Financial statements

For the financial year ended 30 June 2020

Contents

INDEPENDENT AUDITOR'S REPORT

Department of Education

To Members of the New South Wales Parliament

Opinion

I have audited the accompanying financial statements of the Department of Education (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 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 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.

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
Employee related expenses	
In 2019–20 the Department reported $10.8 billion in employee expenditure. I considered this to be a key audit matter because of the: • financial significance of the balance • geographical spread of the Department's workforce • high volume of transactions processed by its information systems • the size and complexity of the remuneration structures, including the diversity and number of industrial awards affecting remuneration, work hours, rates and allowances, and other conditions of employment. The subclassification of employee related expenses is presented in Note 2a of the financial statements.	Key audit procedures included the following: • evaluated and tested the design, implementation and operational effectiveness of key controls over payroll processes and systems • obtained personnel records for a sample of employees and agreed their recorded employment details, including relevant award types and conditions in calculating the payroll costs.
Implementation of AASB 16 'Leases'	
The Department adopted new Australian Accounting Standard AASB 16 'Leases' for the first time in 2019–20. The Department has: • right-of-use assets of $422.1 million and lease liabilities of $474.3 million at 30 June 2020 • a $35.5 million impairment loss against its right-of-use assets in 2019–20. I considered this to be a key audit matter because: • 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 is disclosed in Note 12 of the financial statements.	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 • 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:
https://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

7 October 2020
SYDNEY

Financial statements
For the financial year ended 30 June 2020

STATEMENT BY THE SECRETARY

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

1. The accompanying financial statements have been prepared in accordance with the provisions of the *Public Finance and Audit Act 1983,* the *Public Finance and Audit Regulation 2015* and the Treasurer's Directions;

2. The financial statements exhibit a true and fair view of the financial position and financial performance of the department; and

3. I am not aware of any circumstances, which would render any particulars included in the financial statements to be misleading or inaccurate.

Digitally signed
by Mark Scott
Date: 2020.10.01
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Secretary
NSW Department of Education
1 October 2020

Start of audited financial statements

Statement of Comprehensive Income for the financial year ended 30 June 2020

	Notes	Actual 2020 $'000	Budget 2020 $'000	Actual 2019 $'000
Expenses excluding losses				
Employee related expenses	2(a)	10,798,221	10,914,883	10,478,834
Operating expenses	2(b)	2,938,487	2,654,058	2,768,365
Depreciation and amortisation	2(c)	755,009	757,594	706,263
Grants and subsidies	2(d)	3,534,902	3,846,224	1,803,322
Finance costs	2(e)	28,601	19,799	20,710
Other expenses		600	613	600
Total expenses excluding losses		**18,055,820**	**18,193,171**	**15,778,094**
Revenue				
Appropriation	3(a)	18,165,548	18,085,890	14,500,000
Sale of goods and services	3(b)	--	--	484,240
Sale of goods and services from contracts with customers	3(b)	386,434	675,078	--
Interest revenue	3(c)	5,613	17,830	10,622
Grants and other contributions	3(d)	318,432	353,435	414,449
Acceptance by the Crown Entity of employee benefits and other liabilities	3(e)	394,285	349,752	845,334
Other revenue	3(f)	158,771	81,261	133,015
Total revenue		**19,429,083**	**19,563,246**	**16,387,660**
Operating result				
Gains/(Losses) on disposal	4	(42,825)	--	(41,080)
Other gains/(losses)	5	(58,078)	--	(788)
Net result	24	**1,272,360**	**1,370,075**	**567,698**
TOTAL COMPREHENSIVE INCOME		**1,272,360**	**1,370,075**	**567,698**

The accompanying notes form part of these financial statements.

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	8	926,658	892,710	897,972
Receivables	9	274,700	254,710	134,347
Contract assets	10	2,112	--	--
Assets held for sale		--	250	--
Total current assets		**1,203,470**	**1,147,670**	**1,032,319**
Non-current assets				
Receivables	9	--	53	51
Property, plant and equipment	11 & 12			
- Land, buildings and improvements		32,959,762	33,172,391	31,673,690
- Plant and equipment		223,114	327,278	163,228
Total property, plant and equipment		33,182,876	33,499,669	31,836,918
Intangible assets	13	380,981	232,335	434,587
Right-of-use assets under leases	12	422,082	--	--
Total non-current assets		**33,985,939**	**33,732,057**	**32,271,556**
Total assets		**35,189,409**	**34,879,727**	**33,303,875**
LIABILITIES				
Current liabilities				
Payables	16	777,461	661,695	647,703
Contract liabilities	10	45,619	--	--
Borrowings	17	185,519	175,899	147,762
Provisions	18	1,180,371	913,399	1,101,991
Other current liabilities	19	35,944	43,920	70,067
Total current liabilities		**2,224,914**	**1,794,913**	**1,967,523**
Non-current liabilities				
Borrowings	17	574,151	316,409	145,061
Provisions	18	52,592	41,175	49,740
Other non-current liabilities	19	--	32,613	33,383
Total non-current liabilities		**626,743**	**390,197**	**228,184**
Total liabilities		**2,851,657**	**2,185,110**	**2,195,707**
Net assets		**32,337,752**	**32,694,617**	**31,108,168**
EQUITY				
Reserves		16,883,877	16,917,451	16,900,953
Accumulated funds		15,453,875	15,777,166	14,207,215
Total equity	20	**32,337,752**	**32,694,617**	**31,108,168**

The accompanying notes form part of these financial statements.

Statement of Changes in Equity for the financial year ended 30 June 2020

	Notes	Accumulated funds $'000	Asset revaluation surplus $'000	Total $'000
Balance at 1 July 2019		**14,207,215**	**16,900,953**	**31,108,168**
Net result for the year		**1,272,360**	**--**	**1,272,360**
Total comprehensive income for the year		**1,272,360**	**--**	**1,272,360**
Transactions with owners in their capacity as owners				
Increase/(Decrease) in net assets from equity transfers	20	(42,776)	--	**(42,776)**
Total transactions with owners in their capacity as owners		**(42,776)**	**--**	**(42,776)**
Transfers within equity				
Reserves transfers		17,076	(17,076)	**--**
Balance at 30 June 2020		**15,453,875**	**16,883,877**	**32,337,752**
Balance at 1 July 2018		**13,588,519**	**16,917,451**	**30,505,970**
Net result for the year		**567,698**	**--**	**567,698**
Total comprehensive income for the year		**567,698**	**--**	**567,698**
Transactions with owners in their capacity as owners				
Increase/(Decrease) in net assets from equity transfers	20	34,500	--	**34,500**
Total transactions with owners in their capacity as owners		**34,500**	**--**	**34,500**
Transfer within equity				
Reserves transfers		16,498	(16,498)	**--**
Balance at 30 June 2019		**14,207,215**	**16,900,953**	**31,108,168**

The accompanying notes form part of these financial statements.

Statement of Cash Flows for the financial year ended 30 June 2020

	Notes	Actual 2020 $'000	Budget 2020 $'000	Actual 2019 $'000
CASH FLOWS FROM OPERATING ACTIVITIES				
Payments				
Employee related		(10,273,658)	(10,491,515)	(9,424,738)
Supplies of goods and services		(3,293,459)	(2,715,021)	(2,681,635)
Grants and subsidies		(3,709,226)	(3,846,224)	(1,965,482)
Finance costs		(31,241)	(19,799)	(20,710)
Other		(226,732)	(234,502)	(456,427)
Total payments		**(17,534,316)**	**(17,307,061)**	**(14,548,992)**
Receipts				
Appropriation		18,201,478	18,085,890	14,500,000
Sale of goods and services		324,637	643,009	552,523
Interest received		5,688	17,830	10,547
Grants and other contributions		334,403	349,233	395,890
Other		815,700	321,539	725,032
Total receipts		**19,681,906**	**19,417,501**	**16,183,992**
NET CASH FLOWS FROM OPERATING ACTIVITIES	24	**2,147,590**	**2,110,440**	**1,635,000**
CASH FLOWS FROM INVESTING ACTIVITIES				
Proceeds from sale of property, plant and equipment, and intangibles		13,268	295,112	868
Proceeds from sale of financial assets		--	--	--
Purchases of property, plant and equipment, and intangibles		(2,090,171)	(2,225,480)	(1,658,892)
NET CASH FLOWS FROM INVESTING ACTIVITIES		**(2,076,903)**	**(1,930,368)**	**(1,658,024)**
CASH FLOWS FROM FINANCING ACTIVITIES				
Repayment of borrowings and advances	17(b)	(7,494)	(42,338)	(7,158)
Payment of principal portion of lease liabilities	17(b)	(34,507)	--	--
NET CASH FLOWS FROM FINANCING ACTIVITIES		**(42,001)**	**(42,338)**	**(7,158)**
NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS		**28,686**	**137,734**	**(30,182)**
Opening cash and cash equivalents		897,972	754,976	928,154
CLOSING CASH AND CASH EQUIVALENTS	8	**926,658**	**892,710**	**897,972**

The accompanying notes form part of these financial statements.

1. Summary of significant accounting policies

(a) Reporting entity

The NSW Department of Education (the department) is a NSW government entity 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.

These financial statements for the financial year ended 30 June 2020 have been authorised by the Secretary for issue on 1 October 2020.

(b) Basis of preparation

The department's financial statements are general-purpose financial statements, which have been prepared on an accruals 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.

Property, plant and equipment, and assets (or disposal groups) held-for-sale are measured at fair value. Other financial statement items are prepared in accordance with the historical cost convention except where specified otherwise.

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

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.

Going concern

These financial statements are prepared on a going concern basis in accordance with AASB 101 *Presentation of Financial Statements,* paragraphs 25 and 26. The State of New South Wales has undertaken to provide continuing financial support in the form of appropriation so that the department is able to continue pursuing the outcomes that it is responsible for. Without clear evidence of parliamentary or ministerial decisions indicating the withdrawal of support for the department, it is reasonable to expect the department will continue as a going concern.

Despite the department having negative net current assets, management considers that the department remains a going concern as it receives its funding under appropriation from the Consolidated Fund. Appropriation for each financial year is set out in the annual Appropriation Act for that year. Due to COVID-19, the State Budget and related 2020-21 Appropriation Act has been delayed and is anticipated to be tabled in Parliament on 17 November 2020. However, pursuant to section 4.10 of the *Government Sector Finance Act 2018,* the State 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. This is supported by Schedule 2, Part 2, section 6 of the *COVID-19 Legislation Amendment (Emergency Measures - Treasurer) Act 2020 No 6* where it states that the State Treasurer may authorise payments for this purpose must not exceed, in total, an amount equivalent to 75% of the amount appropriated under the *Appropriation Act 2019* (adjusted for consumer prices as provided by regulations made for the purposes of section 4.10(4)(a) of the *Government Sector Finance Act 2018.*

(c) School finances

The department's financial statements include all NSW public schools' financial transactions. Transactions that occur among the corporate office and various NSW public schools are eliminated in this financial report. The department's accounting policies are adopted consistently across the corporate office and NSW public schools.

(d) 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)

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

Revenue, 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 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.

(f) Comparative information

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

(g) Changes in accounting policies, including new or revised Australian Accounting Standards

The accounting policies applied in 2019-20 are consistent with those of the previous financial year except as a result of new or revised Australian Accounting Standards as follows:

(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 2017-1 *Amendments to Australian Accounting Standards – Transfers of Investment Property, Annual Improvements 2014–2016 Cycle and Other Amendments*
- AASB 2017-6 *Amendments to Australian Accounting Standards – Prepayment Features with Negative Compensation*
- AASB 2017-7 *Amendments to Australian Accounting Standards – Long-term Interests in Associates and Joint Ventures*
- AASB 2018-1 *Amendments to Australian Accounting Standards – Annual Improvements 2015–2017 Cycle*
- AASB 2018-2 *Amendments to Australian Accounting Standards – Plan Amendment, Curtailment or Settlement*
- AASB 2018-5 *Amendments to Australian Accounting Standards – Deferral of AASB 1059*
- AASB 2018-8 *Amendments to Australian Accounting Standards – Right-of-Use Assets of Not-for-Profit Entities.*

AASB 15 *Revenue from Contracts with Customers*

AASB 15 supersedes AASB 111 *Construction Contracts* and AASB 118 *Revenue* and related Interpretations. 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 the department 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.

In accordance with the transition provisions in AASB 15, the department has adopted AASB 15 retrospectively with the cumulative effect of initially applying the standard recognised at the date of initial application, i.e. 1 July 2019. The department has used the transitional practical expedient permitted by the standard to reflect the aggregate effect of all of the modifications that occur before 1 July 2018 when:

- identifying the satisfied and unsatisfied performance obligations
- determining the transaction price
- allocating the transaction price to the satisfied and unsatisfied performance obligations
- assets acquired significantly less than fair value are not required to be remeasured.

The impact of applying the above practical expedients has not had a material effect on the financial statements.

1. Summary of significant accounting policies (continued)

(g) Changes in accounting policies, including new or revised Australian Accounting Standards (continued)

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

The effect of adopting AASB 15 is as follows:

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

	Notes	Adoption of AASB 15 30 Jun 2020 $'000	Without adoption of AASB 15 30 Jun 2020 $'000	Impact of AASB 15 30 Jun 2020 $'000
Revenue				
Sale of goods revenue from contracts with customers	**3(b)**			
Products and materials		26,651	26,651	--
Canteen sales		21,824	21,824	--
Livestock and produce		1,603	1,603	--
		50,078	**50,078**	**--**
Rendering of services revenue from contracts with customers	**3(b)**			
Overseas student fees		90,343	90,343	--
Excursions		78,043	78,043	--
Hire of facilities		34,660	34,660	--
Sports & extra-curricular activities		68,807	68,807	--
Subject contributions		34,122	34,122	--
Agricultural school accommodation and meals		5,840	5,840	--
Other services rendered		24,541	24,541	--
		336,356	**336,356**	**--**
Grants and other contributions	**3(d)**			
Other grants with sufficiently specific performance obligations		13,283	13,283	--
		13,283	**13,283**	**--**
Other revenue				
Commissions		3,175	3,175	--
Miscellaneous revenue	**3(f)**	27,019	27,019	--
		30,194	**30,194**	**--**
Net result		**429,911**	**429,911**	**--**

Impact on the Statement of Financial Position [increase/(decrease)]:

	Notes	Adoption of AASB 15 30 Jun 2020 $'000	Without adoption of AASB 15 30 Jun 2020 $'000	Impact of AASB 15 30 Jun 2020 $'000
Assets				
Contract assets	**10**	2,112	2,112	--
Liabilities				
Contract liabilities	**10**	45,619	45,619	--

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

1. Summary of significant accounting policies (continued)

(g) Changes in accounting policies, including new or revised Australian Accounting Standards (continued)

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

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 appropriation that satisfies the definition of a contribution by owners), administrative arrangements and liabilities of government agencies assumed by other government agencies.

AASB 1058 applies to revenue 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 revenue.

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 revenue:

- 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 revenue 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, i.e. 1 July 2019. The department has adopted the practical expedient in AASB 1058 whereby existing assets acquired for consideration significantly less than fair value principally to enable the department to further its objectives, are not restated to their fair value.

The effect of adopting AASB 1058 is as follows:

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

	Notes	Adoption of AASB 1058 30 Jun 2020 $'000	Without adoption of AASB 1058 30 Jun 2020 $'000	Impact of AASB 1058 30 Jun 2020 $'000
Revenue				
Acceptance by the Crown Entity of employee benefits and other liabilities	**3(e)**			
Superannuation - defined benefit		75,047	75,047	--
Extended/Long service leave		315,205	315,205	--
Payroll Tax		4,033	4,033	--
		394,285	**394,285**	**--**
Grants and other contributions	**3(d)**			
Grants to acquire/construct a recognisable non-financial asset to be controlled by the department		148,504	148,504	--
Grants without sufficiently specific performance obligations		68,282	68,282	--
School generated contributions		45,161	45,161	--
Contributions of assets		247	247	--
Donations and industry contributions		42,955	42,955	--
		305,149	**305,149**	**--**
Other revenue	**3(f)**			
Fundraising		15,985	15,985	--
		15,985	**15,985**	**--**
Net result		**715,419**	**715,419**	**--**

The adoption of AASB 1058 change did not have an impact on Other comprehensive income, the Statement of Financial Position and the Statement of Cash Flows for the financial year.

1. Summary of significant accounting policies (continued)

(g) Changes in accounting policies, including new or revised Australian Accounting Standards (continued)

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

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 department is the lessor.

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 2.20%.

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. The exception is right-of-use assets that are subject to accelerated depreciation. 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 did not have any finance leases at 30 June 2019.

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 reassess 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
- relying on its previous assessment on whether leases are onerous immediately before the date of initial application as an alternative to performing an impairment review
- not recognise 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. Summary of significant accounting policies (continued)

(g) Changes in accounting policies, including new or revised Australian Accounting Standards (continued)

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

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

	$'000
Assets	
Property, plant and equipment	(20,086)
Right-of-use assets	458,160
Total assets	**438,074**
Liabilities	
Other current liabilities	(7,758)
Other non-current liabilities	(18,610)
Borrowings	464,442
Total liabilities	**438,074**
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)	413,261
(Less): GST included in operating lease commitments	(37,569)
Operating lease commitments as at 30 June 2019 (GST excluded)	375,692
Impact of weighted average incremental borrowing rate as at 1 July 2019 (2.20%)	(8,265)
Discounted operating lease commitments as at 1 July 2019	367,427
(Less): commitments relating to short term leases	(734)
(Less): prepaid leases	(9,104)
Add/(Less): contracts re-assessed as lease contracts	(357)
Add: Lease payments relating to renewal periods not included in operating lease commitments as at 30 June 2019	107,210
Lease liabilities as at 1 July 2019	**464,442**

(ii) Issued but not yet effective

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

AASB 1059 *Service Concession Arrangements: Grantors* 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. Based on the department's assessment, it is expected that the first-time adoption of AASB 1059 will not have a material impact on the transactions and balances recognised in the financial statements for the year ending 30 June 2021.

Upon the implementation of AASB 1059, NSW Treasury is expected to revoke TPP 06-8 Accounting Policy: Accounting for Privately Financed Projects in the financial year ending 30 June 2021. Based on the Department's assessment, it is expected the impact of the revocation is immaterial.

Several other new Australian Accounting Standards have not been applied and are not yet effective:

- AASB 17 *Insurance Contracts*
- 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 department has assessed there to be no material impact of these Standards in the period of initial application.

1. Summary of significant accounting policies (continued)

(h) Administrative restructures

On 31 March 2019, the NSW Premier announced a new cabinet to reflect the direction of the newly re-elected government. In response to the announcement, the State Governor with the advice of the Executive Council authorised the making of *Administrative Arrangements (Administrative Changes - Public Service Agencies) Order 2019* on 2 April 2019. The Order took effect on 1 July 2019.

The transfer of net assets between entities as a result of an administrative restructure, transfers of programs/functions and parts thereof between entities controlled by the ultimate parent is designated or required by Accounting Standards to be treated as contributions by owners and is recognised as an adjustment to accumulated funds. This treatment is consistent with AASB 1004 *Contributions* and AASB 1038 *Contributions by Owners Made to Wholly Owned Public Sector Entities.*

Transfers arising from an administrative restructure involving not-for-profit entities and for-profit government entities are recognised at the amount at which the asset was recognised by the transferor immediately prior to the restructure. In most instances this will approximate fair value.

Refer to Note 6 for the effect of the administrative restructure on program group reporting and refer to Note 20(b) for the net impact on the department's Statement of Financial Position.

(i) Impacts and assessment of COVID-19 pandemic

The first case of COVID-19 was reported to the World Health Organisation as an unknown virus in late December 2019. After that the global infection rate increased dramatically throughout 2020, it caused uncertainty for the global economy, including NSW. Whilst the initial effects were being felt predominantly by the travel industry and education providers, the impact is now considerably broader and is creating significant uncertainty for supply chains and the global economy. This uncertainty is creating risks to organisations that they may not have encountered previously.

At the time of completion of the 2019-2020 financial statements, the department has conducted an assessment of the impacts from COVID-19, including the following elements:

Going concern
The department is a going concern. Despite delays in passing the *Appropriation Act 2020* and the delivery of the 2020-2021 State Budget, the department continues to receive up to an equivalent of 75% of 2019-2020 appropriation from Consolidated Fund. Refer to Note 1(b) for more details.

Internal control environment
The existing internal control environment continues to operate effectively amid COVID-19 and the resulting shift to remote work. The department created a COVID-19 taskforce with representatives from various business units to holistically address the risks of COVID-19. Established systems, processes, policies and procedures, segregation of duties, independent monitoring and review, ethical culture, awareness of corrupt conduct and existing systems continue to allow staff to report corrupt conduct without fear of reprisal collectively continuing to reduce the risk of fraud and corruption, including in a remote work environment.

Carrying values of property, plant and equipment
The department has conducted an assessment of the carrying values of its property, plant and equipment. The department is a not-for-profit entity with no cash generating units, impairment under AASB 136 *Impairment of Assets* is unlikely to arise. This is because its property, plant and equipment is 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. Refer to Note 11 for more details.

Working from home and technology as a solution
Due to the COVID-19 pandemic, from Friday, 27 March 2020, all corporate staff within the department began working from home until further notice. School-based staff also worked from home for a short period in terms 1 and 2. Staff that provided critical functions that could not be delivered remotely were provided exemptions on a case-by-case basis. Since then, the department has adapted in a number of ways, including:

- Providing an intranet landing page for all documents and resources relating to working from home amid COVID-19;
- Producing a quick reference guide on best practice for cyber security, especially whilst working from alternative locations;
- Releasing a new flexible working policy;
- Producing documents and webinars for managers and employees on how to manage their responsibilities from home during the period;
- Developing a COVID-19 taskforce;
- Investing heavily in IT infrastructure, including hardware and software; and
- Publishing guidelines on digital approvals via email or through the use of digital signatures; and
- Various webinars and resources were made available to staff through the ‘A-Great-Place-To-Work’ initiative.

1. Summary of significant accounting policies (continued)

(i) Impacts and assessment of COVID-19 pandemic (continued)

The department continues to invest and strengthen its digital infrastructure (e.g. providing staff with laptops and mobile phones with network connectivity) to support digital processes and workflows and further support staff members to work from remote sites.

Allowance for expected credit losses

In 2019-20, COVID-19 may have caused detriment to the financial performance and financial position of the department's debtors. As such, forward-looking factors have been considered to make judgements about future expected credit losses. The department observed various relevant sources including the rate of decrease in revenue from sales of goods and services for NSW businesses, as published by the Australian Bureau of Statistics and the increasing unemployment rate in Australia, as published by Statista when assessing the allowance for expected credit losses. Refer to Note 26(d) for more details.

Leasing and licensing arrangements

The department acts as a lessor for a small number of leases, primarily used for community purposes such as sporting activities. The department's asset management units review applications on a case-by-case basis. During the year, the department has not offered any rent-free periods or concessions to lessees through the COVID-19 pandemic.

As a lessee, the department has not received any concessions or rent-free periods on accommodation, motor vehicle, or other leases.

The department also hires out facilities under licensing arrangements, generally for early childhood services, canteens and uniform shops. During the year, the Minister for Education and Early Childhood Learning approved fee waivers to relevant customers in goodwill until school term 2 2020. The department has recognised an expense of $8.5 million.

Employee-related systems and processes

The department has considered the effects of COVID-19 on employee-related systems and processes. Items considered are:

- Jobkeeper allowance: The department as a government entity is not entitled to this allowance.
- Employment Guarantee for casual teachers: The department has released a policy on guaranteed employment for casual teachers which impacted approximately 10,000 casual staff across approximately 2,000 schools. The policy outlines the department's commitment to continue engaging casual teachers and support staff throughout the pandemic, regardless of whether there is reduced demand and school activity.
- Long service leave: On 24 March 2020, NSW Parliament passed temporary laws which created greater flexibility for employers and workers to access long service leave in advance during the ongoing COVID-19 crisis. These laws include special provisions that state that during the prescribed pandemic period, a worker stood down without pay by an employer as a direct or indirect result of the COVID-19 pandemic will continue to accrue long service leave. The department has assessed there is no impact on the long service leave entitlements for casual employees.
- Special leave: The NSW Government has provided public sector employees with up to 20 days of special leave for employees absent from the workplace as a result of COVID-19. This leave applies to ongoing, temporary and casual employees and is available pro rata based on individual employee work structure. The value of special leave paid by the department is not material and was not disclosed separately in the financial statements.

Budgetary impacts

The department monitored the budgetary impacts of COVID-19 throughout 2019-20 and continues to do so. Refer to Note 23 for more details.

The department continues to closely monitor the COVID-19 outbreak and has put in place regular communication mechanisms to staff members and students to manage these impacts. This includes regular interaction with government and public health officials at the highest levels. The department continues to implement mitigating actions to ensure there is minimal disruption to the normal operations of the department and public schools.

2. *Expenses excluding losses*

	2020 $'000	2019 $'000
(a) Employee related expenses		
Salaries and wages (including annual leave) [1]	8,864,037	8,204,687
Superannuation – defined benefit plans	75,046	110,271
Superannuation – defined contribution plans	818,772	757,509
Extended/Long service leave	315,206	730,191
Workers' compensation insurance	173,834	141,239
Payroll Tax and Fringe Benefits Tax	542,933	527,077
Redundancy payments	1,986	1,260
Other	6,407	6,600
	10,798,221	**10,478,834**

[1] An amount of $5.3m (2018-19: $4.2m) for employee related expenses was capitalised during the financial year.

	2020 $'000	2019 $'000
(b) Operating expenses		
Auditor's remuneration: [1]		
- audit of the financial statements	1,396	1,377
Cleaning	332,739	275,773
Consultants	4,503	4,469
Other contractors [2]	174,244	148,879
Expenses relating to short-term leases and leases of low-value assets [3]	17,756	--
Fees for services rendered	285,309	273,988
Internet and telephone	66,416	64,782
Insurance	86,845	58,580
Maintenance [4]	775,046	657,740
Minor stores, provisions, plant and computing	331,043	344,598
Operating lease rental expense:		
- minimum lease payments	--	50,203
Postage	11,220	8,952
Printing	31,291	28,285
School operating expenses	432,502	455,922
Assisted School Travel expenses	146,561	141,770
Training and development expenses	46,667	51,651
Demountable building services	35,338	36,905
Travelling and sustenance	24,843	26,496
Utilities and water charges	96,733	99,541
Other	38,035	38,454
	2,938,487	**2,768,365**

[1] The audit fees are disclosed based on services provided up to 30 June 2020. The engagement fee for the audit of 2019-20 financial statements is $1.3m (2018-19: $1.3m).

[2] An amount of $36.3m (2018-19: $28.1m) for contractor expenses was capitalised during the financial year.

[3] These expenses also include non-lease components of lease contracts, including management fees, cleaning and maintenance.

	2020 $'000	2019 $'000
[4] Reconciliation - Total maintenance expenses		
Maintenance expense – contracted labour and other	775,046	657,740
Total maintenance expenses included in Note 2(b)	**775,046**	**657,740**

Recognition and measurement

Maintenance expenses

Day-to-day servicing costs or maintenance 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. Capitalisation thresholds may apply to maintenance expenses if applicable (refer to Notes 11 and 13 for more details).

2. Expenses excluding losses (continued)

(b) Operating expenses (continued)

Recognition and measurement (continued)
Insurance
The department's insurance activities are conducted through the NSW Treasury Managed Fund Scheme of self-insurance for Government entities. The expense (premium) is determined by the Fund Manager based on past claims experience.

Lease expense (up to 30 June 2019)
Operating leases
Up to 30 June 2019, operating lease payments are recognised as an operating expense in the Statement of Comprehensive Income on a straight-line basis over the lease term. An operating lease is a lease other than a finance lease.

Lease expense (from 1 July 2019)
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 at commencement.

The department does not have any leases with variable lease payments.

(c) Depreciation and amortisation expense	**2020 $'000**	**2019 $'000**
Depreciation of assets owned by the department		
Buildings and improvements	620,706	599,091
Plant and equipment	15,772	24,023
	636,478	623,114
Depreciation of right-of-use assets under leases		
Land	110	--
Buildings and improvements	37,719	--
Plant and equipment	7,189	--
	45,018	--
Amortisation		
Intangibles	73,513	83,149
	755,009	**706,263**

Refer to Notes 11, 12 and 13 for recognition and measurement policies on amortisation and depreciation.

2. *Expenses excluding losses (continued)*

	2020 $'000	2019 $'000
(d) Grants and subsidies		
Government sector		
Grants to cluster agencies	1,537,580	126,800
Other	22,703	31,797
	1,560,283	**158,597**
Non-Government school sector		
Non-Government schools per capita payments	1,179,623	1,106,623
Interest subsidies	40,078	57,261
Supervisor subsidies	--	20,230
Other	23,643	20,550
	1,243,344	**1,204,664**
Other sector		
Early Childhood Education and Care	388,622	357,911
Skilled and employable workforce	283,717	--
Conservatoriums and music centres	10,221	9,986
Links to Learning program	5,565	9,165
Other	43,150	62,999
	731,275	**440,061**
	3,534,902	**1,803,322**

	2020 $'000	2019 $'000
(e) Finance costs		
Interest expense from lease liabilities	10,166	--
Interest expense from financial liabilities at amortised cost	19,502	19,441
Total interest expense	29,668	19,441
Movement in make good provision (building leases) recognised in the Statement of Comprehensive Income	(1,067)	1,269
	28,601	**20,710**

Recognition and measurement

Finance costs consist of interest and other costs incurred in connection with the borrowing of funds. Finance 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 entities.

3. *Revenue*

Recognition and measurement

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

From 1 July 2019, revenue 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 revenue are throughout Note 3.

3. Revenue (continued)

(a) Appropriation

Summary of Compliance	**2020 $'000**			**2019 $'000**		
	Appropriation	**Expenditure**	**Variance**	**Appropriation**	**Expenditure**	**Variance**
Original Budget per the *Appropriation Act*	18,085,890	18,050,785	35,105	14,838,776	14,838,776	--
Other Appropriation/Expenditure:						
• Additional Appropriation	--	--	--	--	--	--
• Treasurer's Advance	--	--	--	--	--	--
• Section 4.9 *GSF Act* / 24 *PFAA* - Transfers of functions between entities	5,369	5,369	--	--	--	--
• Section 4.11 *GSF Act* / 26 *PFAA* - Commonwealth specific purpose payments	6,819	6,819	--	--	--	--
• Section 4.13 *GSF Act* - Exigency of Government / Section 22 *PFAA* - Expenditure for certain works and services	103,400	102,575	825	--	--	--
• Exigency of Government (per Section 25(2) of the *Appropriation Act)*	--	--	--	--	--	--
• Any transfers (per Section 25(3) of the *Appropriation Act)*	--	--	--	--	--	--
Total Annual Appropriation / Expenditure / Net claim on Annual Appropriation (includes transfer payments) [1]	**18,201,478**	**18,165,548**	**35,930**	**14,838,776**	**14,838,776**	**--**
Amount drawn down against Annual Appropriation * [2]		18,201,478			14,500,000	
Liability for Lapsed Appropriation drawn down [3]		**35,930**			**--**	
*Comprising:						
Transfer payments		--			--	
Equity appropriation		--			--	
Appropriation revenue (per Statement of Comprehensive Income)**		18,165,548			14,500,000	

Appropriation revenue (per Statement of Comprehensive Income):	**2020 $'000**	**2019 $'000**
Recurrent	16,458,197	13,184,000
Capital	1,707,351	1,316,000
	18,165,548	**14,500,000**

Movement of Section 4.7 *GSF Act* - deemed appropriation:	**2020 $'000**	**2019 $'000**
Opening balance	--	--
Recognition of past deemed appropriation accordance with section 4.7(4)(a)	897,972	--
Add: additions of deemed appropriation	1,493,696	1,684,860
Less: expenditure charged against deemed appropriation	(1,465,010)	(1,684,860)
Closing balance	**926,658**	**--**

[1] The Summary of Compliance is based on the assumption that Consolidated Fund monies are spent first (except where otherwise identified or prescribed).

[2] Under the Appropriation Act for the relevant financial year, the department is appropriated with a single sum for its services comprising recurrent services, capital works and debt repayment. For annual financial reporting purposes, total Appropriation continues to be dissected between Recurrent and Capital in this note.

[3] This represents the difference between the 'Appropriation drawn down' and the 'Expenditure/Net Claim on Consolidated Fund'.

3. Revenue (continued)

(a) Appropriation (continued)

Recognition and measurement

Parliamentary appropriation

The department receives its funding under appropriation from the Consolidated Fund. Appropriation for each financial year is set out in the annual Appropriation Act for that year. Due to COVID-19, the State Budget and related 2020-21 Appropriation Act has been delayed and is anticipated to be tabled in Parliament on 17 November 2020. However, pursuant to section 4.10 of the *Government Sector Finance Act 2018,* the State 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. This is supported by Schedule 2, Part 2, section 6 of the *COVID-19 Legislation Amendment (Emergency Measures - Treasurer) Act 2020 No 6* where it states that the State Treasurer may authorise payments for this purpose must not exceed, in total, an amount equivalent to 75% of the amount appropriated under the Appropriation Act 2019 (adjusted for consumer prices as provided by regulations made for the purposes of section 4.10(4)(a) of the *Government Sector Finance Act 2018.*

Except as specified below, appropriation is recognised as revenue when the department obtains control over the assets comprising the appropriation. Control over appropriation is normally obtained upon the receipt of cash.

Appropriation is not recognised as revenue in the following circumstances:

- Lapsed appropriation is recognised as a liability rather than revenue, as the authority to spend the money lapses and the unspent amount is not controlled by the department.
- The liability is disclosed in Note 19 as part of 'Other liabilities'. The liability will be extinguished next financial year through the next annual Appropriations Act.

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

3. Revenue (continued)

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

AASB 15 *Revenue from Contracts with Customers*	**2020 $'000**	**2019 $'000**
Sale of goods revenue from contracts with customers		
Products and materials	26,651	--
Canteen sales	21,824	--
Livestock and produce	1,603	--
	50,078	**--**
Rendering of services revenue from contracts with customers		
Overseas student fees	90,343	--
Excursions	78,043	--
Hire of facilities	34,660	--
Sports & extra-curricular activities	68,807	--
Subject contributions	34,122	--
Agricultural school accommodation and meals	5,840	--
Other services rendered	24,541	--
	336,356	**--**
AASB 118 *Revenue*		
Goods provided	--	54,578
Rendering of services	--	302,419
	--	**356,997**
Other		
Overseas student fees	--	92,950
Fees and charges	--	18,618
Other	--	15,675
	--	**127,243**
	386,434	**484,240**

Recognition and measurement

Until 30 June 2019

Sale of goods

Revenue from sale of goods is recognised as revenue when the department transfers the significant risks and rewards of ownership of the goods, usually on delivery of the goods.

Rendering of services

Revenue from rendering of services is recognised when the service is provided or by reference to the stage of completion (based on labour hours incurred to date).

3. Revenue (continued)

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

Recognition and measurement (continued)
From 1 July 2019
Sale of goods
Revenue from sale of goods is recognised as when the department satisfies a performance obligation by transferring the promised goods. The department sells various goods including uniforms, learning materials, canteen food and beverages, and livestock and produce. The department typically satisfies its performance obligations when control of the goods is transferred to the customer in exchange for consideration at the transaction price. The payments are typically due immediately when the customer purchases the goods.

Revenue from these sales is recognised based on the price specified in the contract, 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 a short credit term. No volume discount or warranty is provided on the sale.

Rendering of services

Revenue from rendering of services is recognised when the department satisfies the performance obligation by transferring the promised services. The department renders services including provision of excursions, hire and rental of products or facilities, administration, and international student education. The department typically satisfies its performance obligations when the promised services are provided to customers. Revenue from rendering services is recognised in the accounting period in which the services are rendered. Payments are typically due 30 days after issuing an invoice upon providing the service. In 2019-20, the department fast-tracked payments to suppliers and contractors to provide relief from cash flow burdens. Refer to Note 26(d) for more information.

The revenue is measured at the transaction price agreed under the contract. No element of financing is deemed present as the payments are due when the service is provided, or within a short timeframe. Refer to Note 10 for the disclosure of the aggregate amount of the transaction price allocated to performance obligations that are unsatisfied (or partially unsatisfied) at the end of the reporting period, and when the department expects to recognise the unsatisfied portion as revenue.

	2020 $'000	2019 $'000
(c) Interest revenue		
Interest revenue from financial assets at amortised cost	**5,613**	**10,622**

Recognition and measurement
Interest revenue

Interest revenue 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 financial assets that become credit impaired, the effective interest rate is applied to the amortised cost of the financial asset (i.e. after deducting the loss allowance for expected credit losses).

Rental revenue
Rental revenue arising from operating leases is accounted for on a straight-line basis over the lease term.

3. Revenue (continued)

	2020 $'000	2019 $'000
(d) Grants and other contributions		
School generated contributions	45,161	49,716
Other public sector agencies	--	278,314
Commonwealth Government	--	25,265
Contributions of assets	247	18,048
Donations and industry contributions	42,955	43,106
Grants without performance obligations:		
- Grants with other public sector agencies	66,808	--
- Grants from external parties	1,474	--
Grants to acquire/construct a recognisable non-financial asset to be controlled by the department:		
- Restart NSW grants	148,504	--
Other grants with sufficiently specific performance obligations:		
- Grants with other public sector agencies	13,283	--
	318,432	**414,449**

Recognition and measurement

Until 30 June 2019

Revenue from grants (other than contribution by owners) is recognised when the department obtains control over the funds. The department is deemed to have assumed control when the grant is received or receivable.

Contributions are recognised at their fair value. Contributions of services are recognised when and only when a fair value of those services can be reliably determined and the services would be purchased if not donated. Refer to Note 7 for more details.

From 1 July 2019

Revenue 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. The related cost incurred is used to recognise revenue, because this most closely reflects the progress to completion. The payments are typically due monthly in arrears related to funding under the *Restart NSW Fund Act 2011.*

Revenue from grants with sufficiently specific performance obligations is recognised as when the department satisfies a performance obligation by transferring the promised services. The department promises to provide educational services as agreed with the Department of Home Affairs, and the Department of Infrastructure, Transport, Cities and Regional Development. The department typically satisfies its performance obligations when it provides educational services. The payments are typically due quarterly.

Revenue from these grants is recognised based on the grant amount specified in the funding agreement/funding approval, and revenue is only recognised to the extent that it is highly probable that a significant reversal will not occur. The total funding amount in the contract is allocated to the distinct performance obligation of providing educational services. No element of financing is deemed present as funding payments are usually received in advance or shortly after the relevant obligation is satisfied.

Refer to Note 10 for transaction price allocated to the performance obligations that have not been satisfied at the end of the financial year and when it is expected to be recognised as revenue.

Revenue from grants without sufficiently specific performance obligations is recognised when the department obtains control over the granted assets (e.g. cash).

	2020 $'000	2019 $'000
(e) Acceptance by the Crown Entity of employee benefits and other liabilities		
The following liabilities and/or expenses have been assumed by the Crown Entity:		
Superannuation – defined benefit	75,047	110,271
Extended/Long service leave	315,205	730,191
Payroll Tax	4,033	4,872
	394,285	**845,334**

3. *Revenue (continued)*

		2020 $'000	2019 $'000
(f)	**Other revenue**		
	Commissions	3,175	3,792
	Recoveries from breached agreements	24,456	2,469
	Fundraising	15,985	19,347
	Treasury Managed Fund Insurance recovery	88,136	13,818
	Miscellaneous revenue	27,019	93,589
		158,771	**133,015**

4. *Gains/(Losses) on disposal*

	2020 $'000	2019 $'000
Property, plant and equipment		
Gross carrying value	103,835	113,168
Less: accumulated depreciation	(47,742)	(71,737)
Written down value	56,093	41,431
Less: proceeds from disposal	13,268	868
Total gains/(losses) on disposal of property, plant and equipment	**(42,825)**	**(40,563)**
Intangible assets		
Gross carrying value	--	69,201
Less: accumulated amortisation	--	(68,684)
Written down value	--	517
Less: proceeds from disposal	--	--
Total gains/(losses) on disposal of intangible assets	**--**	**(517)**
Total gains/(losses) on disposal	**(42,825)**	**(41,080)**

5. *Other gains/(losses)*

	2020 $'000	2019 $'000
(Increase)/Decrease in allowance for expected loss:		
- trade receivables from sale of goods and services and from contracts with customers	(609)	(788)
- other receivables	(22,000)	--
- contract assets	(2)	--
Gains/(Losses) on early exit of leases	5	--
Impairment losses on right-of-use assets under leases	(35,472)	--
	(58,078)	**(788)**

Recognition and measurement

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 and contract assets - Notes 9 and 10
- Property, plant and equipment - Notes 11 and 12
- Intangible assets - Note 13
- Leases - Note 12.

6. *Program groups*

(a) Program groups: Descriptions

The following is a list of the outcomes of the department and the key program groups related to each outcome. In order to comply with the requirements of AASB 1052 *Disaggregated Disclosures,* financial details attributed by program groups are provided in the program group statements. Where financial details cannot be attributed to a particular program group, they are assigned to the 'Not Attributable' column, in accordance with NSW Treasury Policy Paper and Guidelines TPP 18-01. Appropriation is made to the department rather than program groups. Therefore, appropriation is disclosed as 'Not Attributable'.

To align with NSW Treasury's Financial Management Transformation initiatives and requirements, the department developed and attributed financial details among five program groups for the first time in 2017-18. Program groups focus on the outcomes that the department is expected to achieve, rather than focusing on the amounts spent and the services or outputs to be delivered.

Outcome 1	**Educational foundations for success**
Description	Providing a high standard of education for children and young people through the State's public school system, and through providing support to non-government schools.
Program Groups	Program group 1: Government Schools Program group 2: Non-government Schools
Outcome 2	**Best start in life for young children**
Description	Regulating and overseeing the delivery of accessible and high quality early childhood education services.
Program Group	Program group 3: Early Childhood Education
Outcome 3	**Equipping teachers with the best skills for educating our young people**
Description	Improving teacher quality in New South Wales through the regulation and accreditation of school and early childhood teachers by the New South Wales Education Standards Authority (NESA).
Program Group	Program group 4: Cluster Grants
Outcome 4	**Skilled and employable workforce**
Description	Contributing to job growth by delivering a highly skilled workforce that meets current and future requirements of NSW businesses and industry, including the activities of TAFE NSW.
Program Group	Program group 5: Skills Development Programs for Employment Outcome 4 and the associated program group were transferred into the NSW Department of Education from the former NSW Department of Industry on 1 July 2019 as part of the Machinery of Government changes. Refer to Note 20 for more information.
Outcome 5	**Empowering Aboriginal communities**
Description	Transforming the relationship between Aboriginal people and the NSW Government through the delivery of Opportunity, Choice, Healing, Responsibility, Empowerment (OCHRE). This will establish partnerships for economic prosperity, support effective Aboriginal community governance and strengthen cultural identity and language.
Program Group	Program group 6: Aboriginal Affairs Outcome 5 and the associated program group were transferred out from the NSW Department of Education to NSW Department of Premier and Cabinet on 1 July 2019 as part of the Machinery of Government changes. Refer to Note 20 for more information.

6. Program groups (continued)

(b) Program group statements: department's expenses and income

	Outcome 1				Outcome 2		Outcome 3	
	Program Group 1 [1] Government Schools		Program Group 2 [1] Non-government Schools		Program Group 3 [1] Early Childhood Education		Program Group 4 [1] Cluster Grants	
	2020 $'000	2019 $'000	2020 $'000	2019 $'000	2020 $'000	2019 $'000	2020 $'000	2019 $'000
Expenses excluding losses								
Employee related expenses	10,674,853	10,393,734	2,359	2,004	73,332	63,985	--	--
Operating expenses	2,875,531	2,702,953	25,771	26,410	21,584	22,904	--	--
Depreciation and amortisation	749,074	700,901	6	--	5,474	5,084	--	--
Grants and subsidies	168,283	81,846	1,243,789	1,229,529	394,144	358,082	36,767	126,800
Finance costs	28,513	20,703	1	--	54	7	--	--
Other expenses	600	600	--	--	--	--	--	--
Total expenses excluding losses	**14,496,854**	**13,900,737**	**1,271,926**	**1,257,943**	**494,588**	**450,062**	**36,767**	**126,800**
Revenue [2]								
Appropriation	--	--	--	--	--	--	--	--
Sale of goods and services	--	481,879	--	--	--	2,307	--	--
Sale of goods and services from contracts with customers	385,227	--	--	--	1,139	--	--	--
Interest revenue	5,613	10,622	--	--	--	--	--	--
Grants and other contributions	283,128	411,775	--	55	33,698	2,153	--	--
Acceptance by the Crown Entity of employee benefits and other liabilities	--	--	--	--	--	--	--	--
Other revenue	135,672	132,733	22,011	--	676	232	--	--
Total revenue	**809,640**	**1,037,009**	**22,011**	**55**	**35,513**	**4,692**	**--**	**--**
Operating result								
Gains/(Losses) on disposal	(42,411)	(40,653)	(6)	(6)	(237)	(223)	--	--
Other gains/(losses)	(35,714)	(898)	(22,005)	--	(236)	110	--	--
Net result	**(13,765,339)**	**(12,905,279)**	**(1,271,926)**	**(1,257,894)**	**(459,548)**	**(445,483)**	**(36,767)**	**(126,800)**
TOTAL COMPREHENSIVE INCOME	**(13,765,339)**	**(12,905,279)**	**(1,271,926)**	**(1,257,894)**	**(459,548)**	**(445,483)**	**(36,767)**	**(126,800)**

[1] The descriptions of each program group are summarised in Note 6(a).

[2] Appropriation is made on a departmental basis and not to individual program groups. Consequently, Appropriation must be included in the 'Not Attributable' column. Cluster grant funding is attributable to the Cluster Grants program group.

6. Program groups (continued)

(b) Program group statements: department's expenses and income (continued)

	Outcome 4		Outcome 5					
	Program Group 5 [1] Skills Development Programs for Employment [3]		Program Group 6 [1] Aboriginal Affairs [4]		Not Attributable		Total	
	2020 $'000	2019 $'000	2020 $'000	2019 $'000	2020 $'000	2019 $'000	2020 $'000	2019 $'000
Expenses excluding losses								
Employee related expenses	47,677	--	--	19,111	--	--	10,798,221	10,478,834
Operating expenses	15,601	--	--	16,098	--	--	2,938,487	2,768,365
Depreciation and amortisation	455	--	--	278	--	--	755,009	706,263
Grants and subsidies	1,691,919	--	--	7,065	--	--	3,534,902	1,803,322
Finance costs	33	--	--	--	--	--	28,601	20,710
Other expenses	--	--	--	--	--	--	600	600
Total expenses excluding losses	**1,755,685**	**--**	**--**	**42,552**	**--**	**--**	**18,055,820**	**15,778,094**
Revenue [2]								
Appropriation	--	--	--	--	18,165,548	14,500,000	18,165,548	14,500,000
Sale of goods and services	--	--	--	54	--	--	--	484,240
Sale of goods and services from contracts with customers	68	--		--	--	--	386,434	--
Interest revenue	--	--	--	--	--	--	5,613	10,622
Grants and other contributions	1,606	--	--	466	--	--	318,432	414,449
Acceptance by the Crown Entity of employee benefits and other liabilities	--	--	--	--	394,285	845,334	394,285	845,334
Other revenue	412	--	--	50	--	--	158,771	133,015
Total revenue	**2,086**	**--**	**--**	**570**	**18,559,833**	**15,345,334**	**19,429,083**	**16,387,660**
Operating result								
Gains/(Losses) on disposal	(171)	--	--	(198)	--	--	(42,825)	(41,080)
Other gains/(losses)	(123)	--	--	--	--	--	(58,078)	(788)
Net result	**(1,753,893)**	**--**	**--**	**(42,180)**	**18,559,833**	**15,345,334**	**1,272,360**	**567,698**
TOTAL COMPREHENSIVE INCOME	**(1,753,893)**	**--**	**--**	**(42,180)**	**18,559,833**	**15,345,334**	**1,272,360**	**567,698**

[1] The descriptions of each program group are summarised in Note 6(a).

[2] Appropriation is made on a departmental basis and not to individual program groups. Consequently, Appropriation must be included in the 'Not Attributable' column. Cluster grant funding is attributable to the Cluster Grants program group.

[3] Outcome 4 and the associated program group was transferred into the department from the former NSW Department of Industry on 1 July 2019 as part of the Machinery of Government changes.

[4] Outcome 5 and the associated program group was transferred out from the department to the NSW Department of Premier and Cabinet on 1 July 2019 as part of the Machinery of Government changes.

6. Program groups (continued)

(c) Program group statements: department's assets and liabilities

	Outcome 1				Outcome 2		Outcome 3	
	Program Group 1 [1] Government Schools		Program Group 2 [1] Non-government Schools		Program Group 3 [1] Early Childhood Education		Program Group 4 [1] Cluster Grants	
	2020 $'000	2019 $'000	2020 $'000	2019 $'000	2020 $'000	2019 $'000	2020 $'000	2019 $'000
ASSETS								
Current assets								
Cash and cash equivalents	869,483	842,567	--	--	--	--	--	--
Receivables	29,642	14,497	--	--	1,180	577	--	--
Contract assets	398	--	1,714	--	--	--	--	--
Assets held for sale	--	--	--	--	--	--	--	--
Total current assets	**899,523**	**857,064**	**1,714**	**--**	**1,180**	**577**	**--**	**--**
Non-current assets								
Receivables	--	--	--	--	--	--	--	--
Property, plant and equipment								
- Land, buildings and improvements	32,490,456	31,220,031	--	--	74,569	72,028	--	--
- Plant and equipment	223,114	163,228	--	--	--	--	--	--
Total property, plant and equipment	32,713,570	31,383,259	--	--	74,569	72,028	--	--
Intangible assets	--	--	--	--	--	--	--	--
Right-of-use assets under leases	420,254	--	26	--	1,112	--	--	--
Total non-current assets	**33,133,824**	**31,383,259**	**26**	**--**	**75,681**	**72,028**	**--**	**--**
Total assets	**34,033,347**	**32,240,323**	**1,740**	**--**	**76,861**	**72,605**	**--**	**--**
LIABILITIES								
Current liabilities								
Payables	677,868	602,024	72	64	18,571	16,493	--	--
Contract liabilities	25,314	--	4	--	15,551	--	--	--
Borrowings	44,857	7,262	2	--	99	--	--	--
Provisions	1,168,624	1,095,599	118	111	5,055	4,739	--	--
Other current liabilities	--	--	--	--	--	--	--	--
Total current liabilities	**1,916,663**	**1,704,885**	**196**	**175**	**39,276**	**21,232**	**--**	**--**
Non-current liabilities								
Borrowings	572,260	145,061	26	--	1,151	--	--	--
Provisions	52,071	49,452	5	5	220	209	--	--
Other non-current liabilities	--	--	--	--	--	--	--	--
Total non-current liabilities	**624,331**	**194,513**	**31**	**5**	**1,371**	**209**	**--**	**--**
Total liabilities	**2,540,994**	**1,899,398**	**227**	**180**	**40,647**	**21,441**	**--**	**--**
Net assets	**31,492,353**	**30,340,925**	**1,513**	**(180)**	**36,214**	**51,164**	**--**	**--**

[1] The descriptions of each program group are summarised in Note 6(a).

6. *Program groups (continued)*

(c) Program group statements: department's assets and liabilities (continued)

	Outcome 4		Outcome 5					
	Program Group 5 [1] Skills Development Programs for Employment [3]		Program Group 6 [1] Aboriginal Affairs [4]		Not Attributable		Total	
	2020 $'000	2019 $'000	2020 $'000	2019 $'000	2020 $'000	2019 $'000	2020 $'000	2019 $'000
ASSETS								
Current assets								
Cash and cash equivalents	--	--	--	--	57,175	55,405	926,658	897,972
Receivables	1,482	--	--	--	242,396	119,273	274,700	134,347
Contract assets	--	--	--	--	--	--	2,112	--
Assets held for sale	--	--	--	--	--	--		--
Total current assets	**1,482**	**--**	**--**	**--**	**299,571**	**174,678**	**1,203,470**	**1,032,319**
Non-current assets								
Receivables	--	--	--	--	--	51	--	51
Property, plant and equipment								
- Land, buildings and improvements	20,145	--	--	346	374,592	381,285	32,959,762	31,673,690
- Plant and equipment	--	--	--	--	--	--	223,114	163,228
Total property, plant and equipment	20,145	--	--	346	374,592	381,285	33,182,876	31,836,918
Intangible assets	148	--	--	130	380,833	434,457	380,981	434,587
Right-of-use assets under leases	690	--	--	--	--	--	422,082	--
Total non-current assets	**20,983**	**--**	**--**	**476**	**755,425**	**815,793**	**33,985,939**	**32,271,556**
Total assets	**22,465**	**--**	**--**	**476**	**1,054,996**	**990,471**	**35,189,409**	**33,303,875**
LIABILITIES								
Current liabilities								
Payables	80,950	--	--	29,122	--	--	777,461	647,703
Contract liabilities	4,750	--	--	--	--	--	45,619	--
Borrowings	61	--	--	--	140,500	140,500	185,519	147,762
Provisions	5,282	--	--	331	1,292	1,211	1,180,371	1,101,991
Other current liabilities	14	--	--	13,500	35,930	56,567	35,944	70,067
Total current liabilities	**91,057**	**--**	**--**	**42,953**	**177,722**	**198,278**	**2,224,914**	**1,967,523**
Non-current liabilities								
Borrowings	714	--	--	--	--	--	574,151	145,061
Provisions	235	--	--	15	61	59	52,592	49,740
Other non-current liabilities	--	--	--	9,450	--	23,933	--	33,383
Total non-current liabilities	**949**	**--**	**--**	**9,465**	**61**	**23,992**	**626,743**	**228,184**
Total liabilities	**92,006**	**--**	**--**	**52,418**	**177,783**	**222,270**	**2,851,657**	**2,195,707**
Net assets	**(69,541)**	**--**	**--**	**(51,942)**	**877,213**	**768,201**	**32,337,752**	**31,108,168**

[1] The descriptions of each program group are summarised in Note 6(a).

[3] Outcome 4 and the associated program group was transferred into the department from the former NSW Department of Industry on 1 July 2019 as part of the Machinery of Government changes.

[4] Outcome 5 and the associated program group was transferred out from the department to the NSW Department of Premier and Cabinet on 1 July 2019 as part of the Machinery of Government changes.

6. Program groups (continued)

(d) Program group statements: inward transfer of program group

Outcome 4 and the associated program group 5 were transferred into the NSW Department of Education from the former NSW Department of Industry as a consequence of a restructuring of administrative arrangements with effect from 1 July 2019. The following summarises the expenses and income recognised by the former NSW Department of Industry (2018-19). Refer to Note 20(b) for details regarding transfer of assets and liabilities.

Training Services NSW	NSW Department of Industry 2019 $'000
Expenses excluding losses	
Employee related expenses	38,094
Operating expenses	15,781
Depreciation and amortisation	131
Grants and subsidies	614,429
Finance costs	--
Other expenses	--
Total expenses excluding losses	**668,435**
Revenue	
Appropriation	--
Sale of goods and services	647
Sale of goods and services from contracts with customers	--
Interest revenue	25
Grants and other contributions	3,708
Acceptance by the Crown Entity of employee benefits and other liabilities	2,839
Other revenue	1,051
Total revenue	**8,270**
Operating result	
Gains/(Losses) on disposal	(5)
Other gains/(losses)	45
Net result	**(660,125)**
TOTAL COMPREHENSIVE INCOME	**(660,125)**

7. *Conditions and restrictions on revenue of not-for-profit entities*

Contributors can place restrictions on the application of funds to assist in ensuring that the intended outcomes of the particular program are met. Examples of such conditions are the requirement to provide annual acquittals of expenditure or to return funds at the end of a specific period.

In 2019-20, contributions amounting to $72.6m (2018-19: $42.8m) were received by the department for programs where such conditions were in place.

Unspent funds from these contributions for 2019-20, including balances brought forward from prior financial years, totalled $116.2m (2018-19: $69.5m).

8. *Current assets - Cash and cash equivalents*

	2020 $'000	2019 $'000
Cash at bank and on hand	**926,658**	**897,972**

For the purpose of the Statement of Cash Flows, cash and cash equivalents includes cash at bank, cash on hand, short-term deposits net of any outstanding bank overdraft. The department does not invest surplus cash.

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)	**926,658**	**897,972**
Closing cash and cash equivalents (per Statement of Cash Flows)	**926,658**	**897,972**

Details regarding credit risk, liquidity risk and market risk arising from financial instruments are disclosed in Note 26.

9. *Current/Non-current assets - Receivables*

	2020 $'000	2019 $'000
Current		
Trade receivables from contracts with customers	27,143	--
Sale of goods and services	--	14,677
Other receivables	148,755	94,764
	175,898	109,441
Less: Allowance for expected credit loss:		
- Trade receivables from contracts with customers	(1,306)	--
- Trade receivables from sale of goods and services	--	(968)
- Other receivables	(31,016)	(9,016)
Total expected credit loss	(32,322)	(9,984)
Prepayments	131,124	33,821
Accrued revenue	--	1,069
	274,700	**134,347**
Non-current		
Other receivables	**--**	**51**
Total Receivables	**274,700**	**134,398**

9. *Current/Non-current assets - Receivables (continued)*

Movement in the allowance for expected credit loss	2020 $'000	2019 $'000
Balance at the beginning of the financial year	(9,984)	(9,711)
Amounts written off during the financial year	202	366
Amounts recovered during the financial year	130	149
Amounts transferred (in)/out due to administrative restructures	51	--
(Increase)/Decrease in allowance recognised in net result	(22,609)	(788)
GST movement on allowance recognised in net result	(114)	--
Balance at the end of the financial year	**(32,324)**	**(9,984)**

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

Recognition and measurement

All 'regular way' purchases or sales of financial asset 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.

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.

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 ECLs experience for trade receivables, adjusted for forward-looking factors specific to the receivable.

10. *Contract assets and liabilities*

	2020 $'000	1 Jul 2019 adjusted for AASB 15 $'000
Contract assets - current	2,114	--
Less: Impairment allowance	(2)	--
	2,112	**--**
Contract liabilities - current	45,619	54,133
	45,619	**54,133**
Contract receivables (included in Note 9)	**27,143**	**14,677**

Recognition and measurement

Contract assets relate to the department's right to consideration in exchange for goods transferred to customers or works completed, but not yet billed at the end of the financial year. The balance of contract assets at 30 June 2020 was impacted by the timing of payments relating to rendering other services from contracts with customers against services provided in accordance with performance obligations.

10. *Contract assets and liabilities (continued)*

Recognition and measurement (continued)
Contract liabilities relate to consideration received in advance from customers in respect of international and overseas student revenue. The balance of contract liabilities at 30 June 2020 was impacted by the amount of international student enrolments. The department satisfies its performance obligation providing educational services to these students, typically recognising revenue each month.

	2020 $'000
Revenue recognised that was included in the contract liability balance (adjusted for AASB 15) at the beginning of the financial year	54,133
Revenue recognised from performance obligations satisfied in previous periods	--
Transaction price allocated to the remaining performance obligations from contracts with customers	7,981

The transaction price allocated to the remaining performance obligations relates to grants and other contributions that have sufficiently specific performance obligations. The full amount of $8.0 million is expected to be recognised as revenue in 2020-21 financial year when the department satisfies its performance obligation.

11. *Non-current assets – Property, plant and equipment*

(a) Total Property, plant and equipment

2020	Land $'000	Buildings and Improvements $'000	Plant and Equipment $'000	Total $'000
At 1 July 2019 – fair value				
Gross carrying amount [1]	10,026,693	35,569,219	577,218	**46,173,130**
Accumulated depreciation and impairment	--	(13,922,222)	(413,990)	**(14,336,212)**
Net carrying amount [2]	**10,026,693**	**21,646,997**	**163,228**	**31,836,918**
At 30 June 2020 – fair value				
Gross carrying amount [1]	10,019,253	37,432,617	652,478	**48,104,348**
Accumulated depreciation and impairment	--	(14,492,108)	(429,364)	**(14,921,472)**
Net carrying amount [2]	**10,019,253**	**22,940,509**	**223,114**	**33,182,876**
2019				
At 1 July 2018 – fair value				
Gross carrying amount	9,868,790	34,252,104	634,683	**44,755,577**
Accumulated depreciation and impairment	--	(13,397,593)	(390,873)	**(13,788,466)**
Net carrying amount	**9,868,790**	**20,854,511**	**243,810**	**30,967,111**
At 30 June 2019 – fair value				
Gross carrying amount	10,026,693	35,569,219	577,218	**46,173,130**
Accumulated depreciation and impairment	--	(13,922,222)	(413,990)	**(14,336,212)**
Net carrying amount	**10,026,693**	**21,646,997**	**163,228**	**31,836,918**

[1] The value of work in progress for Buildings and Improvements is $1.5b (2018-19: $1.6b) and Plant and Equipment is $189.0m (2018-19: $130.2m).

[2] The net carrying amount of public private partnership schools project assets included in Buildings and Improvements is $321.2m (2018-19: $327.6m).

11. Non-current assets – Property, plant and equipment (continued)

(a) Total Property, plant and equipment (continued)

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

	Land $'000	Buildings and Improvements $'000	Plant and Equipment $'000	Total $'000
Financial year ended 30 June 2020				
Net carrying amount at start of financial year	10,026,693	21,646,997	163,228	**31,836,918**
Derecognition of finance lease assets on initial application of AASB 16*	(9,104)	(10,981)	--	**(20,085)**
Purchases of assets	4,159	1,978,574	76,193	**2,058,926**
Contributions (to)/from other government agencies [Note 20(a)]	--	--	--	**--**
Transfers due to administrative restructures [Note 20(b)]	--	(313)	(102)	**(415)**
Disposals	(3,495)	(52,556)	(42)	**(56,093)**
Net revaluation increments/(decrements)	--	--	--	**--**
(Impairment losses) [recognised in other gains/(losses) - Note 5]	--	--	--	**--**
Reclassifications between asset types	1,000	(543)	(601)	**(144)**
Assets received by donation	--	37	210	**247**
Depreciation expense	--	(620,706)	(15,772)	**(636,478)**
Net carrying amount at end of financial year	**10,019,253**	**22,940,509**	**223,114**	**33,182,876**

	Land $'000	Buildings and Improvements $'000	Plant and Equipment $'000	Total $'000
Financial year ended 30 June 2019				
Net carrying amount at start of financial year	9,868,790	20,854,511	243,810	**30,967,111**
Purchases of assets	103,289	1,434,062	101,910	**1,639,261**
Contributions (to)/from other government agencies [Note 20(a)]	34,500	--	--	**34,500**
Disposals	(172)	(40,864)	(395)	**(41,431)**
Net revaluation increments/(decrements)	--	--	--	**--**
(Impairment losses) [recognised in other gains/(losses) - Note 5]	--	--	--	**--**
Reclassifications between asset types	2,589	(1,621)	(158,425)	**(157,457)**
Assets received by donation	17,697	--	351	**18,048**
Depreciation expense	--	(599,091)	(24,023)	**(623,114)**
Net carrying amount at end of financial year	**10,026,693**	**21,646,997**	**163,228**	**31,836,918**

Details regarding fair value measurement of property, plant and equipment are disclosed in Note 14.

*Finance lease assets relating to public private partnership schools projects recognised under TPP 06-8 are specifically excluded. AASB 16 *Leases* does not apply to these assets in 2019-20.

11. Non-current assets – Property, plant and equipment (continued)

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

2020	Land $'000	Buildings and Improvements $'000	Plant and Equipment $'000	Total $'000
At 1 July 2019 – fair value				
Gross carrying amount	10,025,846	35,537,604	577,197	**46,140,647**
Accumulated depreciation and impairment	--	(13,911,809)	(413,990)	**(14,325,799)**
Net carrying amount	**10,025,846**	**21,625,795**	**163,207**	**31,814,848**
At 30 June 2020 – fair value				
Gross carrying amount	10,018,406	37,398,309	652,396	**48,069,111**
Accumulated depreciation and impairment	--	(14,481,145)	(429,357)	**(14,910,502)**
Net carrying amount	**10,018,406**	**22,917,164**	**223,039**	**33,158,609**

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 financial year is set out below:

	Land $'000	Buildings and Improvements $'000	Plant and Equipment $'000	Total $'000
Financial year ended 30 June 2020				
Net carrying amount at start of financial year	10,025,846	21,625,795	163,207	**31,814,848**
Purchases of assets	4,159	1,975,882	76,132	**2,056,173**
Contributions (to)/from other government agencies [Note 20(a)]	--	--	--	**--**
Transfers due to administrative restructures [Note 20(b)]	--	(313)	(102)	**(415)**
Disposals	(3,495)	(52,556)	(42)	**(56,093)**
Net revaluation increments/(decrements)	--	--	--	**--**
(Impairment losses) [recognised in other gains/(losses) - Note 5]	--	--	--	**--**
Reclassifications between asset types	1,000	(543)	(601)	**(144)**
Assets received by donation	--	37	210	**247**
Depreciation expense	--	(620,156)	(15,765)	**(635,921)**
Net carrying amount at end of financial year	**10,027,510**	**22,928,146**	**223,039**	**33,178,695**

11. Non-current assets – Property, plant and equipment (continued)

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

2020	Land $'000	Buildings and Improvements $'000	Plant and Equipment $'000	Total $'000
At 1 July 2019 – fair value				
Gross carrying amount	847	31,615	22	**32,484**
Accumulated depreciation and impairment	--	(10,413)	--	**(10,413)**
Net carrying amount	**847**	**21,202**	**22**	**22,071**
At 30 June 2020 – fair value				
Gross carrying amount	847	34,308	82	**35,237**
Accumulated depreciation and impairment	--	(10,963)	(7)	**(10,970)**
Net carrying amount	**847**	**23,345**	**75**	**24,267**

Reconciliation

A reconciliation of the carrying amount of each class of property, plant and equipment subject to a lease at the beginning and end of the current financial year is set out below:

	Land $'000	Buildings and Improvements $'000	Plant and Equipment $'000	Total $'000
Financial year ended 30 June 2020				
Net carrying amount at start of financial year	847	21,202	21	**22,070**
Purchases of assets	--	2,692	61	**2,753**
Depreciation expense	--	(550)	(7)	**(557)**
Net carrying amount at end of financial year	**847**	**23,344**	**75**	**24,266**

11. Non-current assets – Property, plant and equipment (continued)

Recognition and measurement (continued)

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.

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.

Assets acquired at no cost, or for nominal consideration, are initially recognised at their fair value at the date of acquisition (see also assets transferred as a result of an equity transfer - Note 20).

Capitalisation threshold

Property, plant and equipment costing $10,000 and above individually (or forming part of a network costing more than $10,000) are capitalised. The capitalisation threshold remains unchanged from the previous financial year.

Major inspection costs

When a major inspection is performed, its cost is recognised in the carrying amount of the property, plant and equipment as a replacement if the recognition criteria for property, plant and equipment are satisfied. The cost must be directly attributable to bringing the asset to the location and condition necessary for it to be capable of operating in the manner intended by management. The department did not have any major inspection costs meeting the criteria for recognition.

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 (for details on the make good provision of leases, refer to Note 18).

Depreciation of property, plant and equipment

Except for certain non-depreciable assets, 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 separately over their useful lives.

Land is not a depreciable asset. Certain heritage assets including heritage buildings 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.

The useful life ranges for assets are consistent with those in 2018-19 and are listed below. The actual useful life may be greater than the useful life for building assets. The department adopts a minimum remaining useful life of 10 years for building assets that have been revalued.

Assets owned by the department	Useful Life Range
Buildings	20 to 105 years
Leasehold Improvements	Term of the lease
Heritage Buildings	Indefinite
Plant and Equipment	3 to 15 years

11. Non-current assets – Property, plant and equipment (continued)

Recognition and measurement (continued)

As part of the revaluation during the previous financial year [see 'Revaluation of property, plant and equipment' in this note for further details], the useful life ranges and remaining useful lives were reviewed for asset components within the building assets class. This has resulted in amendment of the useful life ranges for some asset components, however they still fall within the overall range for building assets.

Finance leases acquired by lessees (Under AASB 117 until 30 June 2019)
Until 30 June 2019, AASB 117 *Leases* distinguished between finance leases that effectively transfer from the lessor to the lessee substantially all the risks and rewards incidental to ownership of the leased assets, and operating leases under which the lessor does not transfer substantially all the risks and rewards.

Property, plant and equipment at 30 June 2019 includes non-current assets acquired under finance leases only. The assets are recognised at fair value or, if lower, the present value of the minimum lease payments, at the inception of the lease. Property, plant and equipment does not include amounts in respect of operating leases.

Property, plant and equipment acquired under finance leases are depreciated over the asset's useful life. However, if there is no reasonable certainty that the lessee entity will obtain ownership at the end of the lease term, the asset is depreciated over the shorter of the estimated useful life of the asset and the lease term.

Right-of-use assets acquired by lessees (under AASB 16 from 1 July 2019)
From 1 July 2019, AASB 16 *Leases* 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.

Therefore, at that date property, plant and equipment recognised under leases previously treated as finance leases under AASB 117 are derecognised. The 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 12.

Subsequent to the adoption of AASB 16, the department, as a lessee, recognises a right-of-use asset at cost and a corresponding lease liability at the lease commencement date. Right-of-use assets that do not meet the definition of investment property are included in Property, Plant and Equipment under the corresponding asset categories. The department does not have any right-of-use assets that meet the definition of investment property. Further information on right-of-use assets is contained in Note 12.

Revaluation of property, plant and equipment
Physical non-current assets are valued in accordance with NSW Treasury Policy and Guidelines Paper TPP 14-01 Accounting Policy: *Valuation of Physical Non-Current Assets at Fair Value.* This policy adopts fair value in accordance with AASB 13 *Fair Value Measurement,* AASB 116 *Property, Plant and Equipment* and AASB 140 *Investment Property.*

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 feasible higher restricted alternative use.

11. Non-current assets – Property, plant and equipment (continued)

Recognition and measurement (continued)
Fair value of property, plant and equipment is based on a market participant's perspective, using valuation techniques e.g. (market approach, cost approach or income approach) that maximise relevant observable inputs and minimise unobservable inputs. Generally, school buildings are designed for a specific limited purpose. In most cases these buildings and the land on which they sit have no feasible alternative use. In accordance with TPP 14-01, the Department determines the fair value of its building assets using the replacement cost method, as there is no market-based evidence of fair value. Refer to Note 14 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 financial years for land, where the market or income approach is the most appropriate valuation technique; and at least every five financial years for buildings and improvements, where a replacement cost valuation technique is used.

The last comprehensive revaluation was completed at 31 March 2018 for land and building assets. A market approach was used for land; and a replacement cost approach for buildings and improvements. Both approaches were based on external independent assessments.

Interim revaluations are conducted between comprehensive revaluations where cumulative changes to indicators suggest fair value may differ materially from carrying value. Since the previous comprehensive revaluations were conducted at March 2018, the department conducted an interim management revaluation assessment of land, buildings and improvements' fair value at 30 June 2020 and 30 June 2019 and concluded that there has been no material movement.

The residual values, useful lives and methods of depreciation of property, plant and equipment are reviewed each financial year. As part of the revaluation during the previous financial year, the department has improved the fair value estimates of building assets, by incorporating information from its property life cycle costing process conducted during 2017, which individually assessed the current condition of property assets. The remaining useful lives for room fit outs, hard landscaping and fencing have been amended, leading to a more accurate assessment of their written down values. This information was previously not available and the department relied on age and useful life assumptions to estimate the written down value of building assets. This new information has resulted in increases to the written down values for these asset components, compared with previous assumptions. Assumptions for the asset components of building shells, external services and soft landscaping have not changed.

The useful life ranges have also been informed by independent information from the life cycle costing process, resulting in a refinement of useful lives for room fit-outs by usage type, an increase to the useful lives for hard landscaping, and a reduction of the useful lives for fencing assets.

The revaluation of land, building and improvement assets in the 2017-18 financial year resulted in a total increase of $8.5b. The increase in land fair value of $2.3b recognises market movements, particularly in the Sydney metropolitan areas and in coastal areas of NSW. The revaluation of building assets has resulted in a total increase of $6.2b in fair value, primarily due to improved information on the condition of room fit-out, hard landscaping and fencing assets.

Non-specialised plant and equipment with short useful lives are measured at depreciated historical cost, which approximate their fair values. The Department has assessed that any difference between fair value and depreciated historical cost is unlikely to be material.

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 asset revaluation surplus in equity. However, to the extent that 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 asset 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.

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.

Where an asset that has previously been revalued 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.

11. Non-current assets – Property, plant and equipment (continued)

Recognition and measurement (continued)
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 is 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 of 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.

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.

12. Leases

(a) The department as a lessee

The department leases various properties, equipment and motor vehicles. Lease contracts are typically made for fixed periods of 3 to 99 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 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 $11.8 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 an increase in recognised lease liabilities and right-of-use assets of $1.5 million.

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 and comprise mainly printers and photocopiers in schools.

Right-of-use assets under leases
The following table presents right-of-use assets that do not meet the definition of investment property. The department does not hold any right-of-use assets that meet the definition of investment property.

	Land $'000	Buildings and Improvements $'000	Plant and Equipment $'000	Total $'000
Balance at 1 July 2019	9,144	430,308	18,709	**458,161**
Additions	--	32,501	10,476	**42,977**
Remeasurement	--	1,656	--	**1,656**
Depreciation expense	(110)	(37,719)	(7,189)	**(45,018)**
(Impairment losses) [recognised in other gains/(losses) - Note 5]	--	(35,471)	(1)	**(35,472)**
Disposals	--	(222)	--	**(222)**
Balance at 30 June 2020	**9,034**	**391,053**	**21,995**	**422,082**

Impairment losses for right-of-use assets
The COVID-19 outbreak occurring throughout 2019-20 had an unprecedented effect on the NSW and global economies. COVID-19 significantly impacted the market rent for leased assets used for office accommodation and therefore the value of some right-of-use assets under leases in the Statement of Financial Position.

The department has therefore undertaken an impairment assessment for the above 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 and an impairment loss is recognised.

The department recognised impairment losses for right-of-use assets during 2019-20 of $35.5 million. Impairment losses for right-of-use assets are included in Other gains/(losses) in the Statement of Comprehensive Income.

	Land $'000	Buildings and Improvements $'000	Plant and Equipment $'000	Total $'000
Impairment losses recognised	--	(35,471)	(1)	**(35,472)**
Reversal of impairment losses	--	--	--	**--**
	--	**(35,471)**	**(1)**	**(35,472)**

12. Leases (continued)

(a) The department as a lessee (continued)

Right-of-use assets under leases (continued)
Leased office accommodation was impaired due to decline in market rent. It has been written down to its recoverable amount of $377.8m, which is determined by reference to its fair value less costs of disposal. The impairment loss recognised during the financial year is $30.5m. The valuation technique used in the fair value measurement is classified as Level 3 according to AASB 13 fair value hierarchy.

Refer to Note 6(c) for the net carrying value at 30 June 2020 for right-of-use assets included in the department's program groups.

The recoverable amounts of the right-of-use assets for which an impairment loss has been recognised (or reversed) during the financial year are:

	Land $'000	Buildings and Improvements $'000	Plant and Equipment $'000	Total $'000
Recoverable amount	9,034	391,053	21,995	**422,082**
	9,034	**391,053**	**21,995**	**422,082**

The discount rate ranges employed in present value technique computations of recoverable amounts is summarised in the below table.

Recoverable amount	Current measurement discount rates		Previous measurement discount rates	
Recoverable amount – discounted cash flow technique	As at 1 July 2020:		As at 2 January 2020:	
	Leases up to 5 yrs	0.78%	Leases up to 5 yrs	1.41%
	Leases up > 5 yrs	1.52%	Leases up > 5 yrs	1.87%
	Leases up > 10 yrs	2.33%	Leases up > 10 yrs	2.30%
			As at 1 July 2019:	
			Leases up to 5 yrs	1.42%
			Leases up > 5 yrs	2.00%
			Leases up > 10 yrs	2.42%

Lease liabilities
The following table presents liabilities under leases.

	2020 $'000
Balance at 1 July 2019	(464,442)
Additions	(42,975)
Remeasurement	(1,714)
Interest expenses	(10,166)
Payments of interest	10,166
Payments of principal	34,507
Disposals	284
Balance at 30 June 2020	**(474,340)**

12. Leases (continued)

(a) The department as a lessee (continued)

Lease liabilities (continued)
The following amounts were recognised in the Statement of Comprehensive Income for the year ended 30 June 2020 in respect of leases where the department is the lessee:

	2020 $'000
Depreciation expense of right-of-use assets	45,018
Interest expense on lease liabilities	10,166
Lease expenses for short-term leases*	4,035
Lease expenses for leases of low-value assets*	4,290
Total amount recognised in the Statement of Comprehensive Income	**63,509**

The department had total cash outflows for leases of $53.0m in the 2019-20 financial year.

*These expenses will not reconcile to the lease expenses reported in Note 2(b) as these do not include non-lease components of lease contracts, such as management fees, cleaning and maintenance.

Future minimum lease payments under non-cancellable operating leases as at 30 June 2019 are, as follows:

	2019 $'000
Within one year	57,549
Later than one year and not later than five years	173,689
Later than five years	182,023
Total (including GST)	413,261
Less: GST recoverable from the Australian Taxation Office	(37,569)
Total (excluding GST)	**375,692**

Future minimum lease payments under non-cancellable public private partnership schools projects are as follows:

	2020 $'000	2019 $'000
Within one year	22,038	21,568
Later than one year and not later than five years	88,323	86,389
Later than five years	196,342	215,604
Total (including GST)	306,703	323,561
Less: GST recoverable from the Australian Taxation Office	(27,882)	(29,415)
Total (excluding GST)	**278,821**	**294,146**

The reconciliation between the total future minimum lease payments for public private partnership schools projects and their present value as at 30 June 2019 are as follows:

	2020 $'000	2019 $'000
Total minimum lease payments (including GST)	306,703	323,561
Less: future finance charges	(161,873)	(171,238)
Present value of minimum lease payments	**144,830**	**152,323**

Leases at significantly below-market terms and conditions principally to enable the department to further its objectives
The department entered into multiple below market terms leases to further its educational purposes and objectives, including the use of land for playing fields, land for school buildings and demountables, and access ways to school grounds. The leased assets have conditions requiring them to be used by the department to support educational purposes. These assets account for a small portion of the similar assets the department is using to provide educational services to students. Therefore, there is no significant impact on the department's operations.

12. Leases (continued)

(a) The department as a lessee (continued)

Recognition and measurement (under AASB 16 from 1 July 2019)
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.

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 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 2 to 99 years
- Buildings and improvements 1 to 99 years
- Plant and equipment 3 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 subjected 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.

Lease liabilities
At the commencement date of the lease, the department recognises lease liabilities measured at the present value of lease payments 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;
- amounts expected to be paid under residual value guarantees;
- exercise price of a purchase options reasonably certain to be exercised by the department; and
- payments of penalties for terminating the lease, if the lease term reflects the department exercising the option to terminate.

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 lessee'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 incremental borrowing rates are determined by TCorp and vary depending on the lease term. Refer to Note 26 for the weighted-average interest rate as at 30 June 2020.

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.

12. Leases (continued)

(a) The department as a lessee (continued)

Recognition and measurement (under AASB 16 from 1 July 2019) (continued)

The department's lease liabilities are included in borrowings.

Short-term leases and leases of low-value assets
The department applies the short-term lease recognition exemption to its short-term leases of machinery and equipment (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.

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.

These right-of-use assets are depreciated on a straight-line basis over the shorter of the lease term and the estimated useful lives of the assets, subject to impairment. They are not subject to revaluation.

Recognition and measurement (under AASB 117 until 30 June 2019)
The determination of whether an arrangement is (or contains) a lease is based on the substance of the arrangement at the inception of the lease. The arrangement is, or contains, a lease if fulfilment of the arrangement is dependent on the use of a specific asset or assets and the arrangement conveys a right to use the asset (or assets), even if that asset (or those assets) is not explicitly specified in an arrangement.

Until 30 June 2019, a lease was classified at the inception date as a finance lease or an operating lease. A lease that transferred substantially all the risks and rewards incidental to ownership to the department was classified as a finance lease.

Where a non-current asset was acquired by means of a finance lease, at the commencement of the lease, the asset was recognised at its fair value or, if lower, at the present value of the minimum lease payments. The corresponding liability was established at the same amount. Lease payments were apportioned between finance charges and reduction of the lease liability so as to achieve a constant rate of interest on the remaining balance of the liability. Finance charges were recognised in finance costs in the Statement of Comprehensive Income.

Property, plant and equipment acquired under finance leases were depreciated over the useful life of the assets. However, if there is no reasonable certainty that the department would obtain ownership by the end of the lease term, the asset was depreciated over the shorter of the estimated useful life of the asset and the lease term.

An operating lease is a lease other than a finance lease. Operating lease payments were recognised as an operating expense in the Statement of Comprehensive Income on a straight-line basis over the lease term.

(b) The department as a lessor

The department’s properties are leased to tenants under operating lease agreements with rentals payable as per the terms and conditions of the lease agreement. Lease agreements for some contracts include CPI increases, but there are no other variables lease payments that depend on an index or rate.

Although the department is exposed to changes in the residual value at the end of the current leases, the entity typically enters into new operating leases and therefore will not immediately realise any reduction in residual value at the end of these leases. Expectations about the future residual values are reflected in the fair value of the properties.

12. Leases (continued)

(b) The department as a lessor (continued)

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

	2020 $'000	2019 $'000
Within one year	234	296
Later than one year and not later than five years		
One to two years	132	234
Two to three years	77	132
Three to four years	53	77
Four to five years	53	53
Later than five years	158	211
Total (excluding GST)	**707**	**1,003**

Recognition and measurement - lessor for operating lease
An operating lease is a lease other than a finance lease. Rental revenue 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 revenue. Contingent rents are recognised as revenue in the period in which they are earned.

13. *Intangible assets*

	2020 $'000	2019 $'000
Software		
At 1 July		
Cost (gross carrying amount)	685,864	587,392
Accumulated amortisation and impairment	(251,277)	(236,811)
Net carrying amount	**434,587**	**350,581**
At 30 June		
Cost (gross carrying amount)	705,731	685,864
Accumulated amortisation and impairment	(324,750)	(251,277)
Net carrying amount [1]	**380,981**	**434,587**
Financial year ended 30 June		
Net carrying amount at start of financial year	434,587	350,581
Additions:		
- internally developed	10,195	2,407
- acquired separately	9,624	7,808
Transfers due to administrative restructures [Note 20(b)]	(56)	--
Assets received by donation	--	--
Disposals	--	(517)
Reclassifications between asset types	144	157,457
Amortisation expense	(73,513)	(83,149)
Net carrying amount at end of financial year [1]	**380,981**	**434,587**

[1] The value of work in progress for Software is $12.4m (2018-19: $19.25m).

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.

The capitalisation threshold for intangible assets is $50,000. The capitalisation threshold remains unchanged from the previous financial year.

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 15 financial 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 financial year.

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

14. 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.

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 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.

Previously, the department did not include work in progress for Buildings and Improvements in the fair value hierarchy. From 1 July 2019, the department began including work in progress for Buildings and Improvements under level 3 within the fair value hierarchy. The comparative information has been updated to reflect this.

(a) Fair value hierarchy

	Level 1 $'000	Level 2 $'000	Level 3 $'000	Total fair value $'000
Financial year ended 30 June 2020				
Land	--	--	10,019,253	**10,019,253**
Buildings and Improvements	--	--	22,920,744	**22,920,744**
Residences	--	19,765	--	**19,765**
	--	**19,765**	**32,939,997**	**32,959,762**

	Level 1 $'000	Level 2 $'000	Level 3 $'000	Total fair value $'000
Financial year ended 30 June 2019				
Land	--	--	10,026,693	**10,026,693**
Buildings and Improvements	--	--	21,625,417	**21,625,417**
Residences	--	21,580	--	**21,580**
	--	**21,580**	**31,652,110**	**31,673,690**

(b) Valuation techniques, inputs and processes

The fair value of non-financial assets that are not traded in an active market is determined using valuation techniques. These valuation techniques maximise the use of observable market data where it is available and rely as little as possible on the department's specific estimates. If all significant inputs required to determine the fair value an instrument are observable, the instruments are included in Level 2. If one or more of the significant inputs is not based on observable market data, the instrument is included in Level 3.

The best evidence of fair value is current prices in an active market for similar assets. Where such information is not available, the department considers information from a variety of sources, including:

- independent advice from external professional valuers;
- recent prices of similar assets in less active markets, adjusted to those differences;
- market evidence with consideration made for condition, location, comparability, restriction, etc.; and
- court decisions.

14. Fair value measurement of non-financial assets (continued)

(c) Reconciliation of recurring Level 3 fair value measurements

The following table shows a reconciliation from the opening balances to the closing balances for Level 3 fair values.

	Land $'000	Buildings and Improvements $'000	Total Recurring Level 3 $'000
Fair value as at 1 July 2019	10,026,693	21,625,417	**31,652,110**
Derecognition of finance lease assets on initial application of AASB 16	(9,104)	(10,981)	**(20,085)**
Purchases of assets	4,159	1,978,329	**1,982,488**
Contributions (to)/from other government agencies [Note 20(a)]	--	259	**259**
Transfers due to administrative restructures [Note 20(b)]	--	(313)	**(313)**
Disposals	(3,495)	(52,211)	**(55,706)**
Reclassification between asset types	1,000	(543)	**457**
Assets received by donation	--	37	**37**
Depreciation expense	--	(619,250)	**(619,250)**
Fair value as at 30 June 2020	**10,019,253**	**22,920,744**	**32,939,997**

	Land $'000	Buildings and Improvements $'000	Total Recurring Level 3 $'000
Fair value as at 1 July 2018	9,868,790	20,830,729	**30,699,519**
Purchases of assets	103,289	1,434,018	**1,537,307**
Contributions (to)/from other government agencies [Note 20(a)]	34,500	--	**34,500**
Disposals	(172)	(40,119)	**(40,291)**
Reclassification between asset types	2,589	(1,621)	**968**
Depreciation expense	--	(597,590)	**(597,590)**
Assets received by donation	17,697	--	**17,697**
Fair value as at 30 June 2019	**10,026,693**	**21,625,417**	**31,652,110**

15. Restricted assets

As at 30 June 2020, the department held $5.4m (2018-19: $4.2m) in an interest-bearing bank account for monthly service payments to the private service provider of 11 schools. Only the private service provider can draw the funds held.

The department also recognised $14.8m (2018-19: $14.7m) as monies held by schools on behalf of third parties. These funds include charitable donations and represent funds that are collected by schools on behalf of other organisations.

16. *Current liabilities - Payables*

	2020 $'000	2019 $'000
Accrued salaries, wages and on-costs	140,775	68,055
Creditors	586,465	533,330
Payroll Tax and Fringe Benefits Tax	43,027	38,862
Other [1]	7,194	7,456
	777,461	**647,703**

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

[1] Includes other third party holdings of $5.3m (2018-19: $5.7m).

Recognition and measurement

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 net result when the liabilities are derecognised as well as through the amortisation process.

17. *Current/Non-current liabilities - Borrowings*

	2020 $'000	2019 $'000
(a) Current		
Public private partnership schools projects [Note 21(b)]	7,594	7,262
Treasurer's Advances	140,500	140,500
Lease liability (see Note 12)	37,425	--
	185,519	**147,762**
Non-current		
Public private partnership schools projects [Note 21(b)]	137,236	145,061
Lease liability (see Note 12)	436,915	--
	574,151	**145,061**
Total Borrowings	**759,670**	**292,823**

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

Recognition and measurement

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.

The department has earlier entered into two Public private partnership projects for construction, design, finance and maintenance of 20 schools. The related monthly service fees, which comprise liability reduction, financing and operating costs, are accounted for in accordance with NSW Treasury Policy Paper TPP 06-8 Accounting Policy: *Accounting for Privately Financed Projects.*

The department has not designated any financial liabilities at fair value through profit or loss.

(b) Changes in liabilities arising from financing activities

The only cash changes arising from financing activities during the financial year ended 30 June 2020 was $7.5m (2018-19: $7.2m) of repayments for public private partnership schools projects and $34.5m of repayments of the principal portion for lease liabilities.

18. *Current/Non-current liabilities - Provisions*

Current	2020 $'000	2019 $'000
Current provisions expected to be settled within 12 months		
Employee benefits and related on-costs		
Annual leave	51,304	41,216
Annual and non term leave (Vacation leave)	508,432	448,267
Payroll Tax on annual leave	30,635	26,673
Annual leave on extended/long service leave	126,225	122,474
Workers' compensation on extended/long service leave	27,440	26,624
Payroll Tax on extended/long service leave	149,548	145,105
Superannuation on extended/long service leave	117,993	114,486
Superannuation on annual leave	52,205	45,662
Annual leave loading	62,722	56,464
Other	28,634	55,304
	1,155,138	1,082,275
Other provision		
Make good (building leases)	1,344	2,555
Current provisions expected to be settled beyond 12 months		
Annual leave	20,782	14,929
Payroll Tax on annual leave	1,133	814
Superannuation on annual leave	1,974	1,418
	23,889	17,161
Total provisions - current	**1,180,371**	**1,101,991**
Non-current:		
Employee benefits and related on-costs:		
Payroll Tax on extended/long service leave	13,004	12,618
Annual leave on extended/long service leave	10,976	10,650
Workers' compensation on extended/long service leave	2,386	2,316
Superannuation on extended/long service leave	10,270	9,964
	36,636	35,548
Other provision		
Make good (building leases)	15,956	14,192
Total provisions - non-current	**52,592**	**49,740**
Aggregate employee benefits and related on-costs		
Provisions – Current	1,179,027	1,099,436
Provisions – Non-current	36,636	35,548
Accrued salaries, wages and on-costs (Note 16)	140,775	68,055
	1,356,438	**1,203,039**

Movement in provisions (other than employee benefits)

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

	2020 $'000	2019 $'000
Make good (building leases)		
Carrying amount at the beginning of the financial year	16,747	14,374
Net increase/(decrease) in provision due to administrative restructures	413	--
Additional provisions recognised	1,206	1,103
Amounts used	(3,548)	(3,632)
Unused amounts reversed	(461)	--
Unwinding/change in the discount rate	2,943	4,902
Carrying amount at end of the financial year	**17,300**	**16,747**

The provision is the Net Present Value of future liability for restoration.

18. Current/Non-current liabilities - Provisions (continued)

Recognition and measurement
Employee benefits and related on-costs
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 NSW Treasury has confirmed that using the nominal annual leave balance plus the annual leave entitlements accrued while taking annual leave (calculated using 7.9% [2018-19: 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.

Extended/Long service leave and superannuation

The department's liabilities for extended/long service leave and 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'.

Extended leave for permanent and long-term temporary employees is measured at the 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.

An estimate of long service leave for casual employees was brought to account for the first time in 2017-18. This affected 'employee related expenses' and 'acceptance by the Crown Entity of employee benefits and other liabilities', as these leave provisions are accounted for by the Crown Entity. Long service leave for casual employees is measured at the 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 experience of casual employment patterns, including service breaks. Expected future payments are discounted using the Commonwealth Government bond rate at the reporting date.

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

Employer's contributions to the defined contribution plans are expensed when incurred.

Annual and non term leave (Vacation leave) provision

Teachers and School Administrative and Support Staff accrue vacation leave from the start of school term one and exhaust their entitlement by the last day of the term four school vacation. Their entitlement at the reporting date is calculated according to their eligibility, number of days they are on duty up to the reporting date and relevant industrial conditions. The provision balance at the reporting date is calculated based on the vacation leave entitlement accrued at the rates of pay of eligible staff and deducting any vacation leave taken during school vacations since school term one.

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 superannuation.

18. *Current/Non-current liabilities - Provisions (continued)*

Recognition and measurement (continued)

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, the provision for make good of building operating leases are discounted at 0.24% for the financial year ended on 30 June 2020 (2018-19: 1.0%). 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.

19. *Current/Non-current liabilities - Other liabilities*

	2020 $'000	2019 $'000
Current:		
Lease incentive	--	2,434
Stolen Generations Reparations Scheme [1]	--	13,500
Unearned revenue [2]	--	54,133
Liabilities under transfers to acquire or construct non-financial assets to be controlled by the department	--	--
Liability for lapsed appropriation drawn down	35,930	--
Other	14	--
	35,944	**70,067**
Non-current:		
Lease incentive	--	23,933
Stolen Generations Reparations Scheme [1]	--	9,450
Liabilities under transfers to acquire or construct non-financial assets to be controlled by the department	--	--
	--	**33,383**
Total Other liabilities	**35,944**	**103,450**

[1] In December 2016, the NSW Government announced 'The Stolen Generations Reparations Scheme' in acknowledgement of the suffering caused by the forcible removal of Aboriginal children by the NSW Government in the past. The department previously managed this Scheme on behalf of the NSW Government. From the 1 July 2019, the responsibility of managing the Scheme was transferred out to the NSW Department of Premier and Cabinet as part of the equity transfer of Aboriginal Affairs NSW.

[2] From 2019-20, the transactions that previously made up unearned revenue are contract liabilities under AASB 15 *Revenue from Contracts with Customers* (refer to Note 10).

20. *Equity*

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 11.

Accumulated funds
The category 'Accumulated funds' includes all current and prior year retained funds, including those that relate to equity transfers.

Reserves
Separate reserve accounts are recognised in the financial statements only if such accounts are required by specific legislation or Australian Accounting Standards (e.g. asset revaluation surplus).

(a) Contributions to/(from) other government agencies

Description	2020 $'000	2019 $'000
Land [1]	--	34,500

[1] In 2018-19, the department received a parcel of land from Property NSW as an equity transfer in accordance with AASB 1004 *Contributions* and Interpretation 1038 *Contributions by Owners Made to Wholly-Owned Public Sector Entities.*

20. Equity (continued)

(b) Transfers due to administrative restructures

On 31 March 2019, the NSW Premier announced a new cabinet to reflect the direction of the newly re-elected government. In response to the announcement, State Governor with the advice of the Executive Council authorised the making of *Administrative Arrangements (Administrative Changes - Public Service Agencies) Order 2019* on 2 April 2019. The Order took effect on 1 July 2019 and had the following effects on the department:

	Transfer in Training Services NSW $'000	Transfer out Aboriginal Affairs NSW $'000	Net impact of administrative restructure $'000
Outcome	**4**	**5**	
Program group	**5**	**6**	
ASSETS			
Current assets			
Receivables	6,222	--	6,222
Total current assets	**6,222**	**--**	**6,222**
Non-current assets			
Buildings and improvements	296	(609)	(313)
Plant and equipment	222	(324)	(102)
Intangible assets	--	(56)	(56)
Total non-current assets	**518**	**(989)**	**(471)**
Total assets	**6,740**	**(989)**	**5,751**
LIABILITIES			
Current liabilities			
Payables	50,145	--	50,145
Provisions	5,523	(1,621)	3,902
Other current liabilities	17,535	(13,500)	4,035
Total current liabilities	**73,203**	**(15,121)**	**58,082**
Non-current liabilities			
Provisions	311	(416)	(105)
Other non-current liabilities	--	(9,450)	(9,450)
Total non-current liabilities	**311**	**(9,866)**	**(9,555)**
Total liabilities	**73,514**	**(24,987)**	**48,527**
Net assets	**(66,774)**	**23,998**	**(42,776)**
EQUITY			
Accumulated funds	(66,774)	23,998	(42,776)
Total equity	**(66,774)**	**23,998**	**(42,776)**

20. Equity (continued)

(c) Recognition and measurement

The transfer of net assets between government agencies as a result of an administrative restructure, transfers of programs/functions and parts thereof between NSW public sector entities and 'equity appropriation' is designated or required by Australian 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.

21. Commitments

(a) Capital commitments

Aggregate capital expenditure for the acquisition of capital work contracted for at balance date and not provided for:

	2020 $'000	2019 $'000
Within one financial year	819,195	1,476,823
Later than one financial year and not later than five financial years	374,526	129,796
Later than five financial years	--	--
Total (including GST)	**1,193,721**	**1,606,619**

The total commitments for expenditure include GST input tax credits of $108.5m (2018-19: $196.0m) that are expected to be recovered from the Australian Taxation Office.

(b) Public Private Partnership Schools projects commitments

Future minimum lease payments under non-cancellable public private partnership schools projects are available in Note 12(a).

22. *Contingent liabilities and contingent assets*

(a) Contingent liabilities

The department is not aware of any contingent liabilities that are financially material for the purposes of financial statements at 30 June 2020.

(b) Contingent assets

The department is not aware of any contingent assets that are financially material for the purposes of financial statements at 30 June 2020.

23. *Budget review*

The budgeted amounts are drawn from the original budget statements presented to Parliament in respect of the financial year and arranged on a basis consistent with the presentation and classification of the corresponding financial statements. Subsequent amendments to the original budget (e.g. new policies) are not reflected in the budgeted amounts. Major variances between the original budgeted amounts and the actual amounts disclosed in the financial statements are explained below.

Net result
The department's net result was $98m unfavourable to the budget for the financial year. The variance includes lower revenue of $134m, together with unbudgeted losses of $101m; offset by savings from expenses excluding losses of $137m.

The $137m saving in total expenses excluding losses is primarily attributable to the following:

- Employee related expenses are $117m lower, primarily due to savings on teaching staff salaries.

- Operating expenses are $284m higher than budget, primarily due to $106m spent on programs where funds were carried forward from the previous financial year due to delays. The carry forward of these funds was approved after the budget being published. Furthermore, the operating expenses for the department have increased due to the impacts of COVID-19 and natural disasters. Many of these costs are covered by the department's insurance policies.

- Grants and subsidies expenses are $311m favourable to budget. The department normally provides grant funding to organisations in parallel with the timing of the associated programs being delivered. Due to the impact of COVID-19, many of the programs delivered by the grant recipients have been delayed, including non-government schools' capital projects, and TAFE teaching programs. As such, the department has delayed payment of grants and subsidies.

Revenue is lower than budget by $134m, which is primarily attributable to the following:

- Appropriation is $80m higher as a result of supplementary funding that was approved after the budget was published, including $69m in stimulus provided for cleaning ($50m for the department and $19m for cluster agencies), $5m to manage additional responsibilities inherited by the department due to the Machinery of Government changes, and $7m additional funding from the Commonwealth Government, as announced in the 2019-20 Mid-Year Economic and Fiscal Outlook (MYEFO).

- Sale of goods and services is $289m lower than budgeted. This is driven primarily due to a reduction in school-based revenue as a result of restricted activities through the pandemic period. Sales of goods and services revenue foregone includes from excursions, subject contributions, school sport and extra-curricular activities.

- Other revenue is $78m higher than budgeted, in part due to larger than usual revenue from insurance recoveries. Various assets of the department were damaged in 2019-20 due to bushfires and floods. As such, the department has lodged claims with its insurer and received significant insurance recoveries above budget.

Losses on disposal and other losses totalling $101m are driven by assets written off due to obsolescence and damage from natural disasters, in addition to the impairment of right-of-use assets under leases.

23. *Budget review (continued)*

Assets and liabilities

Total assets have increased by $310m against budget for the financial year, primarily due to the following:

- Total current assets are $56m higher than budget due to prepayments of grants to TAFE for programs that have suffered delays due to COVID-19. Furthermore, contract assets are new on adoption of AASB 15 *Revenue from Contracts with Customers.* The budget for contract assets is included within the budget for receivables.

- Total non-current assets are $254m above budget, primarily due to capitalisation of leases on adoption of AASB 16 *Leases.* Furthermore, this is partly offset by delayed non-financial asset acquisition and construction as a result of COVID-19.

Total liabilities have increased by $667m against budget, primarily due to the following:

- Current provisions are $267m above budget. Due to COVID-19, the department has noted that employees used significantly less of their leave entitlements than previous years. Furthermore, on 3 September, 2019, staff under the *Crown Employees (School Administrative and Support Staff) Award,* were awarded an 11% pay increase back-dated to 1 July, 2019. As such, the department re-valued these employees' leave entitlements.

- Total borrowings are $267m above budget mainly due to the adoption of AASB 16 *Leases,* which resulted in future lease payments being capitalised and presented in the Statement of Financial Position.

Cash Flows

- The department has received supplementary appropriation to fund additional activities that have arisen due to COVID-19. This has increased the department's total cash inflows and outflows, but does not significantly impact the closing cash balance.

- The department also expected to sell some of its property, plant and equipment in 2019-20 to the value of $295m. However, delays in sales have produced less inflows than expected. As a result, the department also delayed purchases of property, plant and equipment.

- The department's expenditure on the repayment of lease liabilities was higher than originally budgeted for. The department did not receive any COVID-19 concessions on lease payments in 2019-20.

24. *Reconciliation of cash flows from operating activities to net result*

	2020 $'000	2019 $'000
Net cash used in operating activities	2,147,590	1,635,000
Depreciation and amortisation expense	(755,009)	(706,263)
Allowance for expected credit loss	(22,340)	(273)
Increase/(Decrease) in other gains and losses for right-of-use assets under leases	(35,467)	--
Decrease/(Increase) in payables and other liabilities	(39,481)	(42,107)
Decrease/(Increase) in contract liabilities	(45,619)	--
Decrease/(Increase) in provisions	(77,295)	(218,946)
Increase/(Decrease) in receivables	140,447	(76,681)
Increase/(Decrease) in contract assets	2,112	--
Net gain/(loss) on disposal of property, plant and equipment	(42,825)	(40,563)
Net gain/(loss) on disposal of intangible assets	--	(517)
Contributed assets	247	18,048
Net result	**1,272,360**	**567,698**

25. *Non-cash financing and investing activities*

	2020 $'000	2019 $'000
Contributed assets	247	52,548
Capital accruals	(7,170)	(2,762)
Transfer of property, plant and equipment and intangibles due to administrative restructures	(471)	--
Recognition of right-of-use assets and associated lease liabilities	42,755	--
Public private partnership schools projects	6	7
	35,367	**49,793**

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 on 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 Audit and Risk Committee and internal auditors on a regular basis.

(a) Financial instrument categories

Class	Notes	Category	Carrying Amount 2020 $'000	Carrying Amount 2019 $'000
Financial assets:				
Cash and cash equivalents	8	N/A	926,658	897,972
Receivables [1]	9	Amortised cost	60,689	17,613
Contract assets [2]	10	Amortised cost	2,112	--
Financial liabilities:				
Payables [3]	16	Amortised cost	733,513	604,287
Borrowings - Treasurer's Advances	17	Amortised cost	140,500	140,500
Borrowings - PPP schools projects	17	Amortised cost (in accordance with TPP 06-8)	144,830	152,323
Borrowings - Lease liabilities	17	Amortised cost (in accordance with AASB 16)	474,340	--

Notes:

[1] Excludes statutory receivables and prepayments (i.e. not within scope of AASB 7 *Financial Instruments: Disclosures).*

[2] While contract assets are also not financial assets, they are explicitly included in the scope of AASB 7 *Financial Instruments: Disclosures* for the purpose of the credit risk disclosures.

[3] Excludes statutory payables and unearned revenue (i.e. not within scope of AASB 7 *Financial Instruments: Disclosures).*

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

26. Financial instruments (continued)

(b) Derecognition 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 transferred control but neither transferred nor retained substantially all the risks and rewards of the asset.

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 derecognition of the original liability and the recognition of a new liability. The difference in the respective carrying amounts is recognised in the net result.

(c) Offsetting financial instruments

Financial assets and financial liabilities are offset and the net amount is reported in the Statement of Financial Position if there is a currently enforceable legal right to offset the recognised amounts and there is an intention to settle on a net basis, or to realise the assets and settle the liabilities simultaneously.

(d) Financial risks

(i) 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 department. 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 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 180 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 that 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. Although interest is earned on daily bank balances at the monthly average NSW TCorp 11am unofficial cash rate, NSW Treasury retains this revenue and does not pass it onto the department. Interest is earned on schools' bank account balances at the Reserve Bank of Australia (RBA) cash rate. This revenue is retained in the schools' bank account.

26. Financial instruments (continued)

(d) Financial risks (continued)

(i) Credit risk (continued)

Accounting policy for impairment of trade receivables and other financial assets

Receivables - trade receivables, contract assets and lease receivables

All trade receivables, contract assets and lease receivables are recognised at the amounts receivable at balance date. Collectability of trade receivables, contract assets and lease receivables is reviewed on an ongoing basis. Procedures as established in the Treasurer's Directions are followed to recover outstanding amounts, including letters of demand.

From 1 July 2018, the department applied the AASB 9 simplified approach to measuring expected credit losses which uses a lifetime expected loss allowance for all trade receivables, contract assets and lease receivables. The department's trade receivables do not include a significant financing component, and as such the simplified approach is applied. AASB 9 requires the department to calculate the expected credit loss and apply this to the department's unimpaired trade receivables.

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

The expected credit loss rates are based on historical observed loss rates. The historical loss rates are adjusted to reflect current and forward-looking information on macroeconomic factors affecting the ability of the customers to settle the receivables, and contract assets and lease receivables. In 2019-20, the department reviewed macro-economic data published by the Australian Bureau of Statistics for indications of economic deterioration in NSW and Australia. The department used the Australian unemployment rate and NSW business revenue projections to make judgements about the change in expected loss rates for trade receivables, contract assets and lease receivables as a result of COVID-19.

Trade receivables, contract assets and lease receivables are written off when there is no reasonable expectation of recovery. Indicators that there is no reasonable expectation of recovery include, amongst others a failure to make contractual payments for a period of greater than 180 days past due.

The loss allowance for trade receivables and contract assets and lease receivables as at 30 June 2020 and 1 July 2019 was determined as follows:

30 June 2020	Current	< 3 months	3 - 6 months	> 6 months	Total
Expected credit loss rate	3.19%	0.73%	3.95%	82.39%	N/A
Estimated total gross carrying amount ($'000)	4,885	5,995	1,064	352	**12,296**
Expected credit loss ($'000)	156	44	42	290	**532**

30 June 2019	Current	< 3 months	3 - 6 months	> 6 months	Total
Expected credit loss rate	1.09%	5.11%	13.45%	55.84%	N/A
Estimated total gross carrying amount ($'000)	7,651	1,346	261	659	**9,917**
Expected credit loss ($'000)	84	69	35	368	**556**

Note:
The ageing analysis excludes statutory receivables and prepayments, as these are not within the scope of AASB 7 *Financial Instruments: Disclosures.* Therefore, the 'total' will not reconcile to the Total Receivables in Note 9 and the Contract Assets total in Note 10.

The department is not materially exposed to concentrations of credit risk to a single trade debtor or group of debtors as at 30 June 2020 and 2019. Most of the department's debtors have a good credit rating.

26. Financial instruments (continued)

(d) Financial risks (continued)

(ii) 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 and maturities planning to ensure adequate holding of high quality liquid assets. The objective is to maintain a balance between continuity of funding and flexibility through the use of overdrafts, loans and other advances.

During the current and prior year, there were no defaults on any borrowings. 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.

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 NSW Treasury Circular TC 11/12. 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 Secretary (or a person appointed by the Secretary of the department) may automatically pay the supplier simple interest.

In response to the economic environment amid the COVID-19 pandemic, the NSW Treasurer and NSW Minister for Finance and Small Business jointly issued a media release on 31 March 2020, outlining the Government's commitment to fast-track payment of supplier and contract invoices to help businesses maintain their cash flow. To the extent that cash reserves have been available, the department has subsequently paid all valid invoices in advance of the regular 30 day payment terms.

The table below summarises the maturity profile of the department's financial liabilities, together with the interest rate exposure.

Maturity analysis and interest rate exposure of financial liabilities ($'000)

	Interest rate exposure					Maturity dates		
	Weighted average effective int. rate	Nominal amount [1]	Fixed interest rate	Variable interest rate	Non-interest bearing	< 1 yr	1-5 yrs	> 5 yrs
2020								
Payables:								
Accrued salaries, wages and on-costs	--	139,854	--	--	139,854	139,854	--	--
Creditors	--	593,659	--	--	593,659	593,659	--	--
Borrowings:								
Treasurer's Advances	5.04%	140,500	140,500	--	--	140,500	--	--
Lease liabilities	2.21%	600,808	600,808	--	--	45,138	167,966	387,704
Public private partnership schools	11.18%	306,703	--	306,703	--	22,038	88,323	196,342
2019								
Payables:								
Accrued salaries, wages and on-costs	--	63,501	--	--	63,501	63,501	--	--
Creditors	--	540,786	--	--	540,786	540,786	--	--
Borrowings:								
Treasurer's Advances	5.04%	140,500	140,500	--	--	140,500	--	--
Public private partnership schools	10.53%	323,561	--	323,561	--	21,568	86,389	215,604

Notes:

[1] 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 table includes both interest and principal cash flows and therefore will not reconcile to the Statement of Financial Position.

26. Financial instruments (continued)

(d) Financial risks (continued)

(iii) 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 minimal 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 date. The analysis is performed on the same basis as for 2018-19. 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, at fair value through comprehensive income or available-for-sale. 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 financial 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:

	2020 $'000		2019 $'000	
	-1%	+1%	-1%	+1%
Net result	(3,075)	3,075	(7,456)	7,456
Equity	(3,075)	3,075	(7,456)	7,456

(e) Fair value measurement

(i) 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.

There is no difference between the fair value and carrying amount of the department's financial instruments during 2019-20 and 2018-19.

Financial instruments are generally recognised at cost, with the exception of the NSW TCorp IM Funds facilities, which are measured at fair value. The department did not have deposits in these facilities for both financial years ended 30 June 2020 and 30 June 2019.

26. Financial instruments (continued)

(e) Fair value measurement (continued)

(ii) Fair value recognised in the Statement of Financial Position

Management assessed that cash, trade receivables, trade payables and other current liabilities approximate their fair value, largely due to the short-term maturities of these instruments.

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.

The department did not have financial assets at fair value in 2019-20 and 2018-19.

27. Related party disclosures

(a) Compensation paid to Key Management Personnel

Key Management Personnel (KMP) are those persons having authority and responsibility for planning, directing and controlling the activities of the department, directly or indirectly. This includes the department's portfolio Ministers and members of the department's Executive.

Compensation details for the portfolio Ministers are reported in the NSW General Government and Total State Sector's financial statements. Total compensation for the department's Executive is set out below.

	2020	**2019**
	$'000	**$'000**
Employee benefits		
Short-term	5,379	4,121
Post-employment	--	--
Other long-term	1,565	1,206
Termination	993	--
Share-based payment	--	--
Total compensation	**7,937**	**5,327**

27. Related party disclosures (continued)

(b) Transactions with related parties

Related party transactions include transactions with other NSW government controlled entities; KMP of the department [as described in Note 27(a)] and their close family members; Ministers and their close family members; and or entities in which KMP, Ministers or their close family members have a controlling interest.

(i) Transactions with NSW government controlled entities
The department transacted with a number of NSW government entities as part of its normal operations during the financial year.

Under the *Appropriation Act 2019,* the department received appropriation revenue of $18.2b (2018-19: $14.5b) for recurrent services, capital works and debt repayment, from the Crown Entity. The department also received funding from the Crown Entity for extended and long service leave and other employee benefits assumed by the Crown, amounting to $394m (2018-19: $845m). Refer to notes 3(a) and 3(e) for further information. In addition, the department received $149m in arrears from the Crown Entity for approved and completed capital works under the *Restart NSW Fund Act 2011.* Also, the department received from the Crown Entity $4m in funding from the Digital Restart Fund. Lastly, the department had cash receipts totalling $56m in stimulus from the Crown Entity to supplement the department and its stakeholders during the COVID-19 pandemic.

The department incurred costs and provided grants in relation to vocational education training (VET) and adult migrant education services provided by the TAFE Commission ($1.4b). The department also reimbursed the Department of Planning, Industry and Environment $13m for additional grants paid to the TAFE Commission on the department's behalf and $1m for payments made to the NSW Skills Board on the department's behalf. In addition, the department provided grants to the Department of Planning, Industry and Environment for VET in Schools ($8m).

A number of transactions with NSW government entities also pertained to various grants, including payment of cluster grants and other payments to the NSW Education Standards Authority ($128m). The department also received grants mainly from the Department of Communities and Justice ($8m) and Department of Planning, Industry and Environment ($5m).

Transactions occurred with the NSW Self Insurance Corporation (net $177m) throughout the year, primarily in relation to insurance policies held by the department. The department also made payments to Sydney Water Corporation ($11m) for utilities. The department transacted with Property NSW in relation to leased properties ($85m), and the Department of Planning, Industry and Environment in relation to maintenance ($237m).

(ii) Other related party transactions
There were no material transactions with the department’s Executive, their close family members or entities over which they or their close family members have a controlling interest.

28. Events after the financial year

The department is not aware of any events after the financial year that have material impacts on the financial statements for the year ended 30 June 2020.

End of audited financial statements.