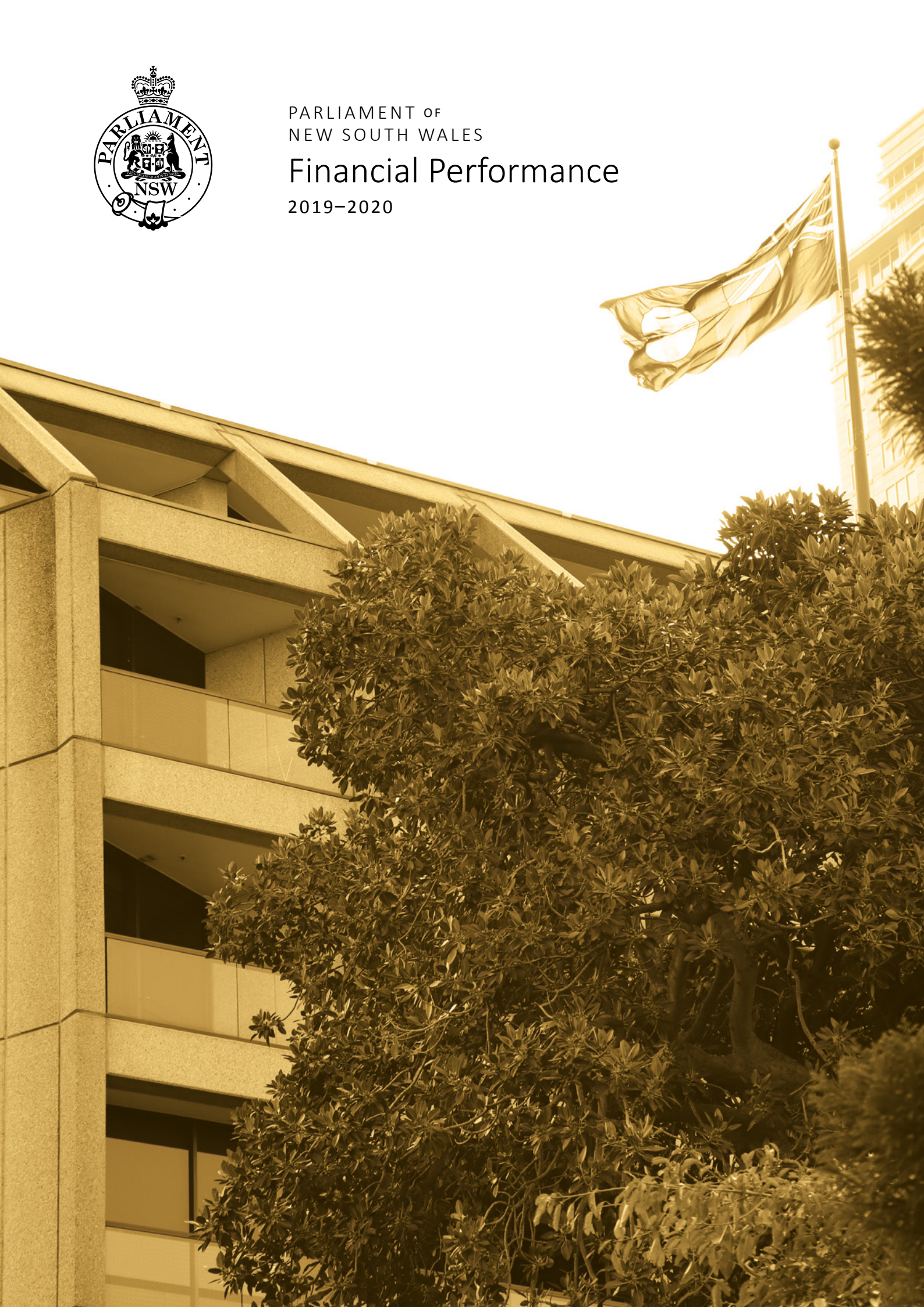




PARLIAMENT OF
NEW SOUTH WALES

Financial Performance

2019–2020



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Financial Commentary

The Parliament Net result

The budgeted amounts are drawn from the original budgeted financial statements presented to Parliament in respect of the reporting period. Subsequent amendments to the original budget (e.g. adjustment for transfer of functions between entities as a result of Administrative Arrangements Orders) 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.

The net result of \$827,000 was lower than the budgeted net result of \$4.183 million by \$3.356 million. This arose from the following budget variations: higher employee related expenses (\$1.853 million); lower other operating expenses (\$633,000); higher depreciation and amortisation expenses (\$34,000); higher other expenses - Members' remuneration (\$753,000); higher grants and subsidies (\$134,000); lower finance costs (\$151,000) lower revenue (\$532,000); higher loss on disposal of assets (\$45,000) and higher other losses due to an impairment loss on right of use assets of \$789,000.

The employee related expenses were \$1.853 million higher than the budget of \$72.717 million. The primary reasons for the variation were:

- Higher than budget results for direct salaries and wages of \$831,000; redundancy costs of \$559,000; defined contributions superannuation expenses (accumulation schemes) of \$654,000 and payroll tax \$216,000, offset by lower long service leave costs of \$194,000 and lower superannuation costs of \$212,000.

Other operating expenses were lower than the budget of \$32.224 million by \$633,000 due mainly to lower charges for agency staff of \$233,000, lower energy charges of \$164,000, lower printing and postage costs \$1.183 million, lower administration expenses \$493,000, lower staff related expenses \$393,000 offset by higher spend on Special Constables of \$1.794 million.

Depreciation and amortisation expenses were \$34,000 higher than the budget of \$19.974 million.

Other expenses were \$753,000 higher than a budget of \$45.504 million. This was made up of Members' remuneration and allowances being \$894,000 higher than the budget of \$42.741 million.

Revenue was \$532,000 lower than the budget of \$175.145 million due to:

- a \$2.8 million lower capital appropriation drawdown due capital projects allocations being carried forward to 2020–21;
- an increase in supplementation funding received for COVID-19 of \$2.377 million;
- Crown acceptance of employee benefits and liabilities being \$381,000 lower than expected mainly due to lower long service leave and defined benefit superannuation expenses;
- sale of goods and services being \$527,000 lower than budget due to the impact of lower sales caused from COVID-19;
- grants and contributions being \$689,000 higher than budget primarily for funding in business case development work for Digital Parliament and Audiovisual capital works of \$330,000 and \$379,000 for redundancies;
- other revenue being \$110,000 higher than budget, consisting of \$127,000 for library collections recognised for the first time.

Assets and liabilities

Total current assets of \$6.318 million were higher than the budget of \$5.776 million by \$542,000 due to higher than budgeted cash holdings of \$1.261 million, offset by lower receivables of \$691,000.

Total non-current assets of \$368.854 million were lower than the budget of \$373.835 million by \$4.981 million primarily due to Treasury-funded annual capital works being carried forward to 2020–21 of \$2.800 million and lower right-of-use assets of \$3.423 million.

Total current liabilities of \$17.844 million were lower than the budget of \$17.839 million by \$5,000 due to lower payables of \$1.186 million, offset by higher employee provisions of \$1.364 million.

Total non-current liabilities of \$16.385 million were lower than the budget of \$18.995 million due to lower provisions of \$165,000.

Cash flows

Net cash flows from operating activities were \$3.454 million lower than the budget of \$24.157 million. This is due to an increase in total payments of \$11.367 million offset by higher receipts of \$7.913 million.

Net cash flows from investing activities were \$2.809 million lower than the budget of \$17.821 million due to asset acquisitions being lower than the budget following the carry forward of \$2.8 million to 2020–21.

Net cash flows from financing activities were \$566,000 higher than the budget of \$4.651 million.

Outlook for the Parliament

The Parliament's budgeted net result for 2020–21 is a surplus of \$22.884 million. The Appropriation includes recurrent funding of \$161.155 million, which included additional funding for:

- \$5.050 million to meet salary and other operating expense cost increases;
- \$0.315 million for cleaning and safe work place costs and
- \$2.662 million for previously unfunded Parliamentary Remuneration Tribunal Determinations for Members' Entitlements and Members Staff Separations.

The Appropriation in 2020-21 includes capital funding of \$35.816 million consisting of:

1. \$16.345 million funding for new major capital works including:
 - \$11.528 million for Digital Parliament to develop and implement modern ICT services for Parliament including cloud migration and digital transformation, defining the right Enterprise Resource Planning system for Parliament, and replacing ageing infrastructure
 - \$4.817 million for Audiovisual Services to modernise the audio-visual services in Parliament by offering members and the public vastly improved access to live and archived recordings of parliamentary events
2. \$16.002 million funding for major capital works in progress including:
 - Parliament House Ceiling and Building Services Replacement – \$7.428 million
 - Infrastructure Upgrades at Parliament House – \$4.616 million
 - Parliament House Tower Block Membrane Replacement – \$3.958 million and
3. Minor Capital Works – \$3.469 million.



INDEPENDENT AUDITOR'S REPORT

The Legislature

To Members of the New South Wales Parliament

Opinion

I have audited the accompanying financial statements of The Legislature, 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 and notes comprising a Statement of Significant Accounting Policies and other explanatory information.

In my opinion, the financial statements:

- give a true and fair view of the financial position of The Legislature 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 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 Legislature 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.

Other Information

The Legislature'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 Clerk of the Legislative Assembly, the Clerk of the Parliaments and the Chief Executive, Department of Parliamentary Services (the Department Heads) of The Legislature are responsible for the other information. At the date of this Independent Auditor's Report, the other information I have received comprise the Statement by Department Heads.

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

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

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

I have nothing to report in this regard.

The Department Heads' Responsibilities for the Financial Statements

The Department Heads are 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 Department Heads determine 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 Department Heads are responsible for assessing The Legislature's ability to continue as a going concern, disclosing as applicable, matters related to going concern and using the going concern basis of accounting.

Auditor's Responsibilities for the Audit of the Financial Statements

My objectives are to:

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

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

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

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

- that The Legislature 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

1 October 2020
SYDNEY



18 September 2020

The Legislature

Financial Statements for the Year ended

30 June 2020


Statement by Department Heads

We state that:

- a. the accompanying financial statements have been prepared in accordance with applicable Australian Accounting Standards (including Australian Accounting Interpretations), the requirements of the *Public Finance and Audit Act 1983* (PFAA) and *Public Finance and Audit Regulation 2015* and the Financial Reporting Directions mandated by the Treasurer;
- b. the financial statements exhibit a true and fair view of the financial position as at 30 June 2020 and financial performance of The Legislature for the year then ended; and
- c. there are no circumstances which would render any particulars included in the financial statements to be misleading or inaccurate.


Helen Minnican
Clerk of the Legislative
Assembly


David Blunt
Clerk of the Parliaments


Mark Webb
Chief Executive
Dept. of Parliamentary Services

Financial Statements for the year ended 30 June 2019

THE LEGISLATURE**Statement of comprehensive income for the year ended 30 June 2020**

	Notes	Actual 2020 \$'000	Budget 2020 \$'000	Actual 2019 \$'000
Expenses excluding losses				
Employee related expenses	2(a)	74,570	72,717	75,900
Operating expenses	2(b)	31,591	32,224	37,397
Depreciation and amortisation	2(c)	20,008	19,974	13,757
Grants and subsidies	2(d)	134	-	132
Finance costs	2(e)	392	543	-
Other expenses	2(f)	46,257	45,504	46,222
Total expenses excluding losses		172,952	170,962	173,408
Revenue				
Appropriations	3(a)	163,819	164,242	157,676
Sale of Goods and Services	3(b)	-	-	7,896
Sale of Goods and Services from Contracts with Customers	3(b)	6,966	7,493	-
Grants and other contributions	3(c)	709	20	-
Acceptance by the Crown Entity of employee benefits and other liabilities	3(d)	2,806	3,187	4,752
Other income	3(e)	313	203	585
Total revenue		174,613	175,145	170,909
Operating result		1,661	4,183	(2,499)
Gain / (loss) on disposal	4	(45)	-	(763)
Other Gain / (loss)	5	(789)	-	-
Net result		827	4,183	(3,262)
Changes in revaluation surplus of property, plant and equipment		766	-	(311)
Other comprehensive income		766	-	(311)
TOTAL COMPREHENSIVE INCOME		1,593	4,183	(3,573)

The accompanying notes form part of these financial statements.

THE LEGISLATURE

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	7	4,435	3,174	3,961
Receivables	8	1,777	2,468	1,898
Inventories		106	134	123
Total Current Assets		6,318	5,776	5,982
Non-Current Assets				
Property, plant and equipment	9			
- Land and buildings		264,255	269,328	262,672
- Plant and equipment		25,115	24,006	26,133
- Collection assets		49,598	48,691	48,835
Total property, plant and equipment		338,968	342,025	337,640
Right-of-use assets	10	20,380	23,803	-
Intangible assets	11	9,506	8,007	9,533
Total Non-Current Assets		368,854	373,835	347,173
Total Assets		375,172	379,611	353,155
LIABILITIES				
Current Liabilities				
Payables	13	5,103	6,289	7,216
Borrowings	14	5,190	5,363	-
Provisions	15	7,551	6,187	6,424
Total Current Liabilities		17,844	17,839	13,640
Non-Current Liabilities				
Borrowings	14	16,212	18,858	-
Provisions	15	173	137	165
Total Non-Current Liabilities		16,385	18,995	165
Total Liabilities		34,229	36,834	13,805
Net Assets		340,943	342,777	339,350
EQUITY				
Reserves		147,302	146,536	146,536
Accumulated funds		193,641	196,241	192,814
Total Equity		340,943	342,777	339,350

The accompanying notes form part of these financial statements.

THE LEGISLATURE**Statement of changes in equity for the year ended 30 June 2020**

	Accumulated Funds	Asset Revaluation Surplus	Total
	\$'000	\$'000	\$'000
Balance at 1 July 2019	192,814	146,536	339,350
Net result for the year	827	-	827
Other comprehensive income for the year			
Net change in revaluation surplus of property, plant and equipment	-	766	766
Total comprehensive income for the year	827	766	1,593
Balance at 30 June 2020	193,641	147,302	340,943
Balance at 1 July 2018	195,847	147,076	342,923
Net result for the year	(3,262)	-	(3,262)
Other comprehensive income for the year			
Net change in revaluation surplus of property, plant and equipment	229	(540)	(311)
Total comprehensive income for the year	(3,033)	(540)	(3,573)
Balance at 30 June 2019	192,814	146,536	339,350

THE LEGISLATURE

Statement of cash flows for the year ended 30 June 2020

	Notes	Actual 2020 \$'000	Budget 2020 \$'000	Actual 2019 \$'000
CASH FLOWS FROM OPERATING ACTIVITIES				
Payments				
Employee related		(71,895)	(71,944)	(70,443)
Grants and subsidies		(134)	-	(132)
Suppliers for goods and services		(37,020)	-	(42,736)
Finance costs		(392)	(543)	-
Other		(46,257)	(71,844)	(44,565)
Total Payments		(155,698)	(144,331)	(157,876)
Receipts				
Appropriations (excluding equity appropriations)		163,819	164,242	157,676
Sale of goods and services		7,831	7,492	9,293
Grants and other contributions		709	20	-
Other		4,042	(3,266)	4,001
Total Receipts		176,401	168,488	170,970
NET CASH FLOWS FROM OPERATING ACTIVITIES	19	20,703	24,157	13,094
CASH FLOWS FROM INVESTING ACTIVITIES				
Proceeds from sale of plant and equipment and collection assets		-	-	5
Purchases of property, plant and equipment		(13,529)	(17,821)	(11,327)
Purchases of intangibles		(1,483)	-	(1,197)
NET CASH FLOWS FROM INVESTING ACTIVITIES		(15,012)	(17,821)	(12,519)
CASH FLOWS FROM FINANCING ACTIVITIES				
Repayment of principal portion of lease liabilities		(5,217)	(4,651)	-
NET CASH FLOWS FROM FINANCING ACTIVITIES		(5,217)	(4,651)	-
NET INCREASE / (DECREASE) IN CASH AND CASH EQUIVALENTS				
		474	1,685	575
Opening cash and cash equivalents		3,961	1,489	3,386
CLOSING CASH AND CASH EQUIVALENTS	7	4,435	3,174	3,961

The accompanying notes form part of these financial statements.

Notes to and forming part of the Financial Statements for the year ended 30 June 2019

1. Summary of Significant Accounting Policies

(a) Reporting entity

The Legislature, as a reporting entity, comprises all the operating activities of the Parliament of New South Wales, including the Catering business, under the joint direction and control of the Clerk of the Parliaments, the Clerk of the Legislative Assembly and the Chief Executive of the Department of Parliamentary Services. It includes all the functions of parliamentary representation undertaken by the Legislative Council and the Legislative Assembly, and the Department of Parliamentary Services. The Catering business provides food and beverage services for Members of Parliament, their guests, staff and visitors. It also caters for functions held at Parliament House.

The Legislature is a not-for-profit entity (as profit is not its principal objective) and has no cash generating units. The reporting entity is consolidated as part of the NSW Total State Sector Accounts.

These financial statements for the year ended 30 June 2020 have been authorised for issue by the Clerk of the Legislative Assembly, the Clerk of the Parliaments and the Chief Executive of the Department of Parliamentary Services on 18 September 2020.

(b) Basis of preparation

The Legislature's financial statements are general purpose financial statements which have been prepared on an accruals basis and in accordance with:

- applicable Australian Accounting Standards (which include Australian Accounting Interpretations)
- the requirements of the *Public Finance and Audit Act 1983* (the Act) and *Public Finance and Audit Regulation 2015*, and
- Financial Reporting Directions issued by NSW Treasury under the Act.

The Legislature is a 'going concern' public sector entity. Parliamentary appropriation has been provided in the NSW Budget Papers for 2019-20 for drawdown on an 'as need' basis from the Crown Entity, an entity controlled by the State of NSW, to meet The Legislature's cash requirements.

Property, plant and equipment 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 management has made 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 Legislature's presentation and functional currency.

(c) Statement of compliance

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

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

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

- the amount of GST incurred by The Legislature as a purchaser that is not recoverable from the Australian Taxation Office is recognised as part of 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. The GST components of cash flows arising from investing and financing activities which is recoverable from, or payable to, the Australian Taxation Office are classified as operating cash flows.

(e) Equity and reserves

(i) Revaluation surplus

The revaluation surplus is used to record increments and decrements on the revaluation of non-current assets. This accords with The Legislature's policy on the revaluation of property, plant and equipment as discussed in Note 9.

(ii) Accumulated Funds

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

(iii) 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. revaluation surplus).

(f) Comparative information

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

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

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

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

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

AASB 15 Revenue from Contracts with Customers

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

AASB 15 requires The Legislature to exercise judgement, taking into consideration all of the relevant facts and circumstances when applying each step of the model to contracts with its 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 Legislature 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 Legislature 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 determining the transaction price. Applying this practical expedient has no impact on the financial statements.

The adoption of AASB 15 did not have an impact on Other Comprehensive Income and the

Statement of Cash Flows for the financial year.

AASB 1058 Income of Not-for-Profit Entities

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

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

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

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

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

In accordance with the transition provisions in AASB 1058, The Legislature 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 Legislature has adopted the practical expedient in AASB 1058 whereby existing assets acquired for consideration significantly less than fair value principally to enable the entity to further its objectives, are not restated to their fair value.

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

AASB 16 Leases

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

Lessee accounting

AASB 16 requires The Legislature 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 Legislature 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 Legislature 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 5.31%.

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.

The Legislature 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 Legislature 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.

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

	\$'000
Assets	
Right-of-use assets	25,238
Total assets	25,238
Liabilities	
Borrowings	25,238
Total liabilities	25,238
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)	8,626
(Less): GST included in operating lease commitments	(781)
Operating lease commitments as at 30 June 2019 (GST excluded)	7,845
Weighted average incremental borrowing rate as at 1 July 2019	5.31%
Discounted operating lease commitments as at 1 July 2019	7,449
(Less): commitments relating to short-term leases	(11)
(Less): commitments relating to leases of low-value assets	-
Add: Lease payments relating to renewal periods not included in operating lease commitments as at 30 June 2019	17,743
Add/(less): adjustments relating to changes in the index or rate affecting variable payments	57
Lease liabilities as at 1 July 2019	<u>25,238</u>

(ii) Issued but not yet effective

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

The following new Australian Accounting Standards have not been applied and are not yet effective. The possible impact of these Standards in the period of initial application has been assessed as being nil.

AASB 17 Insurance Contracts

AASB 1059 Service Concession Arrangements: Grantors

AASB 2018-5 Amendments to Australian Accounting Standards – Deferral of AASB 1059

AASB 2018-6 Amendments to Australian Accounting Standards – Definition of a Business

AASB 2018-7 Amendments to Australian Accounting Standards – Definition of Material

AASB 2019-1 Amendments to Australian Accounting Standards – References to the Conceptual Framework

AASB 2019-2 Amendments to Australian Accounting Standards – Implementation of AASB 1059

AASB 2019-3 Amendments to Australian Accounting Standards - Interest Rate Benchmark Reform

AASB 2019-7 Amendments to Australian Accounting Standards – Disclosure of GFS Measures of Key Fiscal Aggregates and GAAP/GFS Reconciliations

2. Expenses Excluding Losses**(a) Employee Related Expenses**

	2020	2019
	\$'000	\$'000
Salaries and wages (including annual leave)	62,349	61,802
Superannuation – defined benefit plans	525	592
Superannuation – defined contribution plans	5,437	5,144
Payroll tax and fringe benefits tax	3,841	3,871
Long service leave	2,064	3,927
Workers' compensation insurance	354	564
	74,570	75,900

Employee related expenses excluded from the above are: (i) capitalised as property, plant and equipment - \$858,000 at 30 June 2020 (\$722,000 in 2018-19); and (ii) capitalised as intangible assets - \$303,000 at 30 June 2020 (\$143,000 in 2018-19).

(b) Other Operating Expenses including the following:

	2020	2019
	\$'000	\$'000
Auditors remuneration		
– audit of the financial statements	87	87
– audit of Members' additional entitlements under Parliamentary Remuneration Tribunal Determination	59	56
Cost of Sales – Parliamentary Catering	1,172	1,263
Operating lease rental expense-minimum lease payments	-	5,973
Expense relating to short-term leases	521	-
Maintenance	1,503	1,764
Insurance	290	259
Contractors	6,514	6,810
Printing and postage	6,848	7,496
Telecommunication costs	571	689
Travel expenses	1,624	1,835
Computer costs	4,198	3,924
Stores	219	126
Advertising	1,117	803
Energy charges	1,667	1,968
Cleaning and laundry	1,028	930
Contract and other fees	3,308	2,497
Other	865	917
	31,591	37,397

	2020	2019
	\$'000	\$'000
<i>Reconciliation – Total maintenance expense</i>		
Maintenance expense – contracted labour and other (non-employee related), as above	1,503	1,764
Employee related maintenance expense included in Note 2 (a)	835	701
Total maintenance expenses included in Note 2(a) + 2(b)	<u>2,338</u>	<u>2,465</u>

Recognition and Measurement

Maintenance expense

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

Insurance

The Legislature’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 claim 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 Legislature recognises the lease payments associated with the following types leases as an expense on a straight-line basis:

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

(c) Depreciation and Amortisation Expense

	2020	2019
	\$'000	\$'000
Depreciation:		
– buildings	7,581	7,331
– right-of-use assets	5,478	-
– plant and equipment	5,351	4,774
– collection assets	88	95
	<u>18,498</u>	<u>12,200</u>
Amortisation:		
– intangibles	1,510	1,557
	<u>1,510</u>	<u>1,557</u>
Total Depreciation and Amortisation Expense	<u>20,008</u>	<u>13,757</u>

Refer to Note 9, 10 and 11 for recognition and measurement policies on depreciation and amortisation.

(d) Grants and Subsidies

	2020	2019
	\$'000	\$'000
Grant to Commonwealth Parliamentary Association (NSW Branch)	134	132
	<u>134</u>	<u>132</u>

(e) Finance Costs

	2020	2019
	\$'000	\$'000
Interest expense from lease liabilities	392	-
	<u>392</u>	<u>-</u>

Recognition and Measurement

Finance costs consist of interest and other costs incurred in connection with the leases liabilities. Lease liabilities costs are recognised as expenses in the period in which they are incurred, in accordance with Treasury's Mandate to not-for-profit NSW GGS entities.

(f) Other Expenses

	2020	2019
	\$'000	\$'000
Salaries and allowances	40,943	39,395
Superannuation entitlements	2,941	2,844
Payroll tax and fringe benefits tax	2,373	2,326
Parliamentary Budget Office	-	1,657
	<u>46,257</u>	<u>46,222</u>

The salaries and related on-costs are for remuneration paid to Members of Parliament. These costs are treated as other expenses due to Members not being employees of the Parliament.

3. Revenue

Recognition and Measurement

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

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

(a) Appropriations

Summary of Compliance	2020 \$'000			2019 \$'000		
	Appropriation	Expenditure	Variance	Appropriation	Expenditure	Variance
Original Budget per Appropriation Act	164,242	161,442	2,800	162,132	157,676	4,456
Other Appropriations / Expenditures						
- Section 4.13 GSF Act Exigency of Government / Section 22 PFAA – expenditure for certain works and services	2,377	2,377	-	-	-	-
Total annual Appropriations / Expenditure /	166,619	163,819	2,800	162,132	157,676	4,456
Net Claim on annual Appropriations (includes transfer payments)						
Amount drawn down against annual Appropriations*		163,819			157,676	
Liability for Lapsed Appropriations drawn down		-			-	
*Comprising:						
Appropriations (per Statement of Comprehensive Income)**		163,819			157,676	
		163,819			157,676	
**Appropriations:						
Recurrent		148,798			145,679	
Capital		15,021			11,997	
		163,819			157,676	

Notes:

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

Recognition and Measurement***Parliamentary appropriations***

Until 30 June 2019, except as specified below, parliamentary appropriations are recognised as income when The Legislature obtains control over the assets comprising the appropriations. Control over appropriations is normally obtained upon the receipt of cash.

Appropriations are not recognised as income in the following circumstances:

- Lapsed appropriations are recognised as liabilities rather than income, as the authority to spend the money lapses and the unspent amount is not controlled by The Legislature.
- The liability will be extinguished next financial year through the next annual Appropriation (Parliament) Act.

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

The Legislature receives its funding under appropriations from the Consolidated Fund. Appropriations for each financial year are set out in the Appropriation (Parliament) Bill that is prepared and tabled for that year. Due to COVID-19, the State Budget and related 2020-21 Appropriation (Parliament) Bill has been delayed until 17 November 2020. However, pursuant to section 4.10 of the GSF Act, the Treasurer has authorised The Legislature to spend specified amounts from Consolidated Fund. This authorisation is current from 1 July 2020 until the release of the 2020-21 Budget or Appropriation Bill.

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

	2020	2019
Sale of goods	\$'000	\$'000
Sales of food and beverages	4,014	4,921
Subtotal of sale of goods	<u>4,014</u>	<u>4,921</u>
Rendering of services		
Energy recoup from Sydney Hospital and State Library ¹	652	722
Rent on Parliament House ministerial offices and Post Office	1,836	1,772
Parking fees	464	481
Subtotal of rendering of services	<u>2,952</u>	<u>2,975</u>
	<u>6,966</u>	<u>7,896</u>

¹ Sydney Hospital and the State Library are supplied hot and chilled water from Parliament House for their airconditioning needs, the cost of which is recouped from them.

Recognition and Measurement

Until 30 June 2019

Sale of goods

Revenue from sale of goods is recognised as revenue when The Legislature 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).

From 1 July 2019

Sale of goods from contracts with customers

Revenue from sale of goods is recognised as when The Legislature satisfies a performance obligation by transferring the promised goods. The Legislature typically satisfies its performance obligations when the goods are delivered. The payments are typically due when the goods are delivered.

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 from contracts with customers

Revenue from rendering of services is recognised when The Legislature satisfies the performance obligation by transferring the promised services. The Legislature typically satisfies its performance obligations when the service is provided on completion. The payments are typically due when the service is provided on completion.

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

(c) Grants and Contributions

	2020	2019
	\$'000	\$'000
NSW Treasury redundancy grant	379	-
NSW Treasury business case funding	330	-
	709	-
	709	-

Recognition and Measurement

Until 30 June 2019

Income from grants (other than contribution by owners) is recognised when The Legislature obtains control over the contribution. The Legislature 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.

From 1 July 2019

Revenue from 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. No element of financing is deemed present as funding payments are usually received in advance or shortly after the relevant obligation is satisfied.

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

(d) Acceptance by the Crown Entity of Employee Benefits and Other Liabilities

The following liabilities and /or expenses have been assumed by the Crown Entity:

	2020	2019
	\$'000	\$'000
Employees		
Superannuation – defined benefit	525	592
Long service leave	1,925	3,708
Payroll tax on superannuation	26	30
	2,476	4,330
Members		
Superannuation – defined benefit	313	401
Payroll tax on superannuation	17	21
	330	422
	2,806	4,752

(e) Other Income

	2020	2019
	\$'000	\$'000
Assets recognised for first time	127	291
Conference seminar fees	39	103
Workers' compensation hindsight adjustment	3	-
Televising Parliament	37	25
Security pass	13	18
Insurance claim	1	73
Miscellaneous items	93	75
	313	585

4. Gain / (Loss) on Disposal

	2020	2019
	\$'000	\$'000
Proceeds from disposal	-	5
Written down value of assets disposed	(45)	(768)

Net gain/(loss) on disposal	<u>(45)</u>	<u>(763)</u>
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Gains and loss on disposals related to plant, equipment and collection assets of The Legislature.

5. Other Gain / (Loss)

	2020	2019
	\$'000	\$'000
Impairment loss on right-of-use assets ¹	<u>(789)</u>	-
	<u>(789)</u>	-

¹ The impairment loss arose due to the forecasted reduction of market rent for office accommodation between June 2019 and June 2020.

Recognition and Measurement

Impairment loss may arise on non-financial assets held by the entity 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 Note 10 Leases.

6. Program Group Statements for the Year Ended 30 June 2020

The Legislature's Expenses & Income	The Legislature*		Not Attributable**		Total	
	2020 \$'000	2019 \$'000	2020 \$'000	2019 \$'000	2020 \$'000	2019 \$'000
Expenses excluding losses						
Employee related expenses	74,570	75,900	-	-	74,570	75,900
Operating expenses	31,591	37,397	-	-	31,591	37,397
Depreciation and amortisation	20,008	13,757	-	-	20,008	13,757
Grants and subsidies	134	132	-	-	134	132
Finance Costs	392	-	-	-	392	-
Other expenses	46,257	46,222	-	-	46,257	46,222
Total Expenses excluding losses	172,952	173,408	-	-	172,952	173,408
Revenue						
Appropriations	-	-	163,819	157,676	163,819	157,676
Sale of Goods and Services	-	7,896	-	-	-	7,896
Sale of Goods and Services from Contracts with Customers	6,966	-	-	-	6,966	-
Grants and other contributions	709	-	-	-	709	-
Acceptance by the Crown Entity of employee benefits and other liabilities	2,806	4,752	-	-	2,806	4,752
Other income	313	585	-	-	313	585
Total revenue	10,794	13,233	163,819	157,676	174,613	170,909
Operating result	(162,158)	(160,175)	163,819	157,676	1,661	(2,499)
Gain / (loss) on disposal	(45)	(763)	-	-	(45)	(763)
Other Gain / (loss)	(789)	-	-	-	(789)	-
Net result	(162,992)	(160,938)	163,819	157,676	827	(3,262)
Changes in revaluation surplus of property, plant and equipment	766	(311)	-	-	766	(311)
Other comprehensive income	766	(311)	-	-	766	(311)
TOTAL COMPREHENSIVE INCOME	(162,226)	(161,249)	163,819	157,676	1,593	(3,573)

*The name and purpose of the program group are summarised below.

**Appropriations are made on an entity basis and not to individual program groups. Consequently, appropriations must be included in the "Not Attributable" column.

The Legislature's Assets & Liabilities	The Legislature*		Not Attributable		Total	
	2020 \$'000	2019 \$'000	2020 \$'000	2019 \$'000	2020 \$'000	2019 \$'000
ASSETS						
Current Assets						
Cash and cash equivalents	4,435	3,961	-	-	4,435	3,961
Receivables	1,777	1,898	-	-	1,777	1,898
Inventories	106	123	-	-	106	123
Total Current Assets	6,318	5,982	-	-	6,318	5,982
Non-Current Assets						
Property, plant and equipment						
- Land and buildings	264,255	262,672	-	-	264,255	262,672
- Plant and equipment	25,115	26,133	-	-	25,115	26,133
- Collection assets	49,598	48,835	-	-	49,598	48,835
Total property, plant and equipment	338,968	337,640	-	-	338,968	337,640
Right-of-use assets	20,380	-	-	-	20,380	-
Intangible assets	9,506	9,533	-	-	9,506	9,533
Total Non-Current Assets	368,854	347,173	-	-	368,854	347,173
Total Assets	375,172	353,155	-	-	375,172	353,155
LIABILITIES						
Current Liabilities						
Payables	5,103	7,216	-	-	5,103	7,216
Borrowings	5,190	-	-	-	5,190	-
Provisions	7,551	6,424	-	-	7,551	6,424
Total Current Liabilities	17,844	13,640	-	-	17,844	13,640
Non-Current Liabilities						
Borrowings	16,212	-	-	-	16,212	-
Provisions	173	165	-	-	173	165
Total Non-Current Liabilities	16,385	165	-	-	16,385	165
Total Liabilities	34,229	13,805	-	-	34,229	13,805
Net Assets	340,943	339,350	-	-	340,943	339,350
EQUITY						
Reserves	147,302	146,536	-	-	147,302	146,536
Accumulated funds	193,641	192,814	-	-	193,641	192,814
Total Equity	340,943	339,350	-	-	340,943	339,350

*The name and purpose of the program group are summarised below.

The Legislature

Outcome: Effective Parliament and accountable government

The Legislature supports services delivered by the Parliament. This includes accurately processing bills and amendments, and promptly publishing Hansard and House documents.

The Legislature also educates the community about the role and function of the Parliament. As well, it ensures the availability and accessibility for Members, staff and the community to the Parliamentary precinct and Electorate Offices.

Purpose: The Legislature, or the Parliament of NSW, operates under the *Constitution Act 1902* as the system of representative democracy and responsible government for the State, making laws, appropriating funds, overseeing the Executive Government and debating public policy issues.

7. Current Assets – Cash and Cash Equivalents

	2020	2019
	\$'000	\$'000
Cash at bank and on hand	4,435	3,961
	4,435	3,961

For the purposes of the statement of cash flows, cash and cash equivalents include cash at bank and cash on hand.

	2020	2019
	\$'000	\$'000
Cash and cash equivalents (per Statement of Financial Position)	4,435	3,961
Closing Cash and cash equivalents (per Statement of Cash Flows)	4,435	3,961

Refer to Note 20 for details regarding credit risk and market risk arising from financial instruments.

8. Current Assets - Receivables

	2020	2019
	\$'000	\$'000
Trade receivables from contract with customers	173	-
Sales of goods and services	-	419
Less: Allowance for expected credit loss	14	1
	<u>159</u>	<u>418</u>
GST recoverable from ATO	827	717
Other receivables	59	183
Prepayments	732	580
	<u>1,777</u>	<u>1,898</u>
<i>Movement in the allowance for expected credit losses</i>		
Balance at the beginning of the year	1	1
Amounts restated through opening accumulated funds Balance as 1 July 2018 under AASB 9	-	1
Amounts written off during the year	-	-
Amounts recovered during the year	-	(1)
Increase/(decrease) in allowance recognised in net result	13	1
Balance at the end of the year	<u>14</u>	<u>1</u>

Details regarding credit risk of trade receivables that are either past due nor impaired, are disclosed in Note 20.

Recognition and Measurement

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

Subsequent measurement

The Legislature 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 Legislature 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 entity expects to receive, discounted at the original effective interest rate.

9. Non-Current Assets – Property, Plant and Equipment

	Land and Buildings \$'000	Plant and Equipment \$'000	Collection Assets \$'000	Total \$'000
At 1 July 2019 – fair value				
Gross carrying amount	424,036	53,217	49,361	526,614
Accumulated depreciation and Impairment	(161,364)	(27,084)	(526)	(188,974)
Net carrying amount	262,672	26,133	48,835	337,640
At 30 June 2020 – fair value				
Gross carrying amount	433,200	57,391	50,212	540,803
Accumulated depreciation and Impairment	(168,945)	(32,276)	(614)	(201,835)
Net carrying amount	264,255	25,115	49,598	338,968

Reconciliation

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

	Land and Buildings \$'000	Plant and Equipment \$'000	Library Collection \$'000	Artworks /Antiques \$'000	Total \$'000
Year ended 30 June 2020					
Net carrying amount at start of year	262,672	26,133	38,085	10,750	337,640
Purchases of assets	9,176	4,324	-	-	13,500
Assets recognised for first time	-	-	-	127	127
Reclassifications	(12)	12	49	(49)	-
Net revaluation increments less revaluation decrements	-	-	-	766	766
Disposals	-	(3)	(34)	(8)	(45)
Depreciation expense – asset owned	(7,581)	(5,351)	(88)	-	(13,020)
Net carrying amount at end of year	264,255	25,115	38,012	11,586	338,968

Collection Assets have been split into two classes - Library Collections and Artworks/Antiques from 2019-20 with the re-stated 2018-19 figures. Further details regarding the fair value measurement of property, plant and equipment are disclosed in Note 12.

	Land and Buildings \$'000	Plant and Equipment \$'000	Collection Assets \$'000	Total \$'000
At 1 July 2018 – fair value				
Gross carrying amount	416,343	54,065	50,140	520,548
Accumulated depreciation and impairment	(154,032)	(26,406)	(432)	(180,870)
Net carrying amount	262,311	27,659	49,708	339,678
At 30 June 2019 – fair value				
Gross carrying amount	424,036	53,217	49,361	526,614
Accumulated depreciation and impairment	(161,364)	(27,084)	(526)	(188,974)
Net carrying amount	262,672	26,133	48,835	337,640

Reconciliation

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

	Land and Buildings \$'000	Plant and Equipment \$'000	Library Collection \$'000	Artworks /Antiques \$'000	Total \$'000
Year ended 30 June 2019					
Net carrying amount at start of year	262,311	27,659	38,795	10,913	339,678
Additions	7,694	3,279	-	-	10,973
Assets first time recognised	-	-	269	22	291
Reclassifications to Intangible Assets	(2)	(21)	-	-	(23)
Net revaluation increments less revaluation decrements	-	-	(311)	-	(311)
Disposals	-	(10)	(574)	(184)	(768)
Depreciation expense	(7,331)	(4,774)	(95)	-	(12,200)
Net carrying amount at end of year	262,672	26,133	38,084	10,751	337,640

Recognition and Measurement

Acquisition of property, plant and equipment

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

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

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

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

Capitalisation thresholds

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

Major inspection costs

When each major inspection is performed, the cost is recognised in the carrying amount of an asset as a replacement of a part, if the recognition criteria are satisfied.

Restoration costs

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

Depreciation of property, plant and equipment

Except for the archive, antique and artwork collections, 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 Legislature.

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

Land is not a depreciable asset. Certain heritage assets including original artworks and collections and 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 depreciation rates applied during 2019-20, which are determined based on valuers' assessments and The Legislature's capital replacement plans, are listed in the table below.

The Parliament House buildings	1.25-6.25 percent
Plant and fitout	5-25 percent
Office equipment	5-33.33 percent
Computer equipment	16.67-33.33 percent
Library – Dewey collection, serials, government publications and other books recently valued	2 percent

Right-of-Use Assets acquired by lessees (under AASB 16 from 1 July 2019)

From 1 July 2019, AASB 16 Leases (AASB 16) requires a lessee to recognise a right-of-use asset for most leases. The Legislature has elected to present the right-of-use assets separately in the Statement of Financial Position. The right-of-use asset and corresponding liability are initially measured at the present value of the future lease payments.

Right-of use assets are generally depreciated over the shorter of the asset's useful life and the lease term. Further information on leases is contained in Note 10.

Revaluation of Property, Plant and Equipment

Physical non-current assets are valued in accordance with the “*Valuation of Physical Non-Current Assets at Fair Value*” Policy and Guidelines Paper (TPP 14-01). This policy adopts fair value in accordance with AASB 13 *Fair Value Measurement*, 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 a feasible higher restricted alternative use.

Fair value of property, plant and equipment is based on a market participants’ perspective, using valuation techniques (market approach, cost approach, income approach) that maximise relevant observable inputs and minimise unobservable inputs. Also refer Note 12 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 Legislature conducts a comprehensive revaluation at least every three years for its land and buildings where the market or income approach is most appropriate valuation technique and at least every five years for other classes of property, plant and equipment and collection assets. The last comprehensive revaluation was completed for each class of asset set out below and was based on an independent assessment.

Land	March 2018	Valustate Pty Ltd
Buildings	March 2018	D P Martin Pty Ltd
Collection Assets:		
Library Collection	October 2018	Peter Tinslay Valuer
Archives Collection	October 2018	Peter Tinslay Valuer
Antiques	March 2020	Raffan Kelaher & Thomas
Artworks	March 2020	Stella Downer Sue Hewitt

Interim revaluations are conducted between comprehensive revaluations where cumulative changes to indicators suggest fair value may differ materially from carrying value.

Non-specialised assets with short useful lives are measured at depreciated historical cost, as an approximation of fair value. The Legislature has assessed that any difference between fair value and depreciated historical cost is unlikely to be material.

Revaluation increments are recognised in other comprehensive income and credited to 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 that, to the extent that a credit balance exists in the revaluation surplus in respect of the same class of assets, they are debited directly to the revaluation surplus.

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

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 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.

Impairment of property, plant and equipment

As a not-for-profit entity with no cash generating units, impairment under AASB 136 Impairment of Assets is unlikely to arise. As property, plant and equipment is carried at fair value or an amount that approximates fair value, impairment can only arise in the rare circumstances such as where the costs of disposal are material. Specifically, impairment is unlikely for not-for-profit entities given that AASB 136 modifies the recoverable amount test for non-cash generating assets of not-for-profit entities to the higher of fair value less costs of disposal and depreciated replacement cost, where depreciated replacement cost is also fair value.

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.

10. Leases

a. Entity as a lessee

The Legislature is the lessee of 98 electorate offices throughout NSW. The leases are mostly standard commercial leases based on the Law Society template and are generally for four to eight years with a four year option. 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 Legislature does not provide residual value guarantees in relation to leases.

Extension and termination options are included to maximise operational flexibility in terms of managing contracts. The majority of extension and termination options held are exercisable only by The Legislature 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). 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 is recognised in lease liabilities and right-of-use assets.

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

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

Right-of-use assets under leases

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

	Land and Buildings \$'000
Balance at 1 July 2019	25,238
Additions	1,409
Impairment loss	(789)
Disposals	-
Depreciation expense	(5,478)
Balance at 30 June 2020	<u><u>20,380</u></u>

Lease liabilities

The following table presents liabilities under leases.

	Lease liabilities \$'000
Balance at 1 July 2019	25,238
Additions	1,410
Interest expenses	392
Payments	(5,638)
Balance at 30 June 2020	<u><u>21,402</u></u>

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

Depreciation expense of right-of-use assets	\$'000 5,478
Interest expense on lease liabilities	392
Expense relating to short-term leases	521
Total amount recognised in the statement of comprehensive income	<u><u>6,391</u></u>

The Legislature had total cash outflows for leases of \$6.159 million in FY2019-20.

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

	Operating lease
	\$'000
Within one year	4,002
Later than one year and not later than five years	4,576
Later than five years	48
Total (including GST)	<u>8,626</u>
Less: GST recoverable from the Australian Tax Office	<u>(781)</u>
Total (excluding GST)	<u>7,845</u>

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

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

i. Right-of-use assets

The Legislature 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 ii below), adjusted by any lease payments made at or before the commencement date and lease incentives, any initial direct costs incurred, and estimated costs of dismantling and removing the asset or restoring the site.

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 4 to 12 years.

The right-of-use assets are also subject to impairment. The Legislature 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 entity 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.

ii. Lease liabilities

At the commencement date of the lease, the Legislature 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;
- payments of penalties for terminating the lease, if the lease term reflects the entity 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 Legislature's leases, the lessee's incremental borrowing rate is used, being the rate that The Legislature 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.

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

The Legislature's lease liabilities are included in borrowings.

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

The Legislature 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.

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 entity was classified as a finance lease.

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.

11. Intangible Assets**Software licensing and upgrade**

At 1 July 2019 **\$'000**

Cost (gross carrying amount)	14,069
Accumulated amortisation and impairment	<u>(4,536)</u>

Net carrying amount	<u><u>9,533</u></u>
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At 30 June 2020

Cost (gross carrying amount)	15,407
Accumulated amortisation and impairment	<u>(5,901)</u>

Net carrying amount	<u><u>9,506</u></u>
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Reconciliation

Year ended 30 June 2020

Net carrying amount at start of year	9,533
Additions (acquired separately)	1,483
Amortisation (recognised in depreciation and amortisation)	<u>(1,510)</u>

Net carrying amount at end of year	<u><u>9,506</u></u>
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At 1 July 2018 **\$'000**

Cost (gross carrying amount)	17,227
Accumulated amortisation and impairment	<u>(7,357)</u>

Net carrying amount	<u><u>9,870</u></u>
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At 30 June 2019

Cost (gross carrying amount)	14,069
Accumulated amortisation and impairment	<u>(4,536)</u>

Net carrying amount	<u><u>9,533</u></u>
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Reconciliation

Year ended 30 June 2019

Net carrying amount at start of year	9,870
Additions (acquired separately)	1,197
Reclassifications from Property, plant and equipment	23
Amortisation (recognised in depreciation and amortisation)	<u>(1,557)</u>

Net carrying amount at end of year	<u><u>9,533</u></u>
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Recognition and Measurement

The Legislature recognises intangible assets only if it is probable that future economic benefits will flow to The Legislature and the cost of the asset can be measured reliably. Intangible assets are measured initially at cost. Where an asset is acquired at no or nominal cost, the cost is its fair value as at the date of acquisition. Following initial recognition, intangible assets are subsequently measured at fair value only if there is an active market. As there is no active market for The Legislature'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, except for the Parliamentary Records Digitalisation asset.

The Legislature's intangible assets are amortised using the straight line method over a period of 3 to 8 years.

The amortisation period and the amortisation method for an intangible asset with a finite useful life are reviewed at least at the end of each reporting period.

Intangible assets with indefinite useful lives are not amortised, but are tested for impairment annually. The assessment of indefinite life is reviewed annually to determine whether the indefinite life continues to be supportable. If not, the change in useful life from indefinite to finite is made on a prospective basis.

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 recognised as an impairment loss.

12. Fair Value Measurement of Non-Financial Assets

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

- Level 1 - quoted prices in active markets for identical assets / liabilities that The Legislature 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 Legislature recognises transfers between levels of the fair value hierarchy at the end of the reporting period during which the change has occurred.

Refer to Note 20 for further disclosures regarding fair value measurements of non-financial and financial assets.

(a) Fair Value Hierarchy

2020

	Level 1	Level 2	Level 3	Total fair value
	\$'000	\$'000	\$'000	\$'000
Property, plant and equipment (Note 9)				
Land	-	-	64,340	64,340
Buildings	-	-	199,915	199,915
Collection assets	-	49,598	-	49,598
	-	49,598	264,255	313,853

There were no transfers between Level 1 or 2 during the year.

2019

	Level 1	Level 2	Level 3	Total fair value
	\$'000	\$'000	\$'000	\$'000
Property, plant and equipment (Note 9)				
Land	-	-	64,340	64,340
Buildings	-	-	198,332	198,332
Collection assets	-	48,835	-	48,835
	-	48,835	262,672	311,507

There were no transfers between Level 1 or 2 during the year.

(b) Valuation techniques, inputs and processes

Land

The fair value of the land under the Parliament of NSW building complex has been independently determined using market evidence with consideration made for condition, location, comparability, heritage classification and floor space area.

Buildings

The fair value of the Parliament of NSW building complex has been independently determined based on replacement cost and measured at depreciated replacement cost.

Collection Assets

The fair values of the archives, library collections, artworks and antiques are independently determined by reference to the best available market evidence. This is based on the current market price of like or similar items.

The input for the valuation was obtained by research of records of Australian and international sales, purchases and other forms of acquisition, knowledge of prices paid by other institutions and valuation experiences at other major institutions.

A breakdown of Land and Buildings Level 3 fair value is represented below:

2020	Land	Buildings	Total Recurring Level 3 Fair value \$'000
	\$'000	\$'000	\$'000
Fair value as at 1 July 2019	64,340	198,332	262,672
Additions	-	9,176	9,176
Reclassification to Plant and Equipment	-	(12)	(12)
Depreciation	-	(7,581)	(7,581)
Fair value as at 30 June 2020	64,340	199,915	264,255

2019	Land	Buildings	Total Recurring Level 3 Fair value \$'000
	\$'000	\$'000	\$'000
Fair value as at 1 July 2018	64,340	197,971	262,311
Additions	-	7,694	7,694
Reclassification to intangibles	-	(2)	(2)
Depreciation	-	(7,331)	(7,331)
Fair value as at 30 June 2019	64,340	198,332	262,672

13. Current Liabilities - Payables

	2020	2019
	\$'000	\$'000
Accrued salaries, wages and on-costs	1,244	2,510
Trade creditors	1,179	1,463
Accrued operating expenses	2,212	2,991
Other payables	468	252
	5,103	7,216

Details regarding credit risk, liquidity risk and market risk, including a maturity analysis of the above payables, are disclosed in Note 20.

Recognition and Measurement

Payables represent liabilities for goods and services provided to the entity and other amounts. Short-term payables with no stated interest rate are measured at the original invoice amount where the effect of discounting is immaterial. Payables are financial liabilities at amortised cost, initially measured at fair value, net of directly attributable transaction costs. These are subsequently

measured at amortised cost using the effective interest method. Gains and losses are recognised in net result when the liabilities are derecognised as well as through the amortisation process.

14. Current / Non- Current Liabilities – Borrowings

	2020	2019
	\$'000	\$'000
Current Lease Liability (see note 10)	5,190	-
Non - Current Lease Liability (see note 10)	16,212	-
	21,402	-

Details regarding credit risk, liquidity risk and market risk, including a maturity analysis of the above payables, are disclosed in Note 20.

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.

From 1 July 2019, lease liabilities are determined in accordance with AASB 16.

15. Current / Non- Current Liabilities – Provisions

	2020	2019
	\$'000	\$'000
Employee benefits and related on-costs – Current		
Annual leave	4,888	3,975
Payroll tax on-costs	973	893
Annual leave, superannuation and workers' compensation on-costs	1,690	1,556
	7,551	6,424
Employee benefits and related on-costs – Non - Current		
Payroll tax on-costs	61	58
Annual leave, superannuation and workers' compensation on-costs	112	107
	173	165
Subtotal Employee benefits and related on-costs	7,724	6,589
Aggregate employee benefits and related on-costs		
Provisions – Current	7,551	6,424
Provisions - Non-Current	173	165
Accrued salaries, wages and on-costs (note 13)	1,244	2,510
	8,968	9,099

Of employee benefits for annual leave \$4.756 million (2019: \$3.975 million) is expected to be settled within twelve months and \$132,000 (2019: nil) is expected to be settled after twelve months. All accrued wages and salaries are expected to be settled within twelve months.

Recognition and Measurement

Salaries and wages, annual leave, sick leave and on-costs

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% of the nominal value of annual leave) can be used to approximate the present value of the annual leave liability. The Legislature has assessed the actuarial advice based on its 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 Legislature does not expect to settle the liability within 12 months as The Legislature 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.

Long service leave and superannuation

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

Long service leave is measured at 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.

The superannuation expense for the financial year is determined by using the formulae specified in the 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.

Consequential on-costs

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

16. Commitments

Capital Commitments

Aggregate capital expenditure contracted for the completion of the following projects: Ceiling & Building Services Replacement, Strategic Security Measures, Tower Block Membrane replacement, Emergency Ventilation Compliance as at the balance date and not provided for:

	2020	2019
	\$'000	\$'000
Not later than one year	754	1,498
Total (including GST)	754	1,498

The above total includes GST input tax credits of \$69,000 (2019: \$136,000), which will be recoverable from the ATO.

17. Contingent Liabilities and Contingent Assets

The Legislature had no contingent assets or contingent liabilities at reporting date (2019: nil).

18. Budget Review**Net result**

The budgeted amounts are drawn from the original budgeted financial statements presented to Parliament in respect of the reporting period. Subsequent amendments to the original budget (e.g. adjustment for transfer of functions between entities as a result of Administrative Arrangements Orders) 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.

The net result of \$827,000 was lower than the budgeted net result of \$4.183 million by \$3.356 million. This arose from the following budget variations: higher employee related expenses (\$1.853 million); lower other operating expenses (\$633,000); higher depreciation and amortisation expenses (\$34,000); higher other expenses - Members' remuneration (\$753,000); higher grants and subsidies (\$134,000); lower finance costs (\$151,000) lower revenue (\$532,000); higher loss on disposal of assets (\$45,000) and higher other losses due to an impairment loss on right of use assets of \$789,000.

The employee related expenses were \$1.853 million higher than the budget of \$72.717 million. The primary reasons for the variation were:

- Higher than budget results for direct salaries and wages of \$831,000; redundancy costs of \$559,000; defined contributions superannuation expenses (accumulation schemes) of \$654,000 and payroll tax \$216,000, offset by lower long service leave costs of \$194,000 and lower superannuation costs of \$212,000.

Other operating expenses were lower than the budget of \$32.224 million by \$633,000 due mainly to lower charges for agency staff of \$233,000, lower energy charges of \$164,000, lower printing and postage costs \$1.183 million, lower administration expenses \$493,000, lower staff related expenses \$393,000 offset by higher spend on Special Constables of \$1.794 million.

Depreciation and amortisation expenses were \$34,000 higher than the budget of \$19.974 million.

Other expenses were \$753,000 higher than a budget of \$45.504 million. This was made up of Members' remuneration and allowances being \$894,000 higher than the budget of \$42.741 million.

Revenue was \$532,000 lower than the budget of \$175.145 million due to:

- a \$2.8 million lower capital appropriation drawdown due capital projects allocations being carried forward to 2020-21;
- an increase in supplementation funding received for COVID-19 of \$2.377 million;
- Crown acceptance of employee benefits and liabilities being \$381,000 lower than expected mainly due to lower long service leave and defined benefit superannuation expenses;
- sale of goods and services being \$527,000 lower than budget due to the impact of lower sales caused from COVID-19;
- grants and contributions being \$689,000 higher than budget primarily for funding in business case development work for Digital Parliament and Audiovisual capital works of \$330,000 and \$379,000 for redundancies;
- other revenue being \$110,000 higher than budget, consisting of \$127,000 for library collections recognised for the first time.

Assets and liabilities

Total current assets of \$6.318 million were higher than the budget of \$5.776 million by \$542,000 due to higher than budgeted cash holdings of \$1.261 million, offset by lower receivables of \$691,000.

Total non-current assets of \$368.854 million were lower than the budget of \$373.835 million by \$4.981 million primarily due to Treasury-funded annual capital works being carried forward to 2020-21 of \$2.800 million and lower right-of-use assets of \$3.423 million.

Total current liabilities of \$17.844 million were lower than the budget of \$17.839 million by \$5,000 due to lower payables of \$1.186 million, offset by higher employee provisions of \$1.364 million.

Total non-current liabilities of \$16.385 million were lower than the budget of \$18.995 million due to lower provisions of \$165,000.

Cash flows

Net cash flows from operating activities were \$3.454 million lower than the budget of \$24.157 million. This is due to an increase in total payments of \$11.367 million offset by higher receipts of \$7.913 million.

Net cash flows from investing activities were \$2.809 million lower than the budget of \$17.821 million due to asset acquisitions being lower than the budget following the carry forward of \$2.8 million to 2020-21.

Net cash flows from financing activities were \$566,000 higher than the budget of \$4.651 million.

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

	2020	2019
	\$'000	\$'000
Net cash used in operating activities	20,703	13,094
Depreciation and amortisation expense	(20,008)	(13,757)
(Increase) in provisions	(1,136)	(265)
Increase / (decrease) in receivables and inventories	(138)	(580)
Decrease / (increase) in payables	2,113	(1,282)
Net (loss) on sale of property, plant and equipment	(45)	(763)
Impairment loss of right-of-use assets	(789)	-
Assets recognised for first time	127	291
Net result	827	(3,262)

20. Financial Instruments

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

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

The Clerks and the Chief Executive have overall responsibility for the establishment and oversight of risk management and review and agree policies for managing each of these risks. Risk management policies are established to identify and analyse the risks faced by The Legislature, to set risk limits and controls and to monitor risks. Compliance with policies is reviewed by The Legislature on a continuous basis.

(a) Financial instrument categories

Financial Assets	Note	Category	2020	2019
			\$'000	\$'000
Class:				
Cash and cash equivalents	7	N/A	4,435	3,961
Receivables ¹	8	Amortised cost	218	601
Financial Liabilities				
Class:				
Payables ²	13	Financial liabilities measured at amortised cost	4,478	4,749
Borrowings	14	Financial liabilities measured at amortised cost	21,402	-

Notes

1. Excludes statutory receivables and prepayments (i.e. not within scope of AASB 7 *Financial Instruments: Disclosures*).
2. Excludes statutory payables and unearned revenue (i.e. not within scope of AASB 7 *Financial Instruments: Disclosures*).

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

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

When The Legislature has transferred its rights to receive cash flows from an asset or has entered into a passthrough arrangement, it evaluates if, and to what extent, it has retained the risks and rewards of ownership. Where The Legislature 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 Legislature's continuing involvement in the asset. In that case, The Legislature 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 Legislature 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 entity 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.

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.

(b) 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 Legislature. The maximum exposure to credit risk is generally represented by the carrying amount of the financial assets (net of any allowance for credit losses or allowance for impairment).

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

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

The Legislature considers a financial asset in default when contractual payments are 150 days past due. However, in certain cases, The Legislature may also consider a financial asset to be in default when internal or external information indicates that The Legislature is unlikely to receive the outstanding contractual amounts in full before taking into account any credit enhancements held by The Legislature.

Cash and cash equivalents

Cash comprises cash on hand and bank balances within the Treasury Banking System. Interest was earned on daily bank balances at the monthly average NSW Treasury Corporation (TCorp) 11am unofficial cash rate adjusted for a management fee to NSW Treasury. Under cash management reforms introduced by NSW Treasury from 1 July 2015, interest is no longer payable on cash held in bank accounts within the Treasury Banking System.

Accounting policy for impairment of trade receivables and other financial assets

Receivables - trade receivables

The Legislature applies the AASB 9 simplified approach to measuring expected credit losses which uses a lifetime expected loss allowance for all trade receivables. To measure the expected credit losses, trade receivables have been grouped based on shared credit risk characteristics and the days past due.

The expected 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. Trade debtors 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 150 days past due. Interest is charged on food and beverage debts after 60 days at 2% per month. No interest is charged on any other debtors. Food and beverage sales are made on 30-day terms. Other sales are made on either 14 or 30-day terms.

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

The loss allowance for trade debtors as at 30 June 2020 and 1 July 2019 was determined as follows:

	30-Jun-20					Total
	Current	<30 Days	30-60 Days	61-90 Days	> 91 Days	
Estimated total gross carrying amount ^{1,2}	103	39	5	11	15	173
Expected Credit Loss Rate	7.9%	7.9%	7.9%	7.9%	7.9%	7.9%
Expected Credit Loss	9	3	0	1	1	14

	30-Jun-19					Total
	Current	<30 Days	30-60 Days	61-90 Days	> 91 Days	
Estimated total gross carrying amount ^{1,2}	301	77	3	23	15	419
Expected Credit Loss Rate	0.3%	0.3%	0.3%	0.3%	0.3%	0.3%
Expected Credit Loss	1	0	0	0	0	1

Notes

1. Each column in the table reports “gross receivables”.
2. The ageing analysis excludes statutory receivables, as these are not within the scope of AASB

7 (*Financial Instruments: Disclosures*). Therefore, the “total” will not reconcile to the receivables total recognised in the statement of financial position.

ii. Liquidity risk

Liquidity risk is the risk that The Legislature will be unable to meet its payment obligations when they fall due. The Legislature continuously manages risk through monitoring future cash flows and maturities planning to ensure adequate holding of high quality liquid assets available to it. Under cash management reforms introduced by NSW Treasury from 1 July 2015, NSW Treasury assumed the liquidity risk of the Legislature and manages its cash balances through a system of annual cash buffer adjustments, either increasing or decreasing its appropriation to ensure an adequate cash holding for the forthcoming financial year.

The Legislature has the following banking facilities as at 30 June 2020:

- Cheque cashing authority of \$20,000, which is the total encashment facility provided to enable recoupment of advance account activities.
- Tape negotiation authority of \$3,000,000. This facility authorised the bank to debit The Legislature’s operating bank account up to the above limit when processing the electronic payroll and vendor files.
- Westpac card facility of \$731,000 and Citibank card facility of \$150,000.

During the current and prior year, there were no defaults of payables. No assets have been pledged as collateral.

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), with the exception of Members’ claims which are subject to requirements in the Parliamentary Remuneration Tribunal Determination, are settled in accordance with the policy set out in NSW Treasury Circular *Payment of Accounts* 11/12. For small business suppliers, whose terms are not specified, payment is made not later than 30 days from the 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.

The table below summarises the maturity profile of The Legislature’ financial liabilities, together with the interest rate exposure.

Maturity analysis and interest rate exposure of financial liabilities

\$'000			\$'000			\$'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	-	4,604	-	-	4,604	4,604	-	-
Borrowings - Lease liabilities	4.86%	22,496	-	1,094	-	5,190	13,474	3,832
2019								
Payables	-	4,749	-	-	4,749	4,749	-	-

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 Legislature can be required to pay. The

tables include both interest and principal cash flows and therefore will not reconcile to the statement of financial position.

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 Legislature's exposures to market risk are primarily through interest rate risk on The Legislature's borrowings and other price risks associated with the movement in the unit price of the Hour Glass Investment Facilities. The Legislature has no exposure to foreign currency risk and does not enter into commodity contracts.

The effect on profit and equity due to a reasonably possible change in risk variable is outlined in the information below, for interest rate risk. A reasonably possible change in risk variable has been determined after taking into account the economic environment in which The Legislature 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 2019. 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 Legislature's interest bearing liabilities. This risk is minimised by undertaking mainly fixed rate borrowings, primarily with NSW TCorp. The Legislature does not account for any fixed rate financial instruments at fair value through profit or loss or as 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 years). The basis will be reviewed annually and amended where there is a structural change in the level of interest rate volatility. Under cash management reforms introduced by NSW Treasury from 1 July 2015, The Legislature no longer earns interest on cash held in bank accounts within the Treasury Banking System.

(c) **Fair value measurement**

Financial instruments are generally recognised at cost which are measured at fair value. The amortised cost of financial instruments recognised in the statement of financial position approximates the fair value, because of the short term nature of many of the financial instruments.

21. Related Party Disclosures

The Legislature's key management personnel compensation are as follows:

	2020	2019
	\$'000	\$'000
Short-term employee benefits:		
Salaries	1,388	1,344
Other monetary allowances	276	276
Non-monetary benefits	36	15
Other long-term employee benefits	-	-
Post-employment benefits	71	49
Termination benefits	-	-
Total remuneration	1,771	1,684

During the year, The Legislature did not enter into any transactions on arm's length terms and conditions with key management personnel, their close family members and controlled or jointly controlled entities thereof.

During the year, The Legislature entered into transactions with other entities that are controlled by the State of NSW, these include:

- provision of ministerial offices and parking at Parliament House to the NSW Department of Premier and Cabinet;
- supply of hot and chilled water for use in air conditioning to the NSW State Library and Sydney Hospital;
- engagement of special constables from the NSW Police Force for the security of The Legislature;
- audit of financial statements and Members' additional entitlements by the Audit Office of NSW.

22. Events After Reporting Period

As a result of Parliament being closed to the public due to the COVID-19 restrictions, it is expected that the revenue which is typically generated from the Catering business for Parliament will be reduced by at least 50% impacting the future revenue stream by at least \$2.6 million over the 2020-21 financial period. This estimation is subject to the re-opening of Parliament and the resumption of normal activities. Parliament is seeking supplementary funding and recovery options through insurance to minimise this impact.

End of audited financial statements

End of audited
Financial Statements