



PARLIAMENT OF
NEW SOUTH WALES

Financial Performance

2018-2019



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Financial Commentary

The Parliament Net result

The negative net result of \$3.262 million was lower than the budgeted net result of \$5.350 million by \$8.612 million. This arose from the following budget variations: higher employee related expenses (\$5.530 million); lower other operating expenses (\$279,000); higher depreciation and amortisation expenses (\$937,000); lower other expenses - Members' remuneration (\$373,000); higher grants and subsidies (\$132,000); lower revenue (\$1.902 million) and a higher loss on disposal of assets (\$763,000).

The employee related expenses were \$5.530 million higher than the budget of \$70.370 million. The primary reasons for the variation were: higher than budget results for direct salaries and wages of \$2.701 million, mostly driven by separation payments to Members' staff of \$3.983 million; higher long service leave expense of \$1.649 million; higher workers compensation costs of \$171,000; higher redundancy costs of \$259,000; higher defined contributions superannuation expenses (accumulation schemes) of \$507,000 and higher payroll tax \$445,000.

Other operating expenses were lower than the budget of \$37.676 million by \$279,000 due to: lower contracting and legal expenses of \$387,000; lower Members' Communication Allowance spending of \$1.726 million; lower stores and equipment purchases of \$186,000; lower travel expenses of \$297,000; higher accommodation costs of \$509,000; higher staff recruitment and training costs of \$163,000; higher advertising costs of \$147,000; higher computer software and hardware maintenance costs of \$806,000; and higher Parliament House building maintenance costs of \$263,000.

Depreciation and amortisation expenses were \$937,000 higher than the budget of \$12.820 million. This was mainly due to the higher capitalisation of intangibles from the prior year.

Other expenses were \$373,000 lower than a budget of \$46.595 million. This was made up of Members' remuneration and allowances being \$236,000 higher than the budget of \$41.699 million offset by a lower spend on the Parliamentary Budget Office of \$417,000.

Revenue was \$1.902 million lower than the budget of \$172.811 million due to:

- a \$4.456 million lower capital appropriation drawdown due capital projects allocations being carried forward to 2019–20;
- Crown acceptance of employee benefits and liabilities being \$1.656 million higher than expected mainly due to lower long service leave and defined benefit superannuation expenses;
- sale of goods and services being \$532,000 higher than budget principally from the sale of food and beverages; and
- other income being \$396,000 higher than budget, consisting of \$291,000 for library collections recognised for the first time and \$73,000 for insurance claims.

Assets and liabilities

Total current assets of \$5.982 million were higher than the budget of \$4.990 million by \$992,000 due to higher than budgeted cash holdings of \$660,000 and higher receivables of \$338,000.

Total non-current assets of \$347.173 million were lower than the budget of \$353.221 million by \$6.047 million primarily due to Treasury-funded annual capital works being carried forward to 2019–20 of \$4.456 million.

Total current liabilities of \$13.640 million were higher than the budget of \$11.999 million by \$1.641 million due to higher payables of \$548,000 and higher employee provisions of \$1.093 million.

Cash flows

Net cash flows from operating activities were \$5.076 million lower than the budget of \$18.170 million. This is due to the reduction in the capital component of the appropriation of \$4.456 million, higher employee related payments of \$816,000; higher payments to suppliers of \$1.913 million; an increase in sale of goods and services of \$1.929 million and other receipts from other operating activities of \$342,000.

Net cash flows from investing activities were \$3.934 million lower than the budget of \$16.453 million due to asset acquisitions being lower than the budget following the carry forward of \$4.456 million to 2019–20.

Outlook for the Parliament

The Parliament's budgeted net result for 2019–20 is a surplus of \$4.183 million. The Appropriation includes recurrent funding of \$146.421 million, which included additional funding for:

- \$2.180 million to meet salary and other operating expense cost increases; and
- \$0.741 million for previously unfunded Parliamentary Remuneration Tribunal Determinations for Members' Entitlements.

The Appropriation in 2019–20 includes capital funding of \$17.821 million consisting of:

1. \$4.008 million funding for new major capital works including:
 - Urgent Workplace Health and Safety Updates to Members Electorate Offices — \$550,000
 - Urgent Infrastructure Updates to Parliament House — \$2.458 million and
 - Urgent Asset Replacement — \$1 million.
2. \$10.886 million funding for major capital works in progress including:
 - Parliament House Ceiling and Building Services Replacement — \$7.128 million
 - Strategic Security Measures — \$1.447 million
 - Parliament House Tower Block Membrane Replacement — \$2.071 million and
 - Parliament House Emergency Ventilation Compliance — \$240,000.
3. Minor Capital Works — \$2.927 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 2019, the Statement of financial position as at 30 June 2019, the Statement of changes in equity and the Statement of cash flows, for the year then ended, notes comprising a Summary of Significant Accounting Policies and other explanatory information.

In my opinion, the financial statements:

- give a true and fair view of the financial position of The Legislature as at 30 June 2019, 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' (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 2019 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 is responsible for the other information. At the date of this Independent Auditor's Report, the other information I have received comprises the Statement by 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 they 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, unless it is not appropriate to do so.

Auditor's Responsibilities for the Audit of the Financial Statements

My objectives are to:

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

Reasonable assurance is a high level of assurance, but does not guarantee an audit conducted in accordance with Australian Auditing Standards will always detect material misstatements.

Misstatements can arise from fraud or error. Misstatements are considered material if, individually or in aggregate, they could reasonably be expected to influence the economic decisions users take based on the financial statements.

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

My opinion does not 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 NSW

18 September 2019
SYDNEY



13 September 2019

The Legislature
Financial Statements for the Year ended
30 June 2019

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 2019 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.

Carly Maxwell
A/Clerk of the Legislative
Assembly

Steven Reynolds
A/Clerk of the Parliaments

Mark Webb
Chief Executive
Dept. of Parliamentary Services

Date: 13/9/2019

Date: 13/9/19

Date: 13/9/2019

Financial Statements for the year ended 30 June 2019

THE LEGISLATURE**Statement of comprehensive income for the year ended 30 June 2019**

	Notes	Actual 2019 \$'000	Budget 2019 \$'000	Actual 2018 \$'000
Expenses excluding losses				
Employee related expenses	2(a)	75,900	70,370	68,185
Operating expenses	2(b)	37,397	37,676	37,067
Depreciation and amortisation	2(c)	13,757	12,820	12,207
Grants and subsidies	2(d)	132	-	129
Other expenses	2(e)	46,222	46,595	44,244
Total expenses excluding losses		173,408	167,461	161,832
Revenue				
Appropriations	3(a)	157,676	162,132	156,951
Sale of goods and services	3(b)	7,896	7,364	7,708
Grants and other contributions	3(c)	-	30	509
Acceptance by the Crown Entity of employee benefits and other liabilities	3(d)	4,752	3,096	2,729
Other income	3(e)	585	189	678
Total revenue		170,909	172,811	168,575
Operating result		(2,499)	5,350	6,743
Gain / (loss) on disposal	4	(763)	-	(10)
Net result		(3,262)	5,350	6,733
Changes in revaluation surplus of property, plant and equipment		(311)	-	44,344
Other comprehensive income		(311)	-	44,344
TOTAL COMPREHENSIVE INCOME		(3,573)	5,350	51,077

The accompanying notes form part of these financial statements.

THE LEGISLATURE

Statement of financial position as at 30 June 2019

	Notes	Actual 2019 \$'000	Budget 2019 \$'000	Actual 2018 \$'000
ASSETS				
Current Assets				
Cash and cash equivalents	6	3,961	3,301	3,386
Receivables	7	1,898	1,560	2,467
Inventories		123	129	134
Total Current Assets		5,982	4,990	5,987
Non-Current Assets				
Property, plant and equipment	8			
- Land and buildings		262,672	267,155	262,311
- Plant and equipment		26,133	27,536	27,659
- Collection assets		48,835	49,560	49,708
Total property, plant and equipment		337,640	344,251	339,678
Intangible assets	9	9,533	8,970	9,870
Total Non-Current Assets		347,173	353,221	349,548
Total Assets		353,155	358,211	355,535
LIABILITIES				
Current Liabilities				
Payables	11	7,216	6,668	6,288
Provisions	12	6,424	5,331	6,187
Total Current Liabilities		13,640	11,999	12,475
Non-Current Liabilities				
Provisions	12	165	122	137
Total Non-Current Liabilities		165	122	137
Total Liabilities		13,805	12,121	12,612
Net Assets		339,350	346,090	342,923
EQUITY				
Reserves		146,536	147,076	147,076
Accumulated funds		192,814	199,014	195,847
Total Equity		339,350	346,090	342,923

The accompanying notes form part of these financial statements.

THE LEGISLATURE

Statement of changes in equity for the year ended 30 June 2019

	Accumulated Funds	Asset Revaluation Surplus	Total
	\$'000	\$'000	\$'000
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
Balance at 1 July 2017	189,114	102,732	291,846
Net result for the year	6,733	-	6,733
Other comprehensive income for the year			
Net change in revaluation surplus of property, plant and equipment	-	44,344	44,344
Total comprehensive income for the year	6,733	44,344	51,077
Balance at 30 June 2018	195,847	147,076	342,923

THE LEGISLATURE

Statement of cash flows for the year ended 30 June 2019

	Notes	Actual 2019 \$'000	Budget 2019 \$'000	Actual 2018 \$'000
CASH FLOWS FROM OPERATING ACTIVITIES				
Payments				
Employee related		(70,443)	(69,627)	(64,767)
Grants and subsidies		(132)	-	(129)
Suppliers for goods and services		(87,301)	(85,388)	(87,075)
Total Payments		(157,876)	(155,015)	(151,971)
Receipts				
Appropriations (excluding equity appropriations)		157,676	162,132	156,951
Sale of goods and services		9,293	7,364	7,657
Grants and other contributions		-	30	509
Other		4,001	3,659	4,984
Total Receipts		170,970	173,185	170,101
NET CASH FLOWS FROM OPERATING ACTIVITIES	16	13,094	18,170	18,130
CASH FLOWS FROM INVESTING ACTIVITIES				
Proceeds from sale of plant and equipment and collection assets		5	-	2
Purchases of property, plant and equipment		(11,327)	(16,453)	(18,650)
Purchases of intangibles		(1,197)	-	(1,450)
NET CASH FLOWS FROM INVESTING ACTIVITIES		(12,519)	(16,453)	(20,098)
NET INCREASE / (DECREASE) IN CASH AND CASH EQUIVALENTS		575	1,717	(1,968)
Opening cash and cash equivalents		3,386	1,584	5,354
CLOSING CASH AND CASH EQUIVALENTS	6	3,961	3,301	3,386

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 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 2019 have been authorised for issue by the Clerk of the Legislative Assembly, the Clerk of the Parliaments and the Chief Executive Department of Parliamentary Services on 13 September 2019.

(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* (PFAA) and *Public Finance and Audit Regulation 2015*, and
- Financial Reporting Directions mandated by the Treasurer.

The Legislature is a 'going concern' public sector entity. Parliamentary appropriation has been provided in the NSW Budget Papers for 2018-19 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.

(c) Statement of compliance

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

(d) 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.

(e) 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.

(f) Income recognition

Income is measured at the fair value of the consideration or contribution received or receivable. Comments regarding the accounting policies for the recognition of income are discussed below.

(i) Appropriations and contributions

Appropriations are not recognised as income in the following circumstances:

- 'Equity appropriations' to fund payments to adjust a for-profit entity's capital structure are recognised as equity injections (i.e. contribution by owners) on receipt and equity withdrawals on payment to a for-profit entity.
- Unspent appropriations are recognised as liabilities rather than income, as the authority to spend the money lapses and the unspent amount must be repaid to the Consolidated Fund.

(ii) Sales 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.

(iii) Rendering of services

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

(iv) Grants

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.

(g) Assets

(i) 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.

(ii) 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.

(iii) 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 8 and Note 10 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	April 2015	Christies Australia
Artworks	April 2015	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.

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.

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.

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.

(iv) 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.

(v) 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 2018-19, 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

(vi) 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.

(vii) 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.

(viii) Maintenance

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

(ix) Leased Assets

A distinction is made between finance leases which effectively transfer from the lessor to the lessee substantially all the risks and rewards incidental to ownership of the leased assets, and operating leases under which the lessor effectively retains all such risks and rewards.

Operating lease payments are recognised as an expense on a straight-line basis over the lease term.

(x) Intangible assets

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.

(xi) Receivables

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 under AASB 9 (from 1 July 2018)

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.

Subsequent measurement under AASB 139 (for comparative period ended 30 June 2018)

Subsequent measurement is 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.

(xii) Impairment of financial assets

Impairment under AASB 9 (from 1 July 2018)

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

For trade receivables, The Legislature applies a simplified approach in calculating ECLs. A loss allowance is recognised based on lifetime ECLs at each reporting date and provision matrix based on its historical credit loss experience for trade receivables, adjusted for forwardlooking factors specific to the receivable.

Impairment under AASB 139 (for comparative period ended 30 June 2018)

Receivables are subject to an annual review for impairment. These are considered to be impaired when there is objective evidence that, as a result of one or more events that occurred after the initial recognition of the financial asset, the estimated future cash flows have been affected.

The Legislature first assesses whether impairment exists individually for receivables that are individually significant, or collectively for those that are not individually significant. Further, receivables are assessed for impairment on a collective basis if they were assessed not to be impaired individually.

The amount of the allowance is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the original effective interest rate. The amount of the impairment loss is recognised in the net result for the year.

Any reversals of impairment losses are reversed through the net result for the year, if objectively related to an event occurring after the impairment was recognised. Reversals of impairment losses cannot result in a carrying amount that exceeds what the carrying amount would have been had there not been an impairment loss.

(xiii) 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.

(xiv) 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.

(h) Liabilities

(i) Payables

These amounts represent liabilities for goods and services provided to The Legislature and other amounts as detailed in Note 11.

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.

(ii) Employee benefits and other provisions

(a) 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.

(b) 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.

(c) 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.

(i) Other provisions

Other provisions exist when: The Legislature has a present legal or constructive obligation as a result of a past event; it is probable that an outflow of resources will be required to settle the obligation; and a reliable estimate can be made of the amount of the obligation.

(j) Fair value measurement and hierarchy

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 Note 10 and Note 17 for further disclosures regarding fair value measurements of non-financial and financial assets.

(k) 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 1(g)(iii).

(ii) Accumulated Funds

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

(iii) 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 and foreign currency translation reserve).

(l) Budgeted amounts

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 are not reflected in the budgeted amounts. Major variances between the original budgeted amounts and the actual amounts disclosed on the primary financial statements are explained in Note 15.

(m) 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.

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

(i) Effective for the first time in 2018-19

The Legislature has adopted AASB 9 *Financial Instruments* (AASB 9), which resulted in changes in accounting policies in respect of recognition, classification and measurement of financial assets and financial liabilities; derecognition of financial instruments; impairment of financial assets and hedge accounting. AASB 9 also significantly amends other standards dealing with financial instruments such as the revised AASB 7 *Financial Instruments: Disclosures* (AASB 7R). The classification and measurement requirements of AASB 9 did not have a material impact to The Legislature.

The following are the changes in the classification of The Legislature's financial assets:

- Trade receivables classified as 'Loans and receivables' under AASB 139 as at 30 June 2018 are held to collect contractual cash flows representing solely payments of principal and interest. At 1 July 2018, these are classified and measured as debt instruments at amortised cost
- The Legislature has not designated any financial liabilities at fair value through profit or loss. There are no changes in the classification and measurement for The Legislature's financial liabilities.

The adoption of AASB 9 has changed The Legislature's accounting for impairment losses for financial assets by replacing AASB 139's incurred loss approach with an expected credit loss (ECL) approach. AASB 9 requires The Legislature to recognise an allowance for ECLs for all debt instruments not held at fair value through profit or loss. There is no material impact to the Legislature on adopting the new impairment model.

(ii) Issued but not yet effective

NSW public sector entities are not permitted to early adopt new Australian Accounting Standards, unless Treasury determines otherwise. A number of new Accounting Standards have not been applied and are not yet effective, these Standards apply to annual reporting periods beginning on or after 1 July 2019. The impact of these Standards in the period of initial application has been assessed as being nil, apart from the Standards commented on below.

The initial application of AASB 16 *Leases* is expected to have a material impact. The Legislature, as a lessee, will be required to recognise the right-of-use asset as well as a lease liability for operating leases. Based on the impact assessments The Legislature has undertaken on currently available information, The Legislature estimates additional lease liabilities of \$22.154 million and right-of-use assets of \$22.154 million will be recognised as at 1 July 2019 for leases in which The Legislature is a lessee. The income statement will also be impacted as there will be an interest charge on the lease liability. This will increase the expenses recognised in the earlier years of the lease term when the depreciation and interest charges on the right-of-use asset are higher, the impact on the statement of comprehensive income expected in the next three years is estimated to be \$417,943 in 2019-20, \$366,382 in 2020-21 and \$218,713 in 2021-22.

AASB 1058 *Income of Not-for-Profits Entities* will replace most of the existing requirements in AASB 1004. The scope of AASB 1004 is now limited mainly to parliamentary appropriations, administrative arrangements and contributions by owners. A review of the nature of donations or grants has been conducted for performance obligations or other obligations or other liability allowing better matching of income and expenses. The impact of the new Standard is not expected to be material.

Under AASB 15 *Revenue from Contracts with Customers*, not-for profit entities will need to determine whether a transaction is a donation (accounted for under AASB 1058) or a contract with a customer (accounted for under AASB 15). The Legislature's revenue contracts are not complex and a review of all impacted contracts has occurred. The impact of the new Standard is not expected to be material.

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

	2019	2018
	\$'000	\$'000
Salaries and wages (including annual leave)	61,802	57,022
Superannuation – defined benefit plans	592	639
Superannuation – defined contribution plans	5,144	4,813
Payroll tax and fringe benefits tax	3,871	3,468
Long service leave	3,927	1,759
Workers' compensation insurance	564	484
	75,900	68,185

Employee related expenses excluded from the above are: (i) capitalised as property, plant and equipment - \$722,000 at 30 June 2019 (\$521,000 in 2017-18); and (ii) capitalised as intangible assets - \$143,000 at 30 June 2019 (\$51,000 in 2017-18).

(b) Other Operating Expenses including the following:

	2019	2018
	\$'000	\$'000
Auditors remuneration		
– audit of the financial statements	87	85
– audit of Members' additional entitlements under Parliamentary Remuneration Tribunal Determination	56	53
Cost of Sales - House Committee	1,263	1,303
Operating lease rental expense-minimum lease payments	5,973	5,823
Maintenance	1,764	1,516
Insurance	259	229
Contractors	6,810	6,806
Printing and postage	7,496	7,748
Telecommunication costs	689	692
Travel expenses	1,835	2,184
Computer costs	3,924	3,123
Stores	126	117
Advertising	803	751
Energy charges	1,968	1,786
Cleaning and laundry	930	807
Contract and other fees	2,497	2,988
Other	917	1,056
	37,397	37,067

Reconciliation – Total maintenance

Maintenance expense – contracted labour and other (non-employee related), as above	1,764	1,516
Employee related maintenance expense included in Note 2 (a)	701	571
Total maintenance expenses included in Note 2(a) + 2(b)	2,465	2,087

(c) Depreciation and Amortisation Expense

	2019	2018
	\$'000	\$'000
Depreciation:		
– buildings	7,331	6,963
– plant and equipment	4,774	3,735
– collection assets	95	107
	12,200	10,805
Amortisation:		
– intangibles	1,557	1,402
	1,557	1,402
Total Depreciation and Amortisation Expense	13,757	12,207

(d) Grants and Subsidies

	2019	2018
	\$'000	\$'000
Grant to Commonwealth Parliamentary Association (NSW Branch)	132	129
	132	129

(e) Other Expenses

	2019	2018
	\$'000	\$'000
Salaries and allowances	39,395	39,103
Superannuation entitlements	2,844	2,828
Payroll tax and fringe benefits tax	2,326	2,313
Parliamentary Budget Office	1,657	-
	46,222	44,244

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**(a) Appropriations and Transfers to the Crown Entity**

Summary of Compliance	2019 \$'000		2018 \$'000	
	Appropriation	Expenditure	Appropriation	Expenditure
Original Budget per Appropriation Act	162,132	157,676	162,987	156,951
Total Appropriations / Expenditure / Net Claim on Consolidated Fund (includes transfer payments)		157,676		156,951
Appropriation drawn down*		157,676		156,951
Liability for unspent appropriations drawn down		-		-
*Comprising:				
Appropriations (per Statement of Comprehensive Income)**		157,676		156,951
		157,676		156,951
**Appropriations:				
Recurrent		145,679		136,884
Capital		11,997		20,067
		157,676		156,951

Notes:

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

(b) Sale of Goods and Services

	2019 \$'000	2018 \$'000
<u>Sale of Goods</u>		
Sales of food and beverages	4,921	4,853
	4,921	4,853
<u>Rendering of Services</u>		
Energy recoup from Sydney Hospital and State Library ¹	722	667
Rent on Parliament House ministerial offices and Post Office	1,772	1,722
Parking fees	481	466
	2,975	2,855
	7,896	7,708

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.

(c) Grants and Contributions

	2019	2018
	\$'000	\$'000
NSW Treasury redundancy grant	-	217
NSW Treasury business case funding	-	272
Other grants	-	20
	-	509

(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:

	2019	2018
	\$'000	\$'000
Employees		
Superannuation – defined benefit	592	639
Long service leave	3,708	1,542
Payroll tax on superannuation	30	33
	4,330	2,214
Members		
Superannuation – defined benefit	401	488
Payroll tax on superannuation	21	27
	422	515
	4,752	2,729

(e) Other Revenue

	2019	2018
	\$'000	\$'000
Assets recognised for first time	291	45
Conference seminar fees	103	150
Workers' compensation hindsight adjustment	-	59
Compensation for early termination of lease	-	175
Miscellaneous items	191	249
	585	678

4. Gain / (Loss) on Disposal

	2019	2018
	\$'000	\$'000
Proceeds from disposal	5	2
Written down value of assets disposed	(768)	(12)
Net gain/(loss) on disposal	(763)	(10)

Gains and loss on disposals related to plant, equipment and collection assets of The Legislature.

5. Program Group Statements for the Year Ended 30 June 2019

The Legislature's Expenses & Income	The Legislature*		Not Attributable**		Total	
	2019	2018	2019	2018	2019	2018
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
Expenses excluding losses						
Employee related expenses	75,900	68,185	-	-	75,900	68,185
Operating expenses	37,397	37,067	-	-	37,397	37,067
Depreciation and amortisation	13,757	12,207	-	-	13,757	12,207
Grants and subsidies	132	129	-	-	132	129
Other expenses	46,222	44,244	-	-	46,222	44,244
Total Expenses excluding losses	173,408	161,832	-	-	173,408	161,832
Revenue						
Appropriations	-	-	157,676	156,951	157,676	156,951
Sale of goods and services	7,896	7,708	-	-	7,896	7,708
Grants and other contributions	-	509	-	-	-	509
Acceptance by the Crown Entity of employee benefits and other liabilities	4,752	2,729	-	-	4,752	2,729
Other income	585	678	-	-	585	678
Total revenue	13,233	11,624	157,676	156,951	170,909	168,575
Operating result	(160,175)	(150,208)	157,676	156,951	(2,499)	6,743
Gain / (loss) on disposal	(763)	(10)	-	-	(763)	(10)
Net result	(160,938)	(150,218)	157,676	156,951	(3,262)	6,733
Changes in revaluation surplus of property, plant and equipment	(311)	44,344	-	-	(311)	44,344
Other comprehensive income	(311)	44,344	-	-	(311)	44,344
TOTAL COMPREHENSIVE INCOME	(161,249)	(105,874)	157,676	156,951	(3,573)	51,077

*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	
	2019 \$'000	2018 \$'000	2019 \$'000	2018 \$'000	2019 \$'000	2018 \$'000
ASSETS						
Current Assets						
Cash and cash equivalents	3,961	3,386	-	-	3,961	3,386
Receivables	1,898	2,467	-	-	1,898	2,467
Inventories	123	134	-	-	123	134
Total Current Assets	5,982	5,987	-	-	5,982	5,987
Non-Current Assets						
Property, plant and equipment						
- Land and buildings	262,672	262,311	-	-	262,672	262,311
- Plant and equipment	26,133	27,659	-	-	26,133	27,659
- Collection assets	48,835	49,708	-	-	48,835	49,708
Total property, plant and equipment	337,640	339,678	-	-	337,640	339,678
Intangible assets	9,533	9,870	-	-	9,533	9,870
Total Non-Current Assets	347,173	349,548	-	-	347,173	349,548
Total Assets	353,155	355,535	-	-	353,155	355,535
LIABILITIES						
Current Liabilities						
Payables	7,216	6,288	-	-	7,216	6,288
Provisions	6,424	6,187	-	-	6,424	6,187
Total Current Liabilities	13,640	12,475	-	-	13,640	12,475
Non-Current Liabilities						
Provisions	165	137	-	-	165	137
Total Non-Current Liabilities	165	137	-	-	165	137
Total Liabilities	13,805	12,612	-	-	13,805	12,612
Net Assets	339,350	342,923	-	-	339,350	342,923
EQUITY						
Reserves	146,536	147,076	-	-	146,536	147,076
Accumulated funds	192,814	195,847	-	-	192,814	195,847
Total Equity	339,350	342,923	-	-	339,350	342,923

*The names and purposes 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**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.

The financial information previously identified in service groups have been amalgamated within one program group.

6. Current Assets – Cash and Cash Equivalents

	2019	2018
	\$'000	\$'000
Cash at bank and on hand	3,961	3,386
	3,961	3,386

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

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

	2019	2018
	\$'000	\$'000
Cash and cash equivalents (per Statement of Financial Position)	3,961	3,386
Closing Cash and cash equivalents (per Statement of Cash Flows)	3,961	3,386

Refer to Note 17 for details regarding credit risk, liquidity risk and market risk arising from financial instruments.

7. Current Assets - Receivables

	2019	2018
	\$'000	\$'000
Sales of goods and services	419	384
Less: Allowance for expected credit loss	1	-
Less: Allowance for impairment	-	1
	<u>418</u>	<u>383</u>
GST recoverable from ATO	717	1,651
Other debtors	183	78
Prepayments	<u>580</u>	<u>355</u>
	<u>1,898</u>	<u>2,467</u>

Movement in the allowance for expected credit losses

Balance at 30 June 2018 under AASB 139	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 in allowance recognised in net result	<u>1</u>
Balance at 30 June 2019	<u><u>1</u></u>

Movement in the allowance for impairment

Balance at 1 July 2017	2
Amounts written off during the year	-
Amounts recovered during the year	(2)
Increase in allowance recognised in net result	<u>1</u>
Balance at 30 June 2018	<u><u>1</u></u>

Details regarding credit risk, liquidity risk and market risk, including financial assets that are either past due or impaired, are disclosed in Note 17.

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

	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 current reporting period is set out below.

	Land and Buildings \$'000	Plant and Equipment \$'000	Collection Assets \$'000	Total \$'000
Year ended 30 June 2019				
Net carrying amount at start of year	262,311	27,659	49,708	339,678
Additions	7,694	3,279	-	10,973
Assets first time recognised	-	-	291	291
Reclassifications to Intangible Assets	(2)	(21)	-	(23)
Net revaluation increments less revaluation decrements	-	-	(311)	(311)
Disposals	-	(10)	(758)	(768)
Depreciation expense	(7,331)	(4,774)	(95)	(12,200)
Net carrying amount at end of year	262,672	26,133	48,835	337,640

Further details regarding the fair value measurement of property, plant and equipment are disclosed in Note 10.

	Land and Buildings \$'000	Plant and Equipment \$'000	Collection Assets \$'000	Total \$'000
At 1 July 2017 – fair value				
Gross carrying amount	350,730	44,296	50,023	445,049
Accumulated depreciation and impairment	(133,016)	(24,607)	(324)	(157,947)
Net carrying amount	217,714	19,689	49,699	287,102
At 30 June 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

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	Collection Assets \$'000	Total \$'000
Year ended 30 June 2018				
Net carrying amount at start of year	217,714	19,689	49,699	287,102
Additions	7,216	11,715	73	19,004
Assets first time recognised	-	-	45	45
Net revaluation increments less revaluation decrements	44,344	-	-	44,344
Disposals	-	(10)	(2)	(12)
Depreciation expense	(6,963)	(3,735)	(107)	(10,805)
Net carrying amount at end of year	262,311	27,659	49,708	339,678

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

At 1 July 2018	\$'000
Cost (gross carrying amount)	17,227
Accumulated amortisation and impairment	<u>(7,357)</u>
Net carrying amount	<u>9,870</u>

At 30 June 2019	
Cost (gross carrying amount)	14,069
Accumulated amortisation and impairment	<u>(4,536)</u>
Net carrying amount	<u>9,533</u>

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>9,533</u>

At 1 July 2017	\$'000
Cost (gross carrying amount)	15,776
Accumulated amortisation and impairment	<u>(5,954)</u>
Net carrying amount	<u>9,822</u>

At 30 June 2018	
Cost (gross carrying amount)	17,227
Accumulated amortisation and impairment	<u>(7,357)</u>
Net carrying amount	<u>9,870</u>

Reconciliation

Year ended 30 June 2018	
Net carrying amount at start of year	9,822
Additions (acquired separately)	1,450
Amortisation (recognised in depreciation and amortisation)	<u>(1,402)</u>
Net carrying amount at end of year	<u>9,870</u>

10. Fair Value Measurement of Non-Financial Assets**(a) Fair Value Hierarchy****2019**

	Level 1	Level 2	Level 3	Total fair value
	\$'000	\$'000	\$'000	\$'000
Property, plant and equipment (Note 8)				
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.

2018

	Level 1	Level 2	Level 3	Total fair value
	\$'000	\$'000	\$'000	\$'000
Property, plant and equipment (Note 8)				
Land	-	-	64,340	64,340
Buildings	-	-	197,971	197,971
Collection assets	-	49,708	-	49,708
	-	49,708	262,311	312,019

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:

2019	Land	Buildings	Total Recurring Level 3 Fair value \$'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

2018	Land	Buildings	Total Recurring Level 3 Fair value \$'000
	\$'000	\$'000	
Fair value as at 1 July 2017	52,200	165,514	217,714
Additions	-	7,249	7,249
Reclassification to Collection Assets	-	(33)	(33)
Net Revaluation Increment	12,140	32,204	44,344
Depreciation	-	(6,963)	(6,963)
Fair value as at 30 June 2018	64,340	197,971	262,311

11. Current Liabilities - Payables

	2019	2018
	\$'000	\$'000
Accrued salaries, wages and on-costs	2,510	2,070
Trade creditors	1,463	1,444
Accrued operating expenses	2,991	2,664
Other payables	252	110
	7,216	6,288

Details regarding credit risk, liquidity risk and market risk, including a maturity analysis of the above payables, are disclosed in Note 17.

12. Current / Non- Current Liabilities – Provisions

	2019	2018
	\$'000	\$'000
Employee benefits and related on-costs – Current		
Annual leave	3,975	4,053
Payroll tax on-costs	893	780
Annual leave, superannuation and workers' compensation on-costs	1,556	1,354
	6,424	6,187
Employee benefits and related on-costs – Non - Current		
Payroll tax on-costs	58	49
Annual leave, superannuation and workers' compensation on-costs	107	88
	165	137
Subtotal Employee benefits and related on-costs	6,589	6,324
Aggregate employee benefits and related on-costs		
Provisions – Current	6,424	6,187
Provisions - Non-Current	165	137
Accrued salaries, wages and on-costs (note 11)	2,510	2,070
	9,099	8,394

Of employee benefits for annual leave \$3.975 million (2018: \$4.053 million) is expected to be settled within twelve months and nil (2018: nil) is expected to be settled after twelve months. All accrued wages and salaries are expected to be settled within twelve months.

13. Commitments for expenditure**(a) Operating Lease Commitments**

	2019	2018
	\$'000	\$'000
Future non-cancellable operating lease rentals not provided for and payable:		
Not later than one year	4,002	5,861
Later than one year but not later than five years	4,576	6,805
Later than five years	48	234
Total (including GST)	8,626	12,900

The Legislature is the lessee of 98 properties throughout NSW, all 98 being electorate offices. The leases are mostly standard commercial leases based on the Law Society template and are generally for four years with a four year option, leases for longer periods account for those with commitments over five years.

The above total includes GST input tax credits of \$0.781 million (2018: \$1.162 million), which will be recoverable from Australian Taxation Office (ATO).

(b) 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:

	2019	2018
	\$'000	\$'000
Not later than one year	1,498	1,364
Total (including GST)	<u>1,498</u>	<u>1,364</u>

The above total includes GST input tax credits of 136,183 (2018: \$124,000), which will be recoverable from the ATO.

14. Contingent Liabilities and Contingent Assets

The Legislature had no contingent assets or contingent liabilities at reporting date (2018: nil).

15. Budget Review**Net result**

The negative net result of \$3.262 million was lower than the budgeted net result of \$5.350 million by \$8.612 million. This arose from the following budget variations: higher employee related expenses (\$5.530 million); lower other operating expenses (\$279,000); higher depreciation and amortisation expenses (\$937,000); lower other expenses - Members' remuneration (\$373,000); higher grants and subsidies (\$132,000); lower revenue (\$1.902 million) and a higher loss on disposal of assets (\$763,000).

The employee related expenses were \$5.530 million higher than the budget of \$70.370 million. The primary reasons for the variation were: higher than budget results for direct salaries and wages of \$2.701 million, mostly driven by separation payments to Members' staff of \$3.983 million; higher long service leave expense of \$1.649 million; higher workers compensation of \$171,000; higher redundancy costs of \$259,000; higher defined contributions superannuation expenses (accumulation schemes) of \$507,000 and higher payroll tax \$445,000.

Other operating expenses were lower than the budget of \$37.676 million by \$279,000 due to: lower contracting and legal expenses of \$387,000; lower Members' Communication Allowance spending of \$1.726 million; lower stores and equipment purchases of \$186,000; lower travel expenses of \$297,000; higher accommodation costs of \$509,000; higher staff recruitment and training costs of \$163,000; higher advertising costs of \$147,000; higher computer software and hardware maintenance costs of \$806,000; and higher Parliament House building maintenance costs of \$263,000.

Depreciation and amortisation expenses were \$937,000 higher than the budget of \$12.820 million. This was mainly due to the higher capitalisation of intangibles from the prior year.

Other expenses were \$373,000 lower than a budget of \$46.595 million. This was made up of Members' remuneration and allowances being \$236,000 higher than the budget of \$41.699 million offset by a lower spend on the Parliamentary Budget Office of \$417,000.

Revenue was \$1.902 million lower than the budget of \$172.811 million due to:

- a \$4.456 million lower capital appropriation drawdown due to capital projects allocations being carried forward to 2019-20;
- Crown acceptance of employee benefits and liabilities being \$1.656 million higher than expected mainly due to higher long service leave and defined benefit superannuation expenses;
- sale of goods and services being \$532,000 higher than budget principally from the sale of food and beverages; and
- other income being \$396,000 higher than budget, consisting of \$291,000 for library collections recognised for the first time and \$73,000 for insurance claims.

Assets and liabilities

Total current assets of \$5.982 million were higher than the budget of \$4.990 million by \$992,000 due to higher than budgeted cash holdings of \$660,000 and higher receivables of \$338,000.

Total non-current assets of \$347.173 million were lower than the budget of \$353.221 million by \$6.047 million primarily due to Treasury-funded annual capital works being carried forward to 2019-20 of \$4.456 million.

Total current liabilities of \$13.640 million were higher than the budget of \$11.999 million by \$1.641 million due to higher payables of \$548,000 and higher employee provisions of \$1.093 million.

Cash flows

Net cash flows from operating activities were \$5.076 million lower than the budget of \$18.170 million. This is due to the reduction in the capital component of the appropriation of \$4.456 million, higher employee related payments of \$816,000; higher payments to suppliers of \$1.913 million; an increase in sale of goods and services of \$1.929 million and other receipts from other operating activities of \$342,000.

Net cash flows from investing activities were \$3.934 million lower than the budget of \$16.453 million due to asset acquisitions being lower than the budget following the carry forward of \$4.456 million to 2019-20.

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

	2019	2018
	\$'000	\$'000
Net cash used in operating activities	13,094	18,130
Depreciation and amortisation expense	(13,757)	(12,207)
(Increase) in provisions	(265)	(871)
Increase / (decrease) in receivables and inventories	(580)	912
Decrease / (increase) in payables	(1,282)	734
Net (loss) on sale of property, plant and equipment	(763)	(10)
Assets recognised for first time	291	45
Net result	(3,262)	6,733

17. 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**i. As at 30 June 2019 under AASB 9**

Financial Assets	Note	Category	Carrying Amount
			2019
Class:			\$'000
Cash and cash equivalents	6	N/A	3,961
Receivables ¹	7	Amortised cost	601
Financial Liabilities	Note	Category	Carrying Amount
			2019
Class:			\$'000
Payables ²	11	Financial liabilities measured at amortised cost	4,749

ii. As at 30 June 2018 under AASB 139

Financial Assets	Note	Category	Carrying Amount
			2018
Class:			\$'000
Cash and cash equivalents	6	N/A	3,386
Receivables ¹	7	Amortised cost	461
Financial Liabilities	Note	Category	Carrying Amount
			2018
Class:			\$'000
Payables ²	11	Financial liabilities measured at amortised cost	4,333

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 entity 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.

(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 debtors and other financial assets under AASB 9**Receivables - trade debtors*

The Legislature applies the AASB 9 simplified approach to measuring expected credit losses which uses a lifetime expected loss allowance for all trade debtors. 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 2019.

The loss allowance for trade debtors as at 30 June 2019 and 1 July 2018 (on adoption of AASB 9) was determined as follows:

		30-Jun-19				
	Current	<30 Days	30-60 Days	61-90 Days	> 91 Days	Total
Estimated total gross carrying amount at default ^{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

		30-Jun-18				
	Current	<30 Days	30-60 Days	61-90 Days	> 91 Days	Total
Estimated total gross carrying amount at default ^{1,2}	266	43	50	6	19	384
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

- Each column in the table reports "gross receivables".
- 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.

Accounting policy for impairment of trade debtors and other financial assets under AASB 139 (comparative period only).

All trade debtors are recognised as amounts receivable at balance date. Collectability of trade debtors is reviewed on an ongoing basis. Debts which are known to be uncollectible are written off. An allowance for impairment is raised when there is objective evidence that The Legislature will not be able to collect all amounts due. This evidence includes past experience, and current and expected changes in economic conditions and debtor credit ratings. 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 only financial assets that are past due or impaired are “sales of goods and services” in the “receivables” category of the statement of financial position.

For the comparative period 30 June 2018, the ageing analysis of trade debtors is as follows:

	\$'000 Total ^{1,2}	\$'000 Past due but not impaired ^{1,2}	\$'000 Considered impaired ^{1,2}
2018			
< 3 months overdue	93	93	-
3 months – 6 months overdue	7	7	-
> 6 months overdue	18	18	-

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.

The Legislature is not materially exposed to concentrations of credit risk to a single trade debtor or group of debtors as at 30 June 2019.

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 2019:

- 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.
- Visa card facility of \$731,000.

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's 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
2019								
Payables	-	4,749			4,749	4,749	-	-
Total Financial Liabilities	-	4,749			4,749	4,749	-	-
2018								
Payables	-	4,333			4,333	4,333	-	-
Total Financial Liabilities	-	4,333			4,333	4,333	-	-

Notes

- 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 2018. 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 (until 30 June 2018). 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.

18. Related Party Disclosures

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

	2019	2018
	\$'000	\$'000
Short-term employee benefits:		
Salaries	1,344	1,323
Other monetary allowances	276	301
Non-monetary benefits	15	19
Other long-term employee benefits	-	-
Post-employment benefits	49	44
Termination benefits	-	-
Total remuneration	<u>1,684</u>	<u>1,687</u>

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.

19. Events After Reporting Period

No events have occurred subsequent to balance date which would have a material financial effect on the financial statements.

End of audited financial statements

End of audited
Financial Statements