Supreme Court, District Courts and Local Courts. The Bail Act, 2013, does not define security, so many things are put forward by persons as security, for example, land title documents, jewellery, motor vehicles, bills of sale, bank guarantees.

For the Land and Environment Court, an amount of $0.1 million is held outside the Department's Public Monies Account for the Land and Environment Court matters and is invested with NSW Trustee and Guardian. This amount is not included in the above figures.

The Department is liable for the monies it holds in trust.

28. Administered Assets and Liabilities

	PARENT	CONSOLIDATED
	2020	**2020**
	$'000	**$'000**
Administered Assets		
In-kind receivables - NDIA	**167,510**	**167,510**
Other receivables	**15,317**	**15,317**
Less:		
Allowance for impairment	**(2,728)**	**(2,728)**
Total administered assets	**180,099**	**180,099**

The Department has Nil administered liabilities as at 30 June 2020.

29. Victim Support Fund

The Victims Support Fund (previously named the Victims Compensation Fund) was constituted with an effective date of 1 February 1990, for the purpose of compensating victims for injuries resulting from acts of violence, witnesses to such acts, close relatives of deceased victims and to law enforcement victims. The affairs of the Victims Support Fund are managed by the Secretary, Department of Communities and Justice. The Victims Support Fund Scheme focuses on the immediate and ongoing support and treatment of victims, with minimal reliance upon lump sum payments. It provides support to victims of crime when they need it most and addresses support holistically.

Under the Victims Support Fund Scheme, clients are generally able to claim for various types of practical and financial support for a period of 2 to 10 years (with some exceptions). The Victims Support Scheme is focused on building a package of care which may include some or all of the following:

1. Information, referrals and support
2. Counselling
3. Financial assistance for immediate needs up to $5,000
4. Financial assistance for economic loss up to $30,000
5. Recognition payment based on the nature of the offence.

All transactions relating to victims support, as reflected in these financial statements, flow through the Victims Support Fund. Total payment to victims of crime for the year ended 30 June 2020 was $65.1 million, including an accrual of $19.8 million.

Collections payable to the Fund include:

- Restitution payments by offenders
- Monies collected under the Confiscation of Proceeds of Crime Act, 1989
- Monies required to be credited to the Fund under the Criminal Assets Recovery Act 1990
- Victims' support levies collected under section 106 of the Victims Rights and Support Act 2013 by the Supreme Court, Drug, Local and Children's Courts, Land and Environment Court and the Industrial Relations Commission.

Further details on the Victims Support Scheme is provided in Note 23 (Contingent Liability).

30. Related party disclosures

The Department's key management personnel compensation is as follows:

	PARENT	CONSOLIDATED
	2020	**2020**
	$'000	**$'000**
Salaries	**3,198**	**3,198**
Other monetary allowances	**304**	**304**
Other long-term employee benefits	**20**	**20**
Total remuneration	**3,522**	**3,522**

The Department did not enter into any transactions with key management personnel, their close family members and controlled or jointly controlled entities thereof.

During the year, the Department entered into transactions with other entities that are controlled/jointly controlled/significantly influenced by the NSW Government. These transactions in aggregate are a significant portion of the Department's rendering of services and receiving of services.

These transactions include:

- Long Service Leave and Defined Benefit Superannuation assumed by the Crown
- Appropriations (and subsequent adjustments to appropriations)
- Transactions relating to the Treasury Banking System
- Employer contributions paid to Defined Benefit Superannuation funds
- Receipts from the provision of personnel and related services to Stronger Communities cluster agencies
- Grants paid to Stronger Communities cluster agencies
- Payments into the Treasury Managed Fund for workers' compensation insurance and other insurances
- Natural disaster relief claims paid to government sector agencies.

The Department did not have any related party transactions with the Cluster portfolio Ministers during the financial year.

31. COVID-19 disclosures

The COVID-19 pandemic has developed rapidly in 2020, with a significant number of cases. Measures taken by various governments to contain the virus have affected economic activity and the Department's activities in various ways. The following table illustrates the impact of Covid-19 to the Department's financial results and financial position for the year ended 30 June 2020. Depending on the duration of the COVID-19 crisis and continued negative impact on economic activity, the Department may experience a significant impact depending on appropriation levels and may incur additional impairments on its assets in 2021. The exact impact on our activities in the remainder of 2020 and thereafter cannot be predicted.

COVID-19 IMPACT ON STATEMENT OF COMPREHENSIVE INCOME

	Notes	PARENT	CONSOLIDATED
		2020	2020
		$'000	$'000
Expenses excluding losses			
Employee related expenses	2(a)	7,355	7,355
Operating expenses	2(b)	19,650	19,650
Grants and subsidies	2(d)	183,544	183,544
Total expenses excluding losses		210,549	210,549
Revenue			
Appropriation and transfers to the Crown Entity	3(a)	193,675	193,675
Grants and other contributions	3(e)	10,912	10,912
Other income	3(h)	2,092	2,092
Total revenue		206,679	206,679
Operating result		(3,870)	(3,870)
Other losses[12]	5	(34,747)	(34,747)
Net result from continuing operations		(38,617)	(38,617)

COVID-19 IMPACT ON STATEMENT OF FINANCIAL POSITION

		2020	2020
		$'000	$'000
Non-Current Assets			
Property, plant and equipment	12		
Land and buildings		6,886	6,886
Plant and equipment		361	361
Total property, plant and equipment		7,247	7,247
Right-of-use assets	13	(34,747)	(34,747)
Total Non-Current Assets		(27,500)	(27,500)
Total Assets		(27,500)	(27,500)
LIABILITIES			
Current Liabilities			
Payables	17	5,373	5,373
Total Current Liabilities		5,373	5,373
Net Assets		(32,873)	(32,873)

12 Right-of-use asset impairment loss due to market rent reduction arising from COVID-19 outbreak.

The net results and operations of the Department at 30 June 2020, has not been significantly impacted by COVID-19, mainly due to receipt of additional in year appropriation approvals (Section 4.13 GSF Act Exigency of Government appropriation (refer to Note 3(a), not included in the budget.

The judgements, key assumptions and estimations applied to the financial statements as listed below, have not been impacted by COVID-19, other than as described in detail in Note 13 in relation to the impairment losses for right of use assets.

- Expected Credit Loss allowance (Note 10): There is no additional allowances for expected credit losses due to COVID-19 at 30 June 2020, as collections were not impacted.
- Inventories (Note 11): There is no additional write down to net realisable value for inventories due to COVID-19 at 30 June 2020.
- Property , Plant and Equipment and Fair value measurement of non-financial assets (Note 12 and 13): Nil impact to fair value of property, plant and equipment, mainly due to conditions and useful life of long lived revalued assets or depreciated assets are unlikely to change due the pandemic. The Department does not have assets prepared using the income-based approach, that would be impacted by the pandemic.
- Payables, borrowings, provisions and other liabilities (Note 17 - 20): There is no material impact, other than those in the normal course of business.

32. Events after the reporting period

No matters or circumstances have arisen since the end of the financial year which significantly affected or may significantly affect the operations of the Department , the results of those operations, or the state of affairs of the Department in future years, apart from the COVID-19 outbreak.

As at 30 June 2020, the Department assessed the impact of COVID-19 on the fair value of its non-current physical assets and financial assets and liabilities. These include land, buildings, infrastructure, receivables, finance leases, lease liabilities and lease assets. This was based on historical sales information, expectation of macroeconomic conditions and outlook at the time of assessment. Given the continued uncertainty over the COVID-19 pandemic, it is possible that post 30 June 2020 there may be some new evidence that impacts this fair value assessment materially.

The Department has applied a 3.2% salary escalation rate in calculating long service leave provisions and 2.5% for annual leave provisions. The NSW government initiated action to suspend the annual increase from 1 July 2020. A decision was made by the Industrial Relations Commission on 1 October 2020 that the wage rise rates will be revised to 0.3% .The impact of this change is not considered to be material.

End of Audited Financial Statements

1.2 John Williams Memorial Charitable Trust

Financial statements for the year ended 30 June 2020

INDEPENDENT AUDITOR'S REPORT

John Williams Memorial Charitable Trust

To Members of the New South Wales Parliament

Opinion

I have audited the accompanying financial statements of the John Williams Memorial Charitable Trust (the Trust), which comprise the Statement of Comprehensive Income for the year ended 30 June 2020, the Statement of Financial Position as at 30 June 2020, the Statement of Changes in Equity and the Statement of Cash Flows for the year then ended, notes comprising a Summary of Significant Accounting Policies and other explanatory information.

In my opinion, the financial statements:

- give a true and fair view of the financial position of the Trust as at 30 June 2020, and of its financial performance and its cash flows for the year then ended in accordance with Australian Accounting Standards
- are in accordance with section 41B of the *Public Finance and Audit Act 1983* (PF&A Act) and the Public Finance and Audit Regulation 2015.

My opinion should be read in conjunction with the rest of this report.

Basis for Opinion

I conducted my audit in accordance with Australian Auditing Standards. My responsibilities under the standards are described in the 'Auditor's Responsibilities for the Audit of the Financial Statements' section of my report.

I am independent of the Trust in accordance with the requirements of the:

- Australian Auditing Standards
- Accounting Professional and Ethical Standards Board's APES 110 'Code of Ethics for Professional Accountants (including Independence Standards)' (APES 110).

I have fulfilled my other ethical responsibilities in accordance with APES 110.

Parliament promotes independence by ensuring the Auditor-General and the Audit Office of New South Wales are not compromised in their roles by:

- providing that only Parliament, and not the executive government, can remove an Auditor-General
- mandating the Auditor-General as auditor of public sector agencies
- precluding the Auditor-General from providing non-audit services.

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

Level 19, Darling Park Tower 2, 201 Sussex Street, Sydney NSW 2000
GPO Box 12, Sydney NSW 2001 | **t** 02 9275 7101 | **f** 02 9275 7179 | mail@audit.nsw.gov.au | audit.nsw.gov.au

Other Information

The annual report of the Department of Communities and Justice for the year ended 30 June 2020 includes other information in addition to the financial statements of the Trust and my Independent Auditor's Report thereon. The Secretary of the Department is responsible for the other information. At the date of this Independent Auditor's Report, the other information I have received comprises the Certification of Accounts.

My opinion on the financial statements does not cover the other information. Accordingly, I do not express any form of assurance conclusion on the other information.

In connection with my audit of the financial statements, my responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or my knowledge obtained in the audit, or otherwise appears to be materially misstated.

If, based on the work I have performed, I conclude there is a material misstatement of the other information, I must report that fact.

I have nothing to report in this regard.

The Secretary's Responsibilities for the Financial Statements

The Secretary of the Department of Communities and Justice is responsible for the preparation and fair presentation of the financial statements in accordance with Australian Accounting Standards and the PF&A Act, and for such internal control as the Secretary determines is necessary to enable the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the Secretary is responsible for assessing the ability of the Corporation and the consolidated entity to continue as a going concern, disclosing as applicable, matters related to going concern and using the going concern basis of accounting.

Auditor's Responsibilities for the Audit of the Financial Statements

My objectives are to:

- obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error
- issue an Independent Auditor's Report including my opinion.

Reasonable assurance is a high level of assurance, but does not guarantee an audit conducted in accordance with Australian Auditing Standards will always detect material misstatements. Misstatements can arise from fraud or error. Misstatements are considered material if, individually or in aggregate, they could reasonably be expected to influence the economic decisions users take based on the financial statements.

A description of my responsibilities for the audit of the financial statements is located at the Auditing and Assurance Standards Board website at: www.auasb.gov.au/auditors_responsibilities/ar4.pdf. The description forms part of my auditor's report.

The scope of my audit does not include, nor provide assurance:

- that the Trust carried out its activities effectively, efficiently and economically
- about the security and controls over the electronic publication of the audited financial statements on any website where they may be presented
- about any other information which may have been hyperlinked to/from the financial statements.

S Bond .

Sally Bond
Director, Financial Audit Services

Delegate of the Auditor-General for New South Wales

6 October 2020
SYDNEY

JOHN WILLIAMS MEMORIAL CHARITABLE TRUST

CERTIFICATION OF FINANCIAL STATEMENTS

Pursuant to Section 41C(1B) and (1C) of the *Public Finance and Audit Act*, 1983 (Act), we state that:

(a) the accompanying financial statements for the year ended 30 June 2020 have been prepared in accordance with the requirements of applicable Australian Accounting Standards (which include Australian Accounting Interpretations), the requirements of the *Public Finance and Audit Act 1983*, *Public Finance and Audit Regulation 2015* and Directions issued by the Treasurer under section 9(2)(n) of the Act.

(b) the statements and notes exhibit a true and fair view of the financial position and transactions of the John Williams Memorial Charitable Trust.

(c) there are no circumstances which would render any particulars included in the financial statements to be misleading or inaccurate.

Michael Coutts-Trotter
Secretary
2 October 2020

Elizabeth Stratford
Chief Financial Officer
2 October 2020

John Williams Memorial Charitable Trust
STATEMENT OF COMPREHENSIVE INCOME
For the year ended 30 June 2020

	Notes	Actual 2020 $'000	Actual 2019 $'000
Expenses excluding losses			
Operating expenses	2	**154**	152
Depreciation	3	**130**	127
Total expenses excluding losses		**284**	279
Revenue			
Investment revenue	4(b)	**10**	23
Rent income	4(c)	**46**	46
Total revenue		**56**	69
Net result		**(228)**	(210)
Total other comprehensive income/(loss)	6(a)	**405**	(176)
TOTAL COMPREHENSIVE INCOME/(LOSS)		**177**	(386)

The accompanying notes form part of these financial statements.

John Williams Memorial Charitable Trust
STATEMENT OF FINANCIAL POSITION
As at 30 June 2020

	Notes	Actual 2020 $'000	Actual 2019 $'000
ASSETS			
Current assets			
Cash and cash equivalents	5	**1,381**	1,479
Total current assets		**1,381**	1,479
Non-current assets			
Property, plant and equipment			
- Land and buildings	6	**9,700**	9,425
Total property, plant and equipment		**9,700**	9,425
Total non-current assets		**9,700**	9,425
Total assets		**11,081**	10,904
LIABILITIES			
Total liabilities		**-**	-
Net assets		**11,081**	10,904
EQUITY			
Reserves		**823**	418
Accumulated funds		**10,258**	10,486
Total equity		**11,081**	10,904

The accompanying notes form part of these financial statements.

John Williams Memorial Charitable Trust

STATEMENT OF CHANGES IN EQUITY

For the year ended 30 June 2020

	Notes	Accumulated Funds $'000	Asset Revaluation Surplus $'000	Total Equity $'000
Balance at 1 July 2019		**10,486**	**418**	**10,904**
Net result for the year		**(228)**	**-**	**(228)**
Total other comprehensive income	6(a)	**-**	**405**	**405**
Total comprehensive income for the year		**(228)**	**405**	**177**
Balance at 30 June 2020		**10,258**	**823**	**11,081**

	Notes	Accumulated Funds $'000	Asset Revaluation Surplus $'000	Total Equity $'000
Balance at 1 July 2018		10,696	594	11,290
Net result for the year		(210)	-	(210)
Total other comprehensive loss	6(a)	-	(176)	(176)
Total comprehensive loss for the year		(210)	(176)	(386)
Balance at 30 June 2019		10,486	418	10,904

The accompanying notes form part of these financial statements.

John Williams Memorial Charitable Trust

STATEMENT OF CASH FLOWS

For the year ended 30 June 2020

	Notes	**Actual 2020 $'000**	Actual 2019 $'000
Cash flows from operating activities			
Payments			
Other		**(154)**	(152)
Total payments		**(154)**	(152)
Receipts			
Interest received		**10**	23
Rent income		**46**	46
Total receipts		**56**	69
Net cash flows used in operating activities	10	**(98)**	(83)
Net decrease in cash and cash equivalents		**(98)**	(83)
Opening cash and cash equivalents		**1,479**	1,562
Closing cash and cash equivalents	5	**1,381**	1,479

The accompanying notes form part of these financial statements.

1. Summary of Significant Accounting Policies

a. Reporting entity

The Crown in the right of the State of NSW is the trustee of the John Williams Memorial Charitable Trust (the Trust). In 2005, the Director-General of the Department of Ageing, Disability and Home Care now known as Department of Family and Community Services, Ageing, Disability and Home Care (ADHC), as an emanation of the Crown, was authorised to administer the Trust. Effective from 1 July 2009, the Secretary, formerly known as the Director-General of the Department of Human Services (DHS), became administrator of the Trust, as a result of the *Public Sector Employment and Management (Departmental Amalgamations) Order 2009*. In December 2010, pursuant to S12 of the *Charitable Trusts Act 1993*, the administration of the Trust was transferred from the Secretary, formerly known as Director General of DHS, to the Deputy Secretary of ADHC.

Effective from 3 April 2011, DHS changed its name to the Department of Family and Community Services (FACS) as a result of the *Public Sector Employment and Management (Departments) Order 2011*. In the absence of the Deputy Secretary of ADHC, the administration of the Trust was reverted to the Secretary of FACS.

Subsequently, effective from 1 July 2019:

- FACS was abolished
- The persons employed in the FACS were transferred to the Department of Communities and Justice (DCJ)
- The administration of the Trust was reverted from the Secretary of FACS to the Secretary of DCJ

as a result of the *Administrative Arrangements (Administrative Changes – Public Service Agencies) Order 2019.*

The purpose of the Trust is to provide respite care and accommodation for children with disabilities. The Trust accomplishes this purpose by providing properties to be used for this purpose by children with a disability.

The Trust is a not-for-profit entity (as profit is not its principal objective) and it has no cash generating units. The reporting entity is consolidated as part of the DCJ financial statements and the NSW Total State Sector Financial Statements.

These financial statements for the year ended 30 June 2020 have been authorised for issue by the Secretary, Department of Communities and Justice, on 2 October 2020.

b. Basis of preparation

The Trust's financial statements are general purpose financial statements which have been prepared on an accrual basis and in accordance with:
• applicable Australian Accounting Standards (including Australian Accounting Interpretations).
• the requirements of the *Public Finance and Audit Act 1983* (PFAA) and the *Public Finance and Audit Regulation 2015*.
• Treasurer's Directions issued under the Act.

Property, plant and equipment and financial assets at 'fair value through profit and loss' are measured at fair value. Other financial statement items are prepared in accordance with the historical cost convention.

Judgements, key assumptions and estimations management has made are disclosed in the relevant notes to the financial statements.

Refer to Note 14 for any significant judgements or management assumptions used which may be impacted by the COVID-19 global pandemic.

All amounts are rounded to the nearest one thousand dollars and are expressed in Australian Currency.

c. Statement of Compliance

The financial statements and notes comply with Australian Accounting Standards, which include Australian Accounting Interpretations.

1. Summary of Significant Accounting Policies (continued)

d. Equity and reserves

i. Revaluation surplus

The revaluation surplus is used to record increments and decrements on the revaluation of non-current assets. This accords with the Trust's policy on the revaluation of property, plant and equipment as discussed in Note 6.

ii. Accumulated funds

The category "accumulated funds" includes all current and prior period retained funds.

e. Comparative information

Except when an Australian Accounting Standard permits or requires otherwise, comparative information is presented in respect of the previous period for all amounts reported in the financial statements.

f. Changes in accounting policy, including new or revised Australian Accounting Standards

i. Effective for the first time in 2019-20

The Trust applied AASB 15 *Revenue from Contracts with Customers*, AASB 1058 *Income of Not-for-Profit Entities*, and AASB 16 *Leases* for the first time. The nature and effect of the changes as a result of adoption of these new accounting standards are described below.

Several other amendments and interpretations apply for the first time in FY2019-20, but do not have an impact on the financial statements of the Trust.

AASB 15 *Revenue from Contracts with Customers*
AASB 15 supersedes AASB 111 *Construction Contracts*, AASB 118 *Revenue* and related Interpretations and it applies, with limited exceptions, to all revenue arising from contracts with customers. AASB 15 establishes a five-step model to account for revenue arising from contracts with customers and requires that revenue be recognised at an amount that reflects the consideration to which an entity expects to be entitled in exchange for transferring goods or services to a customer.

AASB 15 requires entities to exercise judgement, taking into consideration all of the relevant facts and circumstances when applying each step of the model to contracts with their customers. The standard also specifies the accounting for the incremental costs of obtaining a contract and the costs directly related to fulfilling a contract. In addition, the standard requires relevant disclosures.

The revenue recognised by the Trust in the current financial year does not include any revenue stream that falls under AASB 15. Therefore, the adoption of AASB 15 does not have any impact on the financial statements of the Trust.

AASB 1058 *Income of Not-for-Profit Entities*
AASB 1058 replaces most of the existing requirements in AASB 1004 *Contributions*. The scope of AASB 1004 is now limited mainly to contributions by owners (including parliamentary appropriations that satisfy the definition of a contribution by owners), administrative arrangements and liabilities of government departments assumed by other entities.

AASB 1058 applies to income with a donation component, i.e. transactions where the consideration to acquire an asset is significantly less than fair value principally to enable a not-for-profit entity to further its objectives; and volunteer services. AASB 1058 adopts a residual approach, meaning that entities first apply other applicable Australian Accounting Standards (e.g. AASB 1004, AASB 15, AASB 16, AASB 9, AASB 137) to a transaction before recognising income.

1. Summary of Significant Accounting Policies (continued)

Not-for-profit entities need to determine whether a transaction is/contains a donation (accounted for under AASB 1058) or a contract with a customer (accounted for under AASB 15).

AASB 1058 requires recognition of receipt of an asset, after the recognition of any related amounts in accordance with other Australian Accounting Standards, as income:
- when the obligations under the transfer is satisfied, for transfers to enable an entity to acquire or construct a recognisable non-financial asset that will be controlled by the entity.
- immediately, for all other income within the scope of AASB 1058.

The Trust has adopted AASB 1058, however there is no impact on the financial statements as there were no income recognised with a donation component nor any volunteer services received by the Trust during the current financial year.

AASB 16 *Leases*
AASB 16 supersedes AASB 117 *Leases*, Interpretation 4 *Determining whether an Arrangement contains a Lease*, Interpretation 115 *Operating Leases – Incentives* and Interpretation 127 *Evaluating the Substance of Transactions Involving the Legal Form of a Lease*. The standard sets out the principles for the recognition, measurement, presentation and disclosure of leases and requires lessees to recognise most leases on the balance sheet.

Lessor accounting
Lessor accounting under AASB 16 is substantially unchanged from AASB 117. Lessors will continue to classify leases as either operating or finance leases using similar principles as in AASB 117. Therefore, AASB 16 does not have a significant impact for leases where the entity is the lessor.

Lessee accounting
The Trust does not have any contracts entered into as a lessee and therefore lessee accounting is not applicable in the current financial year and does not impact the financial statements.

ii. Issued but not yet effective

NSW public sector entities are not permitted to early adopt new Australian Accounting Standards, unless Treasury determines otherwise.
The following new Australian Accounting Standards have not been applied and are not yet effective, as per NSW Treasury Circular TC 20/01:

- AASB 1059 Service Concession Arrangements: Grantors
- AASB 2018-5 Amendments to Australian Accounting Standards – Deferral of AASB 1059
- AASB 2018-7 Amendments to Australian Accounting Standards – Definition of Material
- AASB 2019-1 Amendments to Australian Accounting Standards – References to the Conceptual Framework
- AASB 2019-2 Amendments to Australian Accounting Standards – Implementation of AASB 1059
- AASB 2019-7 Amendments to Australian Accounting Standards – Disclosure of GFS Measures of Key Fiscal Aggregates and GAAP/GFS Reconciliations.

The Trust has assessed the impact of the new standards and interpretations on issue but not yet effective where relevant and considers the impact to be not material.

2. Operating expenses

	2020 $'000	2019 $'000
Auditors remuneration - audit of financial statements	**8**	8
Maintenance expense	**146**	144
	154	152

Recognition and Measurement
Maintenance
Day-to-day servicing costs or maintenance are charged as expenses as incurred, except where they relate to the replacement of a part or component of an asset, in which case the costs are capitalised and depreciated.

3. Depreciation

	2020 $'000	2019 $'000
Buildings	**130**	127
	130	127

4. Revenue

a. Deemed appropriations

Section 4.7 of the Government Sector Finance Act 2018 (NSW) (GSF) states deemed appropriation money is government money that a GSF agency receives or recovers (including from the Commonwealth or another entity) of a kind prescribed by the regulations that-
(a) forms part of the Consolidated Fund, and
(b) is not appropriated under the authority of an Act.

Movement of Section 4.7 GSF Act:

	2020 $'000	2019 $'000
Opening balance	**1,479**	1,562
Add: additions of deemed appropriations	**56**	69
Less: expenditure charged against deemed appropriations	**(154)**	(152)
Closing balance	**1,381**	1,479

b. Investment revenue

	2020 $'000	2019 $'000
Interest received on bank account	**10**	23
	10	23

The Trust's banker pays interest on the aggregate net credit daily balance of the bank account. The interest rate is varied by the bank in line with money market rate movements and is credited to the individual account on a monthly basis.

Recognition and Measurement
Investment revenue
Interest revenue is recognised using the effective interest rate to the gross carrying amount of a financial asset except for financial assets that subsequently become credit-impaired. For financial assets that become credit-impaired the effective interest rate is applied to the amortised cost of the financial assets.

c. Rent income

	2020 $'000	2019 $'000
Rent income	**46**	46
	46	46

4. Revenue (Continued)

Recognition and Measurement
Rent Income
Rent is recognised as revenue on a straight line basis over the term of the lease and in accordance with AASB 16 *Leases* .

5. Cash and Cash Equivalents

	2020 $'000	2019 $'000
Cash at bank	**1,381**	1,479
	1,381	1,479

For the purposes of the Statement of Cash Flows, cash and cash equivalents include cash at bank, cash on hand, short-term deposits with original maturities of three month or less or is subject to an insignificant risk of changes in value and bank overdraft.

Cash and cash equivalent assets recognised in the Statement of Financial Position are reconciled at the end of the financial year to the Statement of Cash Flows as follows:

	2020 $'000	2019 $'000
Cash and cash equivalents (per Statement of Financial Position)	**1,381**	1,479
Closing cash and cash equivalents (per Statement of Cash Flows)	**1,381**	1,479

Refer to Note12 for details regarding credit risk, liquidity risk and market risk arising from financial instruments.

6. Property, plant and equipment
a. Total property, plant and equipment

	Land and Buildings $'000	Total $'000
At 1 July 2019 - At fair value		
Gross carrying amount	**10,125**	**10,125**
Accumulated depreciation and impairment	**(700)**	**(700)**
Net carrying amount	**9,425**	**9,425**
At 30 June 2020 - fair value		
Gross carrying amount	**10,503**	**10,503**
Accumulated depreciation and impairment	**(803)**	**(803)**
Net carrying amount	**9,700**	**9,700**

Reconciliation
A reconciliation of the carrying amount of each class of property, plant and equipment at the beginning and end of the current reporting period is set out below:

	Land and Buildings $'000	Total $'000
Year ended 30 June 2020		
Net carrying amount at the beginning of the year	**9,425**	**9,425**
Net change in revaluation surplus of property, plant and equipment	**405**	**405**
Depreciation expense - asset owned	**(130)**	**(130)**
Net carrying amount at end of year	**9,700**	**9,700**

All of the above land and buildings are under operating leases where the Trust is the lessor.

6. Property, plant and equipment (Continued)

	Land and Buildings $'000	Total $'000
At 1 July 2018 – fair value		
Gross carrying amount	10,348	10,348
Accumulated depreciation and impairment	(620)	(620)
Net carrying amount	9,728	9,728
At 30 June 2019 – fair value		
Gross carrying amount	10,125	10,125
Accumulated depreciation and impairment	(700)	(700)
Net carrying amount	9,425	9,425

Reconciliation
A reconciliation of the carrying amount of each class of property, plant and equipment at the beginning and end of the reporting period is set out below:

	Land and Buildings $'000	Total $'000
Year ended 30 June 2019		
Net carrying amount at the beginning of the year	9,728	9,728
Net change in revaluation surplus of property, plant and equipment	(176)	(176)
Depreciation expense - asset owned	(127)	(127)
Net carrying amount at end of year	9,425	9,425

b. Property, plant and equipment held and used by the entity

There are Nil property, plant and equipment held and used by the entity.

c. Property, plant and equipment where entity is lessor under operating leases

All property, plant and equipment included in Note 6(a) above, are under operating leases where the Trust is the lessor.

Recognition and Measurement
Acquisition of assets
Assets acquired are initially recognised at cost. Cost is the amount of cash or cash equivalents paid or the fair value of the other consideration given to acquire the asset at the time of its acquisition or construction or, where applicable, the amount attributed to that asset when initially recognised in accordance with the requirements of other Australian Accounting Standards.

Assets acquired at no cost, or for nominal consideration, are initially recognised at their fair value at the date of acquisition.

Fair value is the price that would be received to sell an asset in an orderly transaction between market participants at measurement date.

Where payment for an asset is deferred beyond normal credit terms, its cost is the cash price equivalent. The deferred payment amount is effectively discounted over the period of credit.

Capitalisation thresholds
Property, plant and equipment costing $5,000 and above individually (or forming part of a network costing more than $5,000) are capitalised.

6. Property, plant and equipment (Continued)

Revaluation of property, plant and equipment
Physical non-current assets are valued in accordance with the 'Valuation of Physical Non-Current Assets at Fair Value' Policy and Guidelines Paper (TPP 14-01). This policy adopts fair value in accordance with AASB 13 *Fair Value Measurement* and AASB 116 *Property, Plant and Equipment*.

Property, plant and equipment is measured at the highest and best use by market participants that is physically possible, legally permissible and financially feasible. The highest and best use must be available at a period that is not remote and take into account the characteristics of the asset being measured, including any socio-political restrictions imposed by government. In most cases, after taking into account these considerations, the highest and best use is the existing use. In limited circumstances, the highest and best use may be a feasible alternative use, where there are no restrictions on use or where there is a feasible higher restricted alternative use.

Fair value of property, plant and equipment is based on a market participants' perspective, using valuation techniques (market approach, cost approach, income approach) that maximise relevant observable inputs and minimise unobservable inputs. Also refer to Note 8 for further information regarding fair value.

Revaluations are made with sufficient regularity to ensure the carrying amount of each asset in the class does not differ materially from its fair value at reporting date. The Trust conducts a comprehensive revaluation at least every three years for its land and buildings. A comprehensive revaluation of the Trust's land and building was completed as at 31 March 2018 by a qualified independent valuer.

Interim revaluations are conducted between comprehensive revaluations where cumulative changes to indicators suggest fair value may differ materially from carrying value. The Trust used an external professionally qualified valuer to conduct the interim fair value assessment for land and buildings as at 31 March 2020.

The effect on valuation of the land and building assets due to the outbreak of COVID-19 is discussed in Note 14.

Non-specialised assets with short useful lives are measured at depreciated historical cost, as a surrogate for fair value.

When revaluing non-current assets using the cost approach, the gross amount and the related accumulated depreciation are separately restated.

For other assets valued using other valuation techniques, any balances of accumulated depreciation at the revaluation date in respect of those assets are credited to the asset accounts to which they relate. The net asset accounts are then increased or decreased by the revaluation increments or decrements.

Revaluation increments are credited directly to revaluation surplus, except that, to the extent that an increment reverses a revaluation decrement in respect of that class of asset previously recognised as an expense in the net result, the increment is recognised immediately as revenue in the net result.

Revaluation decrements are recognised immediately as expenses in the net result, except that, to the extent that a credit balance exists in the revaluation surplus in respect of the same class of assets, they are debited directly to the revaluation surplus.

As a not-for-profit entity, revaluation increments and decrements are offset against one another within a class of non-current assets, but not otherwise.

Where an asset that has previously been revalued is disposed of, any balance remaining in the asset revaluation reserve in respect of that asset is transferred to accumulated funds.

Impairment of property, plant and equipment
As a not-for-profit entity with no cash generating units, impairment under AASB 136 Impairment of Assets is unlikely to arise. As property, plant and equipment is carried at fair value, impairment can only arise in the rare circumstances where the costs of disposal are material. As a not-for-profit entity, an impairment loss is recognised in net result to the extent the impairment loss exceeds the amount in the revaluation surplus for the class of asset.

6. Property, plant and equipment (Continued)

Depreciation of property, plant and equipment
Depreciation is provided for on a straight-line basis for all depreciable assets so as to write off the depreciable amount of each asset as it is consumed over its useful life to the Trust.

All material identifiable components of assets are depreciated separately over their useful lives.

Land is not a depreciable asset.

The useful life used for 2019-20 and the previous year by asset category is:

	Years
Buildings	40

Major inspection costs
When each major inspection is performed, the labour cost of performing major inspections for faults is recognised in the carrying amount of an asset as a replacement of a part, if the recognition criteria are satisfied. In all other circumstances, the labour costs are expensed.

7. Leases

As a Lessee

The Trust does not have any lease arrangements to be disclosed wherein the Trust is a lessee.

As a Lessor for operating leases

Future minimum rentals receivable (undiscounted) under non-cancellable operating lease as at 30 June are, as follows:

	2020 $'000	2019 $'000
Within one year	-	37
Total (exclusive GST)	-	37

Operating leases where the Trust is a lessor relates to respite home leases entered with Specialist Disability Accommodation providers as part of the implementation of the NDIS. The rental income receivable is in the nature of residential leasing arrangement.

Recognition and measurement - lessor for operating leases
An operating lease is a lease other than a finance lease. Rental income arising is accounted for on a straight-line basis over the lease terms and is included in revenue in the statement of comprehensive income due to its operating nature. Initial direct costs incurred in negotiating and arranging an operating lease are added to the carrying amount of the underlying asset and recognised over the lease term on the same basis as rental income. Contingent rents are recognised as revenue in the period in which they are earned.

8. Fair value measurement of non-financial assets

a. Fair value hierarchy

2020	Level 1 $'000	Level 2 $'000	Level 3 $'000	Total $'000
Property, plant and equipment				
Land and buildings	**-**	**5,127**	**4,573**	**9,700**
	-	**5,127**	**4,573**	**9,700**

2019	Level 1 $'000	Level 2 $'000	Level 3 $'000	Total $'000
Property, plant and equipment				
Land and buildings	-	4,975	4,450	9,425
	-	4,975	4,450	9,425

8. Fair value measurement of non-financial assets (Continued)

b. Valuation techniques, inputs and processes

The Trust's land and building assets were revalued as at 31 March 2020 by application of relevant indices provided by an external valuer.

Level	Asset class	Valuation technique	Inputs	Processes
2	Land - homes - with minor modification	Market approach	Observable inputs - recent sales considering matters such as zoning, location, topography, aspect, frontage, size, shape, date of valuation and current market sentiment	Direct comparison approach against recent sales considering matters such as zoning, location, topography, aspect, frontage, size, shape, date of valuation and current market sentiment
3	Land - with purpose built or significantly modified buildings	Market approach	Observable inputs - recent sales in the residential property market considering matters such as zoning, location, topography, aspect, frontage, size, shape, date of valuation and current market sentiment. Unobservable inputs – buildings on the land are either purpose built or significantly modified and as land and building are considered as one complete asset for existing purposes, these assets are measured at level 3	Direct comparison approach against recent sales considering matters such as zoning, location, topography, aspect, frontage, size, shape, date of valuation and current market sentiment. The unobservable level 3 inputs are not considered to impact on the values determined by the market approach considering existing use of the asset
2	Buildings - homes with minor modification	Market approach	Observable inputs - recent sales of comparable properties with adjustment for condition, location, comparability etc.	Visual inspection of the properties and assessment against recent sales of comparable properties with adjustment for condition, location, comparability etc.
3	Buildings - purpose built or significantly modified homes	Cost approach using costs incurred in the construction of purpose built or significantly modified properties	Observable inputs - actual construction costs are used for these purpose built and significantly modified buildings located on residential land. Unobservable inputs – the highly modified and costly nature of the buildings positioned on residential land and utilised for mandated services	Actual construction costs are checked against Rawlinson's Construction Handbook 2016

8. Fair value measurement of non-financial assets (Continued)

c. Reconciliation of recurring Level 3 fair value measurements

2020	**Land and Buildings $'000**	**Total $'000**
Fair value as at 1 July 2019	**4,450**	**4,450**
Revaluation increments recognised in other comprehensive income	**185**	**185**
Depreciation	**(62)**	**(62)**
Fair value as at 30 June 2020	**4,573**	**4,573**

2019	**Land and Buildings $'000**	**Total $'000**
Fair value as at 1 July 2018	4,598	4,598
Revaluation decrements recognised in other comprehensive income	(87)	(87)
Depreciation	(61)	(61)
Fair value as at 30 June 2019	4,450	4,450

Recognition and Measurement
Fair value measurement and hierarchy
Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The fair value measurement is based on the presumption that the transaction to sell the asset or transfer the liability takes place either in the principal market for the asset or liability or in the absence of a principal market, in the most advantageous market for the asset or liability.

A number of the Trust's accounting policies and disclosures require the measurement of fair values, for both financial and non-financial assets and liabilities. When measuring fair value, the valuation technique used maximises the use of relevant observable inputs and minimises the use of unobservable inputs. Under AASB 13, the Trust categorises, for disclosure purposes, the valuation techniques based on the inputs used in the valuation techniques as follows:

- Level 1 - quoted prices in active markets for identical assets / liabilities that the entity can access at the measurement date.
- Level 2 – inputs other than quoted prices included within Level 1 that are observable, either directly or indirectly.
- Level 3 – inputs that are not based on observable market data (unobservable inputs).

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

9. Contingent Liabilities and Contingent Assets

The Trust has no contingent liabilities and contingent assets at 30 June 2020 (2019: $Nil).

10. Reconciliation of Cash Flows from Operating Activities to Net Result

	2020 $'000	2019 $'000
Net cash used in operating activities	**(98)**	(83)
Depreciation	**(130)**	(127)
Net result for the year	**(228)**	(210)

11. Commitments

Capital commitments
The Trust has no capital expenditure commitments as at 30 June 2020 (2019: $Nil).

12. Financial instruments

The Trust's principal financial instruments are outlined below. These financial instruments arise directly from the Trust's operations or are required to finance the Trust's operations. The Trust does not enter into or trade financial instruments, including derivative financial instruments, for speculative purposes.

The Trust's main risks arising from financial instruments are outlined below, together with the Trust's objectives, policies and processes for measuring and managing risk. Further quantitative and qualitative disclosures are included throughout these financial statements.

The Deputy Secretary of Department of Communities and Justice has responsibility for the establishment and oversight of risk management and reviews and agrees policies for managing each of these risks.

a. Financial instrument categories

i. As at 30 June 2020 under AASB 9

Financial Assets	Note	Category	Carrying Amount 2020 $'000
Class:			
Cash and cash equivalents	**5**	**N/A**	**1,381**

ii. As at 30 June 2019 under AASB 9

Financial Assets	Note	Category	Carrying Amount 2019 $'000
Class:			
Cash and cash equivalents	5	N/A	1,479

b. Credit risk

Credit risk arises when there is the possibility that the counterparty will default on their contractual obligations, resulting in a financial loss to the Trust. The maximum exposure to credit risk is generally represented by the carrying amount of the financial assets (net of any allowance for impairment).

Credit risk arises from the financial assets of the Trust, including cash. No collateral is held by the Trust. The Trust has not granted any financial guarantees. Credit risk associated with the Trust's financial assets, is managed through the selection of counterparties and establishment of minimum credit rating standards.

12. Financial instruments (Continued)

Cash

Cash comprises cash on hand and bank balances with Westpac Bank. Interest was earned on daily bank balances at the monthly average TCorp 11am unofficial cash rate, adjusted for a management fee to NSW Treasury.

The Trust is not materially exposed to concentrations of credit risk to a single trade debtor or group of debtors.

The Trust has no debtors as at 30 June 2020 (2019: $Nil).

c. Liquidity risk

Liquidity risk is the risk that the Trust will be unable to meet its payment obligations when they fall due. The Trust continuously manages risk through monitoring future cash flows and maturities planning to ensure adequate holding of high quality liquid assets. The objective is to maintain continuity of funding.

No assets have been pledged as collateral. The Trust's exposure to liquidity risk is deemed insignificant based on prior periods' data and current assessment of risk.

The Trust has no liabilities as at 30 June 2020 (2019: $Nil).

d. Market risk

Market risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices. The Trust's exposure to market risk is primarily through interest rate risk on the Trust's cash balances. The Trust has no exposure to foreign currency risk and does not enter into commodity contracts.

The effect on profit and equity due to a reasonably possible change in risk variable is outlined in the information below, for interest rate risk and other price risk. A reasonably possible change in risk variable has been determined after taking into account the economic environment in which the Trust operates and the time frame for the assessment (i.e. until the end of the next annual reporting period). The sensitivity analysis is based on risk exposures in existence at the Statement of Financial Position date. The analysis is performed on the same basis for 2020. The analysis assumes that all other variables remain constant.

e. Interest rate risk

Interest rate risk is the risk that the value of financial instruments will fluctuate due to changes in market interest rates. A reasonably possible change of +/- 1% is used, consistent with current trends in interest rates (based on official RBA interest rate volatility over the last five years). The basis will be reviewed annually and amended where there is a structural change in the level of interest rate volatility. The Trust's exposure to interest rate risk is set out below.

	2020 $'000		**2019 $'000**	
	(1%)	**+1%**	(1%)	+1%
Net Result	**(14)**	**14**	(15)	15
Equity	**(14)**	**14**	(15)	15

The interest change due to the outbreak of COVID-19 is discussed in Note 14.

f. Fair value measurement

Fair value compared to carrying amount
Financial instruments are generally recognised at cost.

The amortised cost of financial instruments recognised in the statement of financial position approximates the fair value, because of the short term nature of many of the financial instruments.

13. Related party disclosures

A related party is a person or entity that is related to the entity that is preparing financial statements. As a controlled entity of the Department of Communities and Justice (DCJ), the Trust is a related party of all NSW Government controlled agencies and State Owned Corporations.

a. Key Management Personnel

In accordance with AASB 124 *Related party disclosures*, Key Management Personnel (KMP) are those having authority and responsibility for planning, directing and controlling the activities of the entity including whether executive or otherwise.

The Ministers and the Executive Board comprising the Secretary and Deputy Secretaries have been identified as the KMP of DCJ. Through the Secretary, the DCJ Executive Board has direct oversight of the activities of the Trust.

Key management personnel compensation
Ministers are compensated by NSW Legislature. Ministerial compensation has been centrally compiled by Treasury and Department of Premier and Cabinet for distribution to agencies for inclusion in the agencies financial statements.

KMP compensation is disclosed in the financial statements of the principle department of the cluster. KMP compensation of the DCJ Executive Board for the financial year ending 30 June 2020 is disclosed in the 30 June 2020 Financial Statements of DCJ.

b. Related Party Transactions

There were no related party transactions during the year ended 30 June 2020 with related entities of the Trust or Key Management Personnel.

14. COVID-19 disclosures

The Trust used an external professionally qualified valuer to conduct an impact assessment on the valuation of the land and building assets as at 30 June 2020 due to the outbreak of COVID-19. The carrying value of land and buildings did not differ materially from the fair value as at 30 June 2020.

The pandemic may result in an interest rate change of higher than +/-1% in the future years, however this change cannot be reasonably ascertained by the Trust as at 30 June 2020.

The pandemic has not affected the operations of the Trust nor have any other significant financial impact to disclose.

15. Events after the reporting period

The Trust's management is not aware of any circumstances that occurred after balance date which would render particulars included in the financial statements to be misleading.

End of audited financial statements.

2. Home Purchase Assistance Fund

Financial statements for the year ended 30 June 2020

INDEPENDENT AUDITOR'S REPORT

Home Purchase Assistance Fund

To Members of the New South Wales Parliament

Opinion

I have audited the accompanying financial statements of the Home Purchase Assistance Fund (the Fund), which comprise the Statement of Comprehensive Income for the year ended 30 June 2020, the Statement of Financial Position as at 30 June 2020, the Statement of Changes in Equity and the Statement of Cash Flows for the year then ended, notes comprising a Statement of Significant Accounting Policies and other explanatory information.

In my opinion, the financial statements:

- give a true and fair view of the financial position of the Fund as at 30 June 2020, and of its financial performance and its cash flows for the year then ended in accordance with Australian Accounting Standards
- are in accordance with section 41B of the *Public Finance and Audit Act 1983* (PF&A Act) and the Public Finance and Audit Regulation 2015.

My opinion should be read in conjunction with the rest of this report.

Basis for Opinion

I conducted my audit in accordance with Australian Auditing Standards. My responsibilities under the standards are described in the 'Auditor's Responsibilities for the Audit of the Financial Statements' section of my report.

I am independent of the Fund in accordance with the requirements of the:

- Australian Auditing Standards
- Accounting Professional and Ethical Standards Board's APES 110 'Code of Ethics for Professional Accountants (including Independence Standards)' (APES 110).

I have fulfilled my other ethical responsibilities in accordance with APES 110.

Parliament promotes independence by ensuring the Auditor-General and the Audit Office of New South Wales are not compromised in their roles by:

- providing that only Parliament, and not the executive government, can remove an Auditor-General
- mandating the Auditor-General as auditor of public sector agencies
- precluding the Auditor-General from providing non-audit services.

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

Level 19, Darling Park Tower 2, 201 Sussex Street, Sydney NSW 2000
GPO Box 12, Sydney NSW 2001 | t 02 9275 7101 | mail@audit.nsw.gov.au | audit.nsw.gov.au

Other Information

The annual report of the Department of Communities and Justice for the year ended 30 June 2020 includes other information in addition to the financial statements of the Fund and my Independent Auditor's Report thereon. The Trustee of the Fund is responsible for the other information. At the date of this Independent Auditor's Report, the other information I have received comprises the Statement by the Trustee.

My opinion on the financial statements does not cover the other information. Accordingly, I do not express any form of assurance conclusion on the other information.

In connection with my audit of the financial statements, my responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or my knowledge obtained in the audit, or otherwise appears to be materially misstated.

If, based on the work I have performed, I conclude there is a material misstatement of the other information, I must report that fact.

I have nothing to report in this regard.

The Trustee's Responsibilities for the Financial Statements

The Trustee is responsible for the preparation and fair presentation of the financial statements in accordance with Australian Accounting Standards and the PF&A Act, and for such internal control as the Trustee determines is necessary to enable the preparation and fair presentation of the financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the Trustee is responsible for assessing the Fund's ability to continue as a going concern, disclosing as applicable, matters related to going concern and using the going concern basis of accounting except where the Fund will be dissolved by an Act of Parliament or otherwise cease operations.

Auditor's Responsibilities for the Audit of the Financial Statements

My objectives are to:

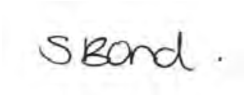
- obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error
- issue an Independent Auditor's Report including my opinion.

Reasonable assurance is a high level of assurance, but does not guarantee an audit conducted in accordance with Australian Auditing Standards will always detect material misstatements. Misstatements can arise from fraud or error. Misstatements are considered material if, individually or in aggregate, they could reasonably be expected to influence the economic decisions users take based on the financial statements.

A description of my responsibilities for the audit of the financial statements is located at the Auditing and Assurance Standards Board website at: www.auasb.gov.au/auditors_responsibilities/ar4.pdf. The description forms part of my auditor's report.

My opinion audit does *not* provide assurance:

- that the Fund carried out its activities effectively, efficiently and economically
- about the assumptions used in formulating the budget figures disclosed in the financial statements
- about the security and controls over the electronic publication of the audited financial statements on any website where they may be presented
- about any other information which may have been hyperlinked to/from the financial statements.



Sally Bond
Director, Financial Audit Services

Delegate of the Auditor-General for New South Wales

15 October 2020
SYDNEY

Home Purchase Assistance Fund

Statement by Trustee

In accordance with a resolution of the Trustee of the Home Purchase Assistance Fund, we declare on behalf of the Trust that in our opinion:

1. The accompanying financial statements and notes thereto exhibit a true and fair view of the financial position of the Home Purchase Assistance Fund as at 30 June 2020 and its financial performance for the year then ended.

2. The accompanying financial statements and notes thereto have been prepared in accordance with the terms of the Trust Deed dated 14 February 1989, the Australian Accounting Standards (which include Australian Accounting Interpretations), the *Public Finance and Audit Act 1983*, the Public Finance and Audit Regulation 2015 and the Financial Reporting Directions issued by the Treasurer under section 9(2)(n) of the Act.

Further, we are not aware of any circumstances which would render any particulars included in the financial statements to be misleading or inaccurate.

Digitally signed by
RWagstaf
Date: 2020-10-15
14:06+11:00

Robert Wagstaff,
Director, Permanent Custodians Ltd

Sydney, 15 October 2020

Home Purchase Assistance Fund

Statement of Comprehensive Income
For the year ended 30 June 2020

	Actual 2020 $'000	Budget 2020 $'000	Actual 2019 $'000
Expenses			
Grants and subsidies under the National Rental Affordability Scheme	7,368	7,500	7,500
Trustee's remuneration	109	118	120
Auditor's remuneration (audit of financial statements)	32	38	36
Indemnity paid for defaulting mortgages	76	129	270
Other expenses	453	967	35
Total expenses	**8,038**	**8,752**	**7,961**
Revenue			
Interest from mortgage loans	-	5	-
Interest from investments – related parties	324	357	359
Interest from investments – non-related parties	1,876	3,823	4,618
Total interest revenue	2,200	4,185	4,977
Other revenue	-	9	-
Total revenue	**2,200**	**4,194**	**4,977**
Net (deficit)	**(5,838)**	**(4,558)**	**(2,984)**
Other comprehensive income/(loss)	-	-	-
Total comprehensive income/(loss) for the year	**(5,838)**	**(4,558)**	**(2,984)**

Home Purchase Assistance Fund

Statement of Financial Position
As at 30 June 2020

	Notes	Actual 2020 $'000	Budget 2020 $'000	Actual 2019 $'000
Assets				
Current assets				
Cash and cash equivalents	2(a)	178,963	188,127	200,910
Receivables	3	8	3	22
Other financial assets	4	1,000	-	7,300
Total current assets		**179,971**	**188,130**	**208,232**
Non-current assets				
Other financial assets	4	9,929	2,919	5,319
Total non-current assets		**9,929**	**2,919**	**5,319**
Total assets		**189,900**	**191,049**	**213,551**
Liabilities				
Current liabilities				
Payables	5	114	37	90
Provisions	6	205	49	129
Total current liabilities		**319**	**86**	**219**
Total liabilities		**319**	**86**	**219**
Net assets		**189,581**	**190,963**	**213,332**
Equity				
Accumulated funds		189,581	190,963	213,332
Total equity		**189,581**	**190,963**	**213,332**

Home Purchase Assistance Fund

Statement of Changes in Equity
For the year ended 30 June 2020

	Notes	Accumulated Funds 2020 $'000	Accumulated Funds 2019 $'000
Balance as at 1 July		213,332	234,868
Net (deficit)		(5,838)	(2,984)
Other comprehensive income/(loss)		-	-
Total comprehensive income for the year		**(5,838)**	**(2,984)**
Transactions with owners in their capacity as owners			
Distribution to beneficiaries	8	(17,913)	(18,552)
Total transactions with owners in their capacity as owners		**(17,913)**	**(18,552)**
Balance as at 30 June		**189,581**	**213,332**

Home Purchase Assistance Fund

Statement of Cash Flows
For the year ended 30 June 2020

	Notes	Actual 2020 $'000	Budget 2020 $'000	Actual 2019 $'000
Cash flows from operating activities				
Receipts				
Interest received:				
Interest from mortgage loans		-	5	-
Investments - related parties		319	357	359
Investments - non-related parties		1,818	3,823	6,465
Other non-related parties		72	-	36
Receipts from sundry debtors		-	-	403
Other income		5	9	-
Total receipts		**2,214**	**4,194**	**7,263**
Payments				
Payments for grants and subsidies		(7,368)	(7,500)	(7,500)
Indemnity paid for defaulting mortgages		-	-	(190)
Trustee's remuneration		(112)	-	(123)
Auditor's remuneration		(25)	(38)	(45)
Other expenses		(433)	(875)	(24)
Total payments		**(7,938)**	**(8,413)**	**(7,882)**
Net cash used in operating activities	2(b)	**(5,724)**	**(4,219)**	**(619)**
Cash flows from investing activities				
Cash inflow from investments in interest bearing bonds		1,134	5	1,176
Payment on acquisition of NSW Rent Buy Pty Limited		(5,744)	-	-
Sale of short term deposits		6,300	1,250	24,100
Net cash received from investing activities		**1,690**	**1,255**	**25,276**
Cash flows from financing activities				
Payments to New South Wales Treasury		(17,698)	(18,037)	(18,273)
Payments to Special Beneficiaries		(215)	(54)	(279)
Net cash used in financing activities		**(17,913)**	**(18,091)**	**(18,552)**
Net increase/(decrease) in cash and cash equivalents		**(21,947)**	**(21,055)**	**6,105**
Cash and cash equivalents at the beginning of the year		**200,910**	**207,329**	**194,805**
Cash and cash equivalents at the end of the year	2(a)	**178,963**	**186,274**	**200,910**

Home Purchase Assistance Fund

Notes to the Financial Statements
For the year ended 30 June 2020

Reporting entity

Home Purchase Assistance Fund (the "Fund") is consolidated as a part of the New South Wales (the State) Total State Sector Accounts. The Fund was established by a Trust Deed dated 14 February 1989 and operates as a not-for-profit entity for the purpose of supporting and administering the State's Home Purchase programmes.

The parties to the Trust Deed are the Housing NSW (formerly known as NSW Department of Housing) and the New South Wales Treasury representing the State (the beneficiary), Permanent Custodians Limited as Trustee and Trust Company Fiduciary Services Limited as Guarantor (formerly known as Permanent Trustee Company Limited). The special beneficiary is Trust Company Fiduciary Services Limited as Trustee for the FANMAC Trusts.

Under arrangements existing prior to the appointment of Permanent Custodians Limited as Trustee of the Fund, the New South Wales Treasury incurred loan liabilities with the Commonwealth on behalf of the Home Purchase Assistance Scheme as a capital contribution (refer to note 8). When the Trust was established in 1989, NSW Land and Housing Corporation's existing home purchase assistance programmes which included a number of home loan portfolios resulting from earlier lending programmes, were transferred to the Fund.

The beneficiary of the Fund is the Minister administering the *Housing Act 2001*. The special beneficiary is Permanent Trustee Company Limited as Trustee for all of the FANMAC Trusts and the Shared Equity Schemes.

Under the Trust Deed the beneficiary is entitled to all the income of the Fund on 30 June less amounts to which each special beneficiary is entitled. Income distributions may be requested by the beneficiary at its discretion. Trust distributions can be made from the surplus for the year (refer to note 8).

The Trustee, in accordance with paragraph 3.4 of the Trust Deed shall distribute the remaining capital of the Trust Fund to the beneficiary on the vesting date. The vesting date (paragraph 1.1) is defined as the first to occur of the following dates:

a) the date of expiration of the period of 80 years from the date of commencement of the Trust, which is 14 February 1989;
b) the date upon which the Trust is terminated pursuant to the terms of this deed, Statute or general law.

Distributions paid are included in cash flows from financing activities in the statement of cash flows.

The financial statements for the year ended 30 June 2020 were authorised for issue by the Trustee on 15 October 2020.

Home Purchase Assistance Fund

Notes to the Financial Statements
For the year ended 30 June 2020

1. Summary of significant accounting policies

(a) Basis of preparation

The financial statements of the Fund are general purpose financial statements which have been prepared on accrual basis and in accordance with Australian Accounting Standards (which include Australian Accounting Interpretations), the *Public Finance and Audit Act 1983*, the *Public Finance and Audit Regulation 2015* (the "Act") and Treasurer's Directions issued under the Act.

The financial statements have been prepared on the basis of historical cost convention, except for the valuation of certain financial instruments. All amounts are rounded to the nearest thousand dollars expressed in Australian currency. Accounting policies are consistent with those of the previous year.

(b) Income recognition – interest revenue

Interest revenue is recognised using the effective interest method as set out in AASB 9 *Financial Instruments*. Interest revenue on cash and cash equivalents are recognised at nominal value. Other revenue relates to recovery of indemnity claims during the reporting period.

(c) Accounting for goods and services tax (GST)

Income, expenses and assets are recognised net of the amount of GST, except that the:

- amount of GST incurred by the Fund as a purchaser that is not recoverable from the Australian Taxation Office is recognised as part of an asset's cost of acquisition or as part of an item of expense and
- receivables and payables are stated with the amount of GST included.

Cash flows are included in the statement of cash flows on a gross basis. However, the GST components of cash flows arising from investing and financing activities which are recoverable from, or payable to, the Australian Taxation Office are classified as operating cash flows.

(d) Investments

i) Short term money market deposits

The Fund invests in short term money market deposits with Australian banks and Australian subsidiaries of international banks. These deposits have a maturity day greater than 90 days and lower than 365 days.

ii) Non-quoted securities

The First Australian National Mortgage Acceptance Corporation Limited (FANMAC) Bond is a non-tradable security which is specific to the requirements of the Fund. It is measured at amortised cost which represents fair value as this instrument does not have a tradable market and was not purchased with a premium or discount.

These investments are assessed to have low credit risk at each reporting date based on Trustee's internal risk management analysis. As such, the Trustee assumes that the credit risk on these investments has not increased significantly since initial recognition as permitted by AASB 9.

Notes to the Financial Statements
For the year ended 30 June 2020

1. Summary of significant accounting policies (continued)

(e) Income tax
The surplus arising out of the Fund is fully distributed to the beneficiaries and accordingly no income tax is payable by the Fund.

(f) Payables
Payables and accruals are recognised when the Fund becomes obliged to make future payments resulting from the purchase of services.

(g) Receivables
Mortgage and other receivables are recognised as amounts receivable at reporting date using amortised cost method. All receivables are reviewed on an ongoing basis and any debts that are known to be uncollectible are written off. In addition, an allowance for impairment is raised when there is a probable expectation of loss that the Fund will not be able to collect all amounts due. These receivables are assessed to have low credit risk at each reporting date based on their respective external credit ratings. As such, the Trustee assumes that the credit risk on these financial instruments has not increased significantly since initial recognition as permitted by AASB 9.

(h) Cash and cash equivalents
Cash and cash equivalents comprise cash at bank, short term deposits with the maturity date of three months or less from reporting date. These are measured at amortised costs which approximates the fair value.

(i) Accounting estimates and judgments
The preparation of financial statements in accordance with Australian Accounting Standards requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the Fund's accounting policies. They are disclosed in the relevant notes in the financial statements.

(j) New Australian Accounting Standards
i) Accounting Standards applicable for the first time in 2019-20
During the current reporting period, the Fund adopted all the new and revised Standards and Interpretations issued by the AASB that are relevant to the operations of the Fund and effective for the current reporting period.

AASB 15 Revenue from Contracts with Customers, AASB 2014-5 Amendments to Australian Accounting Standards arising from AASB 15 and AASB 1058 Income of Not-for-Profits

- *AASB 15 Revenue from Contracts with Customers* (AASB 15) was effective from reporting periods commencing on or after 1 January 2018 for for-profit entities and on or after 1 January 2019 for not-for-profit entities. AASB 15 establishes a five-step model to account for revenue arising from contracts with customers. Revenue is recognised when control of goods or services is transferred to the customer at amounts that reflect the consideration to which the Fund expects to be entitled in exchange for transferring the goods or services to the customer. Under AASB 118 *Revenue* (AASB 118), revenue recognition was based on when risks and rewards are transferred.

Home Purchase Assistance Fund

Notes to the Financial Statements
For the year ended 30 June 2020

1. Summary of significant accounting policies (continued)

(j) New Australian Accounting Standards (continued)

- *AASB 1058 Income of Not-for-Profits* (AASB 1058) was effective for reporting periods commencing on or after 1 January 2019 and will replace most of the existing requirements in *AASB 1004 Contributions* (AASB 1004).

The Fund adopted AASB 15 and AASB 1058 on 1 July 2019 through application of the full retrospective transition approach. The impact to the disclosed balances resulting from the adoption of AASB 15 and AASB 1058 have been assessed by the Fund as not being significant.

ii) New Australian Accountant Standards issued but not effective
NSW public sector entities are not permitted to early adopt new Australian Accounting Standards, unless Treasury determines otherwise. The following new Australian Accounting Standards and interpretations have not been applied and are not yet effective (refer to NSW Treasury mandate TC 20/01).

- AASB 17 Insurance Contracts
- AASB 1059 Service Concession Arrangements: Grantors
- AASB 2018-5 Amendments to Australian Accounting Standards – Deferral of AASB 1059
- AASB 2018-6 Amendments to Australian Accounting Standards – Definition of a Business
- AASB 2018-7 Amendments to Australian Accounting Standards – Definition of Material
- AASB 2019-1 Amendments to Australian Accounting Standards – References to the Conceptual Framework
- AASB 2019-2 Amendments to Australian Accounting Standards – Implementation of AASB 1059
- AASB 2019-3 Amendments to Australian Accounting Standards - Interest Rate Benchmark Reform
- AASB 2019-7 Amendments to Australian Accounting Standards – Disclosure of GFS Measures of Key Fiscal Aggregates and GAAP/GFS Reconciliations

The Fund's assessment of the impact of these new standards and interpretations is that they will not materially affect any of the amounts recognised in the financial statements or significantly impact the disclosures in relation to these financial statements.

(k) Budgeted amounts
The budgeted amounts are drawn from the original budgeted financial statements presented to Parliament in respect of the reporting period, as adjusted for section 24 of the Public Finance and Audit Act 1983 where there has been a transfer of functions between agencies. However, amounts disclosed in the budget paper as current and non-current borrowings at amortised cost in the Statement of Financial Position have been re-classified from debt to equity and finance costs in the Statement of Comprehensive Income have been removed from the Fund's budgeted amounts as the Fund accounts for the advance from NSW Treasury as a contribution to equity and not as debt

Home Purchase Assistance Fund

Notes to the Financial Statements
For the year ended 30 June 2020

1. Summary of significant accounting policies (continued)

(k) Budgeted amounts (continued)

This is to achieve consistency with the accounting treatment of the actual repayments of the NSW Treasury advance as distributions out of the net assets of the Fund and not as principal and interest payments. In the Statement of Cash Flows, budgeted finance costs and payments to special beneficiaries budgeted for in other expenses have been reclassified from cash flows from operating activities to cash flows from financing activities. Other amendments made to the budget are not reflected in the budgeted amounts.

(l) Comparative information

Except when an Australian Accounting Standard permits or requires otherwise, comparative information is disclosed in respect of the previous year for all amounts reported in the financial statements.

2. Cash and cash equivalents

For the purposes of the statement of cash flows, cash includes cash at bank, short-term (on demand) deposits and bank bills.

	2020 $'000	2019 $'000
(a) Cash and cash equivalents consists of:		
Cash and cash equivalents at bank	685	27,165
Term deposits with the maturity within 90 days	178,278	173,745
	178,963	200,910
(b) Reconciliation of net result for the year to net cash received from operating activities		
Net (deficit)	(5,838)	(2,984)
Changes in net assets and liabilities:		
Decrease in interest receivable	14	1,883
(Increase)/decrease in sundry debtors	-	403
Increase in sundry payables and provisions	100	79
Net cash received used in operating activities	(5,724)	(619)

Refer to note 9 Financial Instruments for details regarding credit risk, liquidity risk and market risk.

3. Receivables

	2020 $'000	2019 $'000
Interest receivable - non-related parties	8	22
Total receivables	8	22

Refer to note 9 Financial Instruments for details regarding credit risk, liquidity risk and market risk.

4. Other financial assets

	2020 $'000	2019 $'000
Short term money market deposits	-	6,300
Investment in non-quoted securities at cost (i)	1,000	1,000
Total current other financial assets	1,000	7,300
Investment in non-quoted securities at cost (i)	4,185	5,319
Investment in NSW Rent Buy Pty Limited (ii)	5,744	-
Total non-current other financial assets	9,929	5,319

(i) Investment in the FANMAC Master Trust which was established in 2001 for the specific purpose of providing a consolidated entity to house the Fund's current holding of FANMAC mortgages and its future purchase obligations from maturing FANMAC Trusts. The total value of the investment in the FANMAC Master Trust at 30 June 2020 was $5.2 million (30 June 2019: $6.3 million). The Master Trust securities are not traded in the financial markets.

(ii) Represents investment in NSW Rent Buy Pty Limited which was made during December 2019. The fund doesn't consolidate the assets and liabilities of NSW Rent Buy Pty Limited.

Refer to note 9 Financial Instruments for details regarding credit risk, liquidity risk and market risk.

5. Payables

	2020 $'000	2019 $'000
Accounting fees	33	31
Audit fees	34	27
Trustee fees	29	32
Sundry creditors	18	-
Total payables	114	90

Refer to note 9 Financial Instruments for details regarding credit risk, liquidity risk and market risk.

6. Provisions

	2020 $'000	2019 $'000
Government Guaranteed Loan Scheme	205	129

7. Related party information

During the reporting period, the Fund transacted with the following related entities: the State (the beneficiary of the Trust), Permanent Custodians Limited.

Apart from administrative services all other transactions with related parties were conducted on a normal commercial basis and are disclosed in the statement of financial position, statement of comprehensive income, statement of cash flows and the accompanying notes to the financial statements.

Administrative services were provided by NSW Department of Communities and Justice Staff to the Fund during the reporting period on a free-of-charge basis.

Key Management Personnel

The key management personnel of the Fund are deemed to be the directors of Permanent Custodians Limited. No amounts were paid by the Fund directly to the directors of Permanent Custodians Limited (2019: Nil). Compensation paid to the Trustee, Permanent Custodians Limited is separately disclosed in the Statement of Comprehensive Income as Trustee's remuneration.

8. Accumulated Funds

Repayment schedule

The nominal value of loan under the Home Purchase Assistance Program is detailed in the table below:

	Principal 30 June 2020 $'000	Interest 30 June 2020 $'000	2020 Total $'000	Principal 30 June 2019 $'000	Interest 30 June 2019 $'000	2019 Total $'000
Not later than one year	11,358	5,745	17,103	11,428	6,269	17,697
Later than one year but not later than five years	43,820	17,783	61,603	44,677	19,849	64,526
Later than five years	71,251	13,841	85,092	81,751	17,520	99,271
Total cash outflow	**126,429**	**37,369**	**163,798**	**137,856**	**43,638**	**181,494**

8. Accumulated Funds (continued)

Distributions to beneficiaries

Under the terms of the Home Purchase Assistance Fund Trust Deed, at the direction of Treasury and NSW Department of Communities and Justice Services (which direction is made annually), repayments of principal and interest on the loans owed to NSW Treasury will be paid out of the net assets attributable to beneficiaries and/or income of the Fund through distributions.

	2020 $'000	2019 $'000
FANMAC Trust	215	276
Shared Equity Schemes	-	3
NSW Treasury	17,698	18,273
	17,913	**18,552**

9. Financial instruments

The Fund's principal financial instruments are outlined below. These financial instruments arise directly from the Fund's operations or are required to finance its operations. The Fund does not enter into or trade financial instruments, including derivative financial instruments, for speculative purposes.

(a) Cash and cash equivalents

Cash comprises cash at bank, while cash equivalents comprise short term deposits with NSW Treasury Corporation (TCorp). Term deposits have specific maturity dates for terms of up to 90 days. Interest on cash is earned on a daily basis and paid monthly while interest on the term deposits is calculated on a yearly basis and paid at maturity of each instrument.

(b) Term deposits with maturity more than 90 days

These represent term deposits with NSW Treasury Corporation (TCorp). These deposits have a maturity day greater than 90 days and lower than 365 days.

(c) FANMAC Master Trust Bonds (long-term securities)

Bonds issued by the Master Trust have been wholly-owned by the Fund since the trust was established in 2001 through the consolidation of several other FANMAC Trusts. The bonds have a maturity date in 2070. Interest and principal are paid on the bonds monthly.

The Fund's main risks arising from financial instruments are outlined below, together with the Funds objectives, policies and processes for measuring and managing risk. Further quantitative and qualitative disclosures are included throughout these financial statements.

Risk management policies are established to identify and analyse the risks faced by the fund, to set risk limits and controls and to monitor risks. Investments are only carried out by officers with approved financial delegations.

9. Financial instruments (continued)

The net carrying amount of the financial assets and financial liabilities are outlined below:

Categories of Financial Instruments

	Notes	Category	2020 $'000	2019 $'000
Financial assets				
Cash and cash equivalents	2	Amortised Cost	178,963	200,910
Receivables (i)	3	Amortised Cost	8	22
Other financial assets	4	Amortised Cost	10,929	12,619
Total financial assets			**189,900**	**213,551**
Financial liabilities				
Payables (ii)	5	Amortised Cost	114	90
Total financial liabilities			**114**	**90**

(i) exclude statutory receivables and prepayments (i.e. not within the scope of AASB 7)
(ii) exclude statutory payables and unearned revenue (i.e. not within the scope of AASB 7)

Financial assets that are past due or impaired

There are no financial assets that are past due or impaired as at 30 June 2020 (30 June 2019: Nil).

Credit risk

Credit risk is the risk of financial loss arising from another party to a contract or financial position failing to discharge a financial obligation there under. The Fund's maximum exposure to credit risk is represented by the carrying amounts of the financial assets included in the statement of financial position.

Receivables and Other financial assets are assessed to have low credit risk at each reporting date based on Trustee's internal risk management analysis. As such, the Trustee assumes that the credit risk on these financial instruments has not increased significantly since initial recognition as permitted by AASB 9.

The Fund recognises a loss allowance based on lifetime ECLs at each reporting date. The Fund has established a provision matrix based on its historical credit loss experience and adjusted for forward looking factors.

All receivables are reviewed on an ongoing basis and any debts that are known to be uncollectible are written off.

Home Purchase Assistance Fund

Notes to the Financial Statements
For the year ended 30 June 2020

9. Financial instruments (continued)

The table below outlines the maturity analysis based on carrying amounts for all financial assets of the Fund:

2020	Weighted average interest rate %	Variable interest rate $'m	Fixed interest rate <1 year $'m	Fixed interest rate 1-5 yrs. $'m	Fixed interest rate >5 year $'m	Non-interest bearing $'m	Total $'m
Financial assets							
Cash and cash equivalents	0.04%	0.7	178.3	-	-	-	179.0
Receivables	0.00%	-	-	-	-	-	-
Other financial assets	5.37%	4.2	1.0	-	-	5.8	11.0
Total financial assets		**4.9**	**179.3**	-	-	**5.8**	**190.0**

2019	Weighted average interest rate %	Variable interest rate $'m	Fixed interest rate <1 year $'m	Fixed interest rate 1-5 yrs. $'m	Fixed interest rate >5 year $'m	Non-interest bearing $'m	Total $'m
Financial assets							
Cash and cash equivalents	1.31%	27.2	173.7	-	-	-	200.9
Other financial assets	3.27%	5.3	7.3	-	-	-	12.6
Total financial assets		**32.5**	**181**	-	-	-	**213.5**

The table below outlines the concentration of categories of financial assets for the Fund:

2020	Governments $'m	Banks $'m	Other $'m	Total $'m
Financial assets				
Cash and cash equivalents	-	179.0	-	179.0
Receivables	-	-	-	-
Other financial assets	-	-	11.0	11.0
Total financial assets	-	**179.0**	**11.0**	**190.0**

2019	Governments $'m	Banks $'m	Other $'m	Total $'m
Financial assets				
Cash and cash equivalents	-	200.9	-	200.9
Other financial assets	-	6.3	6.3	12.6
Total financial assets	-	**207.2**	**6.3**	**213.5**

Receivables

Collectability of all debtors is reviewed on an ongoing basis. Procedures are followed to recover any outstanding amounts; these include the issuing of letters of demand. The Fund is not exposed to concentrations of credit risk to a single debtor or group of debtors. Based on past experience, debtors that are not past due and less than 30 days past due are not considered impaired. No receivables were past due or impaired at 30 June 2020 (30 June 2019: Nil).

9. Financial Instruments (continued)

Authority deposits and fixed interest investments

The Fund has placed funds on fixed term deposit with NSW TCorp, which has been rated 'AAA' by Standard and Poor's.

The weighted average interest rate on the investment portfolio as at 30 June 2020 was 0.19% (30 June 2019: 1.43%). None of these assets are past due or impaired.

The following information is provided in accordance with the provisions of AASB 7 "*Financial Instruments: Disclosures*". The Fund monitors and manages the financial risks relating to its operations. These risks include market risk (including fair value interest rate risk and price risk), credit risk, liquidity risk and cash flow interest rate risk.

Liquidity risk

Liquidity risk is the risk that the Fund will be unable to meet its payment obligations when they fall due. The Fund continuously manages risk through monitoring future cash flows and maturities planning to ensure adequate holding of high quality liquid assets. No assets have been pledged as collateral. The funds exposure to liquidity risk is deemed insignificant based on prior years' data and current assessment of risk.

The liabilities are recognised for amounts due to be paid in the future for goods or services received, whether or not invoiced. Amounts owing to suppliers (which are unsecured) are settled in accordance with the policy set out in Treasury's Circular NSW TC 11/12 dated 14 July 2011. If trade terms are not specified, payments must be made within 30 days of receipt of a correctly rendered invoice, unless an existing contract or standing offer (i.e. pre 14 July 2011) provides for an alternative time period. If payment is not made within the specified time period, simple interest must be paid automatically.

9. Financial Instruments (continued)

Market risk

Market risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices. The Fund's exposures to market risk are primarily through interest rate risk on the Investment Funds. The Fund has no exposure to foreign currency risk and does not enter into commodity contracts.

The effect on profit and equity due to a reasonably possible change in risk variable is outlined in the information below for interest rate risk. The Fund is not exposed to any other price risk. A reasonably possible change in risk variable has been determined after taking into account the economic environment in which the fund operates and the time frame for the assessment (i.e. until the end of the next annual reporting period). The sensitivity analysis is based on risk exposures in existence at the reporting date. The analysis is performed on the same basis for 2020. The analysis assumes that all other variables remain constant.

Interest rate risk

Exposure to interest rate risk arises primarily through the Fund's investments portfolio. This risk is minimised by undertaking mainly fixed rate Investments, primarily with NSW TCorp.

The Fund does not account for any fixed rate financial instruments at fair value through profit or loss or at fair value through other comprehensive income. Therefore, for these financial instruments, a change in interest rates would not affect profit or loss or equity.

A reasonably possible change of +/- 1% is used, consistent with current trends in interest rates. The basis will be reviewed annually and amended where there is a structural change in the level of interest rate volatility. The Fund's exposure to interest rate risk is set out on the following page.

9. Financial instruments (continued)

		+1%		-1%	
	Carrying amount $'000	Net Result $'000	Equity $'000	-Net Result $'000	Equity $'000
2020					
Financial assets					
Cash and cash equivalents	178,963	1,790	1,790	(1,790)	(1,790)
Other financial assets	10,929	109	109	(109)	(109)
Receivables	8	-	-	-	-
Total financial assets	**189,900**	**1,899**	**1,899**	**(1,899)**	**(1,899)**
Payables	114	1	1	(1)	(1)
Total financial liabilities	**114**	**1**	**1**	**(1)**	**(1)**

		+1%		-1%	
	Carrying amount $'000	Net Result $'000	Equity $'000	-Net Result $'000	Equity $'000
2019					
Financial assets					
Cash and cash equivalents	200,910	2,009	2,009	(2,009)	(2,009)
Other financial assets	12,619	126	126	(126)	(126)
Receivables	22	-	-	-	-
Total financial assets	**213,551**	**2,135**	**2,135**	**(2,135)**	**(2,135)**
Payables	90	-	-	-	-
Total financial liabilities	**90**	**-**	**-**	**-**	**-**

Fair value measurement

The carrying amount of financial instruments recognised in the statement of financial position approximates the fair value due to the short term nature of many of the financial instruments.

Financial assets and financial liabilities measured at fair value in the statement of financial position are grouped into three Levels of a fair value hierarchy. The three Levels are defined based on the observability of significant inputs to the measurement, as follows:

- level 1: quoted prices (unadjusted) in active markets for identical assets or liabilities
- level 2: inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly
- level 3: unobservable inputs for the asset or liability

The Fund had no assets or liabilities measured at fair value on a non-recurring basis as at 30 June 2020 (30 June 2019: Nil).

10. Contingent liability

Under clause 4 of the Home Purchase Assistance Fund Trust Deed and a Memorandum of Understanding with the Registry of Co-operatives and Associations, the Trustee, from time to time as and when required must purchase mortgages and defaulting mortgages in the Home Fund Loan program and meet claims in the Government Guaranteed loan Scheme.

No payments were required to be made on defaulting FANMAC mortgages for the year ended 30 June 2020 (30 June 2019: Nil).

11. Commitments

The Fund is committed to support the National Rental Affordable Scheme, over 10 years as follows:

	2020 $'000	2019 $'000
Not later than one year	8,033	7,500
Later than one year but not later than five years	20,125	20,356
Later than five years	1,212	-
Total	**29,370**	**27,856**

12. Investment powers compliance

Under the Public Authorities (Financial Arrangements) Regulation 2005, the Trustee of the Home Purchase Assistance Fund (the "Fund") is defined as an entity included in the definition of an "authority", thereby having Part 2 investment powers under Public Authorities (Financial Arrangements) Act 1987 (the "Act").

The following investments are authorised for an authority which may exercise Part 2 investment powers:

a) deposits with a bank or the Treasury Corporation and deposits with or withdrawable shares in a building society or credit union (not including certificates of deposit or other transferable securities),

b) investments in an Hour-Glass investment facility of the Treasury Corporation (being a facility under which the Treasury Corporation accepts funds on behalf of Government and public or other authorities for investment by Fund Managers approved by the Treasury Corporation),

c) investments with, issued by, or guaranteed by, the Government of New South Wales or an eligible entity which is the Government of any other State or of the Commonwealth or of a Territory,

12. Investment powers compliance (continued)

d) bills of exchange that have been accepted by a bank, building society or credit union,

e) a loan to an eligible entity which is a dealer in the short-term money market and in relation to which, at the time the loan is made, the Reserve Bank of Australia stands as lender of last resort,

f) certificates of deposit issued by a bank, building society or credit union,

g) such additional investments as are prescribed.

The legislative change to increase the investment powers of the Fund under the Act from Part 1 to Part 2 was effective from 13 January 2010 to 30 November 2018.

Public Authorities (Financial Arrangements) Act 1987 was repealed on 30 November 2018 and replaced by new Government Sector Finance Act 2018 (the "GSF Act"). Under the GSF Act, the Trustee of the Home Purchase Assistance Fund (the "Fund") is included within the definition of a "GSF agency".

Following clauses of the GSF Act are applicable for entering into a financial arrangements:

- A financial arrangement is an arrangement (whether entered into or occurring in or outside of Australia) with respect to any of the following:

    a) a borrowing,
    b) an investment,
    c) a derivative arrangement,
    d) a joint financing arrangement,
    e) a joint venture arrangement,
    f) any other arrangement (or arrangement of a kind) prescribed by the regulations as a financial arrangement.

- An investment is:

    a) using money, property or other assets primarily for the purpose or with the expectation of producing income, interest, profit, capital growth or any other financial benefit, or
    b) the entering into of any other arrangement (or arrangement of a kind) prescribed by the regulations as an investment.

- The New South Wales Treasury Corporation may act as a funds manager for GSF agencies in relation to financial arrangements they enter under this Part.

- A GSF agency that wishes to engage a funds manager in relation to the management of some or all of its financial arrangements must engage the New South Wales Treasury Corporation to do so except if the Treasurer gives written approval under this section for another entity to act as the funds manager.

Home Purchase Assistance Fund

Notes to the Financial Statements
For the year ended 30 June 2020

13. Budget Review

Net Result

For the year ended 30 June 2020, the net deficit of the Fund was unfavorable by $1.25m as compared to the budgeted amount. The unfavorable result is primarily attributed to the following reasons:

a) interest income was $1.98m lower than budget due to lower than budgeted interest rates for the underlying investments (i.e. term deposits) during the year; and

b) expenses was $714,000 lower than budget mainly due to lower other expenses.

Assets and Liabilities

a) Total assets were lower than budget by $1.15m mainly due to lower investment revenue.

b) Total liabilities where higher than budget by $233,000 mainly due to higher provision for the Government Guaranteed Loan Scheme $156,000 and high payables $77,000.

Cash flows

Cash flow from operating activities – Cash out flow from operating activities was higher than budgeted amount by $1.50m. This variance was mainly due to:

a) Total receipts being below budget by $1.98m mainly due to lower interest earned; and
b) Total payments were marginally below budget by $475,000 as a result of lower other expenses.

Cash flow from investing activities – Cash inflow from investing activities was higher than budgeted amount by $435,000. This variance was mainly due to:

a) higher than budgeted redemption of short-term deposits and interest-bearing bonds by $6.2m; and
b) higher than budgeted outflows for the acquisition of NSW Rent Buy Pty Limited of $5.7m.

Cash flows from financing activities – Net cash used in financing activities were favorable by $178,000 mainly due to lower payments to NSW Treasury $339,000 and additional payments to Special beneficiaries amounting to $161,000.

14. Events after the reporting period

There are no other events subsequent to the balance sheet date which affect the financial statements.

15. Additional Fund information

Home Purchase Assistance Fund is registered in and operates in Australia.

Registered office

Permanent Custodians Limited
Level 2, 1 Bligh Street
Sydney NSW 2000

****END OF AUDITED FINANCIAL STATEMENTS****

NSW GOVERNMENT

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