

## Financial statements

The Department has pleasure in presenting its audited general purpose financial statements for the financial reporting period ended 30 June 2020 which provides users with the information about the Department's stewardship of resource entrusted to it. The financial information is presented in the following structure:

### CONTENTS

Statement of Comprehensive Income.....	86
Statement of Financial Position .....	87
Statement of Changes in Equity .....	88
Statement of Cash Flows.....	89
Summary of Consolidated Account Appropriations .....	90
NOTE 1. BASIS OF PREPARATION.....	91
NOTE 2. DEPARTMENT OUTPUTS .....	93
2.1 Department objectives .....	93
2.2 Schedule of Income and Expenses by Service .....	94
2.3 Schedule of Assets and Liabilities by Service.....	95
NOTE 3. USE OF OUR FUNDING .....	96
3.1.1 Employee benefits expense.....	96
3.1.2 Employee related provisions.....	97
3.2 Grants and subsidies .....	99
3.3 Other expenses.....	100
3.4 Net loss on disposal of non-current assets.....	101
NOTE 4. OUR FUNDING SOURCES .....	102
4.1 Income from State Government.....	102
4.2 User contributions, charges and fees .....	103
4.3 Australian Government grants and contributions.....	104
4.4 Interest revenue .....	104
4.5 Other revenue .....	105
NOTE 5. KEY ASSETS.....	106
5.1 Property, plant and equipment.....	107
5.2 Right-of-use assets .....	112
5.3 Intangible assets .....	114
NOTE 6. OTHER ASSETS AND LIABILITIES .....	116
6.1 Receivables.....	116
6.2 Amounts receivable for services (Holding Account) .....	117
6.3 Other assets.....	117
6.4 Inventories.....	118

6.5 Payables .....	118
6.6 Other provisions .....	119
6.7 Other liabilities.....	119
NOTE 7. FINANCING.....	121
7.1 Borrowings .....	121
7.2 Leases.....	122
7.3 Assets pledged as security .....	123
7.4 Finance costs .....	123
7.5 Cash and cash equivalents.....	124
7.6 Commitments .....	126
NOTE 8. RISKS AND CONTINGENCIES.....	127
8.1 Financial risk management .....	127
8.2 Contingent assets and liabilities.....	133
8.3 Fair value measurements.....	134
NOTE 9. OTHER DISCLOSURES .....	137
9.1 Events occurring after the end of the reporting period.....	137
9.2 Initial application of Australian Accounting Standards.....	137
9.3 Future impact of Australian Accounting Standards not yet operative.....	140
9.4 Key management personnel .....	141
9.5 Related party transactions .....	142
9.6 Affiliated and related bodies.....	143
9.7 Special purpose accounts.....	143
9.8 Remuneration of auditors.....	146
9.9 Services provided free of charge .....	147
9.10 Non-current assets classified as held for sale .....	148
9.11 Equity .....	149
9.12 Supplementary financial information.....	150
9.13 Explanatory statement .....	150
9.14 Indian Ocean Territories.....	157
9.15 Disclosure of administered income and expenses .....	158
9.16 Explanatory statement for administered items.....	159
9.17 Administered assets and liabilities .....	159

## STATEMENT OF COMPREHENSIVE INCOME

For the year ended 30 June 2020

	Notes	2019-20 \$'000	2018-19 \$'000
<b>COST OF SERVICES</b>			
<b>Expenses</b>			
Employee benefits expense	3.1.1	4,060,139	3,864,805
Supplies and services	3.3	961,522	901,290
Depreciation, amortisation and impairment expense	5.1.1, 5.2, 5.3.1	252,791	188,060
Grants and subsidies	3.2	31,545	33,177
Finance costs	7.4	31,225	30,881
Other expenses	3.3	21,895	476,272
<b>Total cost of services</b>		<b>5,359,117</b>	<b>5,494,485</b>
<b>Income</b>			
<b>Revenue</b>			
User contributions, charges and fees	4.2	115,927	135,423
Interest revenue	4.4	22,897	19,291
Other revenue	4.5	110,763	114,467
Australian Government grants and contributions	4.3	904,957	813,495
<b>Total revenue</b>		<b>1,154,544</b>	<b>1,082,676</b>
<b>Total income other than income from State Government</b>		<b>1,154,544</b>	<b>1,082,676</b>
<b>NET COST OF SERVICES</b>			
		<b>4,204,573</b>	<b>4,411,809</b>
<b>Income from State Government</b>			
	4.1		
Service appropriation		4,066,784	4,064,460
Grants from State Government Agencies		9,415	13,020
Services received free of charge		19,078	14,170
Royalties for Regions Fund		26,392	19,070
<b>Total income from State Government</b>		<b>4,121,669</b>	<b>4,110,720</b>
<b>SURPLUS/(DEFICIT) FOR THE PERIOD</b>		<b>(82,904)</b>	<b>(301,089)</b>
<b>OTHER COMPREHENSIVE INCOME</b>			
		-	-
<b>TOTAL COMPREHENSIVE INCOME/(LOSS) FOR THE PERIOD</b>		<b>(82,904)</b>	<b>(301,089)</b>

See also the 'Schedule of Income and Expenses by Service'.

The Statement of Comprehensive Income should be read in conjunction with the accompanying notes.

# STATEMENT OF FINANCIAL POSITION

As at 30 June 2020

	Notes	2019-20 \$'000	2018-19 \$'000
<b>ASSETS</b>			
<b>Current Assets</b>			
Cash and cash equivalents	7.5.1	558,952	599,313
Restricted cash and cash equivalents	7.5.2	30,247	43,037
Amounts receivable for services	6.2	19,674	19,673
Inventories	6.4	6,442	6,936
Receivables	6.1	81,558	73,305
Other current assets	6.3	10,763	19,578
Non-current assets held for distribution to owner	9.10	3,499	3,547
<b>Total Current Assets</b>		<b>711,135</b>	<b>765,389</b>
<b>Non-Current Assets</b>			
Restricted cash and cash equivalents	7.5.2	61,323	41,188
Receivables	6.1	298,197	279,418
Amounts receivable for services	6.2	3,119,560	2,921,922
Property, plant and equipment	5.1	11,117,503	11,090,687
Right-of-use assets	5.2	293,225	-
Intangible assets	5.3	4,733	16,366
<b>Total Non-Current Assets</b>		<b>14,894,541</b>	<b>14,349,581</b>
<b>TOTAL ASSETS</b>		<b>15,605,676</b>	<b>15,114,970</b>
<b>LIABILITIES</b>			
<b>Current Liabilities</b>			
Payables	6.5	134,530	88,377
Borrowings	7.1	34,876	50,259
Lease liabilities	7.2	32,668	-
Employee related provisions	3.1.2	589,440	569,568
Other current liabilities	6.7	11,481	12,253
<b>Total Current Liabilities</b>		<b>802,995</b>	<b>720,457</b>
<b>Non-Current Liabilities</b>			
Payables	6.5	1,004	173
Borrowings	7.1	328,849	540,159
Lease liabilities	7.2	305,151	-
Employee related provisions	3.1.2	232,268	206,003
Other provisions	6.6	189	-
<b>Total Non-Current Liabilities</b>		<b>867,461</b>	<b>746,335</b>
<b>TOTAL LIABILITIES</b>		<b>1,670,456</b>	<b>1,466,792</b>
<b>NET ASSETS</b>		<b>13,935,220</b>	<b>13,648,178</b>
<b>EQUITY</b>			
	9.11		
Contributed equity		14,557,656	14,196,703
Reserves		-	-
Accumulated surplus/(deficit)		(622,436)	(548,525)
<b>TOTAL EQUITY</b>		<b>13,935,220</b>	<b>13,648,178</b>

See also the 'Schedule of Assets and Liabilities by Service'.  
The Statement of Financial Position should be read in conjunction with the accompanying notes.

## STATEMENT OF CHANGES IN EQUITY

For the year ended 30 June 2020

	Notes	Contributed equity \$'000	Accumulated surplus/(deficit) \$'000	Total equity \$'000
<b>Balance at 1 July 2018</b>	9.11	13,851,064	(238,044)	13,613,020
Changes in accounting policy <sup>(a)</sup>		-	(9,392)	(9,392)
<b>Restated balance at 1 July 2018</b>		13,851,064	(247,436)	13,603,628
Surplus/(deficit)		-	(301,089)	(301,089)
Other comprehensive income		-	-	-
Total comprehensive income for the period		-	(301,089)	(301,089)
<u>Transactions with owners in their capacity as owners:</u>				
Capital appropriations		275,880	-	275,880
Transfer of net assets from other agencies		-	-	-
Other contributions by owners		84,487	-	84,487
Distribution to owners		(14,728)	-	(14,728)
Total		345,639	-	345,639
<b>Balance at 30 June 2019</b>		14,196,703	(548,525)	13,648,178

	Notes	Contributed equity \$'000	Accumulated surplus/(deficit) \$'000	Total equity \$'000
<b>Balance at 1 July 2019</b>	9.11	14,196,703	(548,525)	13,648,178
Initial application of AASB 16		-	-	-
Initial application of AASB 15/1058		-	8,993	8,993
<b>Restated balance at 1 July 2019</b>		14,196,703	(539,532)	13,657,171
Surplus/(deficit)		-	(82,904)	(82,904)
Other comprehensive income		-	-	-
Total comprehensive income for the period		-	(82,904)	(82,904)
<u>Transactions with owners in their capacity as owners:</u>				
Capital appropriations		316,737	-	316,737
Transfer of net assets from other agencies		1,409	-	1,409
Other contributions by owners		42,917	-	42,917
Distribution to owners		(110)	-	(110)
Total		360,953	-	360,953
<b>Balance at 30 June 2020</b>		14,557,656	(622,436)	13,935,220

The Statement of Changes in Equity should be read in conjunction with the accompanying notes.

(a) Initial application of AASB 9 Financial Instruments.

# STATEMENT OF CASH FLOWS

For the year ended 30 June 2020

	Notes	2019–20 \$'000	2018–19 \$'000
<b>CASH FLOWS FROM STATE GOVERNMENT</b>			
Service Appropriation		3,849,508	3,824,094
Capital Contribution		316,737	275,880
Holding Account Draw Downs		19,637	19,842
Royalties for Regions		69,309	103,557
Grants and Subsidies Income		9,600	12,909
<b>Net cash provided by State Government</b>		<b>4,264,791</b>	<b>4,236,282</b>
Utilised as follows:			
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>			
<b>Payments</b>			
Employee benefits expense		(3,952,490)	(3,842,592)
Supplies and services		(937,350)	(910,629)
Grants and subsidies		(31,732)	(32,276)
Finance costs <sup>(a)</sup>		(24,882)	(22,948)
GST payments on purchases		(134,857)	(132,130)
Loans advanced to non-government schools <sup>(a)</sup>		(51,406)	(46,264)
Other payments		(261)	(592)
<b>Receipts</b>			
User contributions, charges and fees		109,066	125,249
Australian Government grants and contributions		906,521	813,495
Interest received <sup>(a)</sup>		13,586	15,798
GST receipts on revenue		4,204	5,790
GST receipts from taxation authority		132,110	122,135
Repayments of loans by non-government schools		37,318	31,324
Other receipts		90,182	98,904
<b>Net cash used in operating activities</b>	7.5.3	<b>(3,839,991)</b>	<b>(3,774,736)</b>
<b>CASH FLOW FROM INVESTING ACTIVITIES</b>			
<b>Payments</b>			
Purchases of non-current physical assets		(428,202)	(416,991)
<b>Receipts</b>			
Receipts from sale of non-current physical assets		211	517
<b>Net cash provided by/(used in) investing activities</b>		<b>(427,991)</b>	<b>(416,474)</b>
<b>CASH FLOW FROM FINANCING ACTIVITIES</b>			
<b>Payments</b>			
Payment of lease liabilities		(43,529)	(18,986)
Repayment of borrowings		(37,702)	(31,420)
<b>Receipts</b>			
Proceeds from borrowings		51,406	46,264
<b>Net cash used in financing activities</b>		<b>(29,825)</b>	<b>(4,142)</b>
Net increase/(decrease) in cash and cash equivalents		(33,016)	40,930
Cash and cash equivalents at the beginning of the period		683,538	642,608
<b>CASH AND CASH EQUIVALENTS AT THE END OF THE PERIOD</b>	7.5.3	<b>650,522</b>	<b>683,538</b>

(a) 2018–19 Finance costs (previously \$27.48 million), loans advanced to non-government schools (previously \$42.38 million) and interest received (previously \$16.45 million) have been restated to recognise gross loans advanced to non-government schools. Net nil effect on 2018–19 net cash used in operating activities.

## SUMMARY OF CONSOLIDATED ACCOUNT APPROPRIATIONS

For the year ended 30 June 2020

	2019–20 Budget Estimate \$'000	2019–20 Supplementary Funding \$'000	2019–20 Revised Budget \$'000	2019–20 Actual \$'000	2019–20 Variance \$'000
<b>DELIVERY OF SERVICES</b>					
Item 56 Net amount appropriated to deliver services	4,066,704	-	4,066,704	4,065,311	(1,393)
Amount authorised by other statutes					
<i>Salaries and Allowances Act 1975</i>	1,443	-	1,443	1,473	30
<b>Total appropriations provided to deliver services</b>	<b>4,068,147</b>	<b>-</b>	<b>4,068,147</b>	<b>4,066,784</b>	<b>(1,363)</b>
<b>ADMINISTERED TRANSACTIONS</b>					
Item 57 Amount provided for Administered Grants, Subsidies and Other Transfer Payments	451,873	-	451,873	451,873	-
<b>CAPITAL</b>					
Item 127 Capital Contribution	343,494	-	343,494	316,737	(26,757)
<b>GRAND TOTAL</b>	<b>4,863,514</b>	<b>-</b>	<b>4,863,514</b>	<b>4,835,394</b>	<b>(28,120)</b>

No supplementary income was received by the Department.

## NOTES TO THE FINANCIAL STATEMENTS For the year ended 30 June 2020

### NOTE 1. BASIS OF PREPARATION

The Department is a WA Government entity and is controlled by the State of Western Australia, which is the ultimate parent. The entity is a not-for-profit entity (as profit is not its principal objective).

A description of the nature of its operations and its principal activities have been included in the 'Overview' which does not form part of these financial statements.

These annual financial statements were authorised for issue by the Accountable Authority of the Department on 14 September 2020.

#### Statement of compliance

These general purpose financial statements have been prepared in accordance with:

1. *The Financial Management Act 2006* (FMA)
2. The Treasurer's Instructions (the Instructions or TI)
3. Australian Accounting Standards (AAS) including applicable interpretations
4. Where appropriate, those AAS paragraphs applicable for not-for-profit entities have been applied.

The *Financial Management Act 2006* and the Treasurer's Instructions (the Instructions) take precedence over AAS. Several AAS are modified by the Instructions to vary application, disclosure format and wording. Where modification is required and has had a material or significant financial effect upon the reported results, details of that modification and the resulting financial effect are disclosed in the notes to the financial statements.

#### Reporting entity

The reporting entity comprises the Department of Education including public schools and residential colleges across the State, central and regional offices, and the Business and Customer Services Centre.

Since 1 July 2017 a newly formed Department of Education, with responsibility for government and non-government education services brought together the operations of the Department of Education, Department of Education Services and the School Curriculum and Standards Authority.

While the School Curriculum and Standards Authority continues as a statutory authority under the *School Curriculum and Standards Authority Act 1997*, all staff of the three agencies became employees of the Department of Education. The Teacher Registration Board of Western Australia continued as a statutory entity.

#### Amalgamation of accounts

Financial information from 815 educational sites including 800 schools are amalgamated into the financial statements. The information provided by schools is generally drawn from accounts prepared on a cash basis with appropriate accrual information provided for the financial statements. All intra-entity transactions and balances between the Department and educational sites are eliminated.

#### Basis of preparation

These financial statements are presented in Australian dollars applying the accrual basis of accounting and using the historical cost convention. Certain balances will apply a different measurement basis (such as the fair value basis). Where this is the case the different measurement basis is disclosed in the associated note. All values are rounded to the nearest thousand dollars (\$'000).

#### Judgements and estimates

Judgements, estimates and assumptions are required to be made about financial information being presented. The significant judgements and estimates made in the preparation of these financial statements are disclosed in the notes where amounts affected by those judgements and/or estimates are disclosed. Estimates and associated assumptions are based on professional judgements derived from historical experience and various other factors that are believed to be reasonable under the circumstances.

Significant judgements and estimates have been made to meet the requirements of the new standards AASB 15, AASB 16 and AASB 1058.

#### AASB 16:

Key judgements to be made for AASB 16 include identifying leases within contracts, determination whether there is reasonable certainty around exercising extension and termination options and, identifying whether payments are variable or fixed in substance.

Estimation uncertainty that may arise is the estimation of the lease term, determination of the appropriate discount rate to discount the lease payments and assessing whether the right-of-use asset needs to be impaired.

## NOTES TO THE FINANCIAL STATEMENTS For the year ended 30 June 2020

### Judgements and estimates (continued)

#### AASB 15:

Key judgements include determining the timing of revenue from contracts with customers in terms of timing of satisfaction of performance obligations and determining the transaction price and the amounts allocated to performance obligations.

Estimation uncertainty include determining the transaction prices (estimating variable consideration and measuring non-cash considerations), allocating the transaction price, including estimating stand-alone selling prices and allocating discounts and variable consideration.

#### AASB 1058:

Key judgements include determining the timing in the satisfaction of obligations and judgements used in determining whether funds are restricted.

Refer to Note 9.2 for the impact of the initial adoption and the practical expedients applied in the initial recognition.

### Contributed equity

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

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

## NOTES TO THE FINANCIAL STATEMENTS For the year ended 30 June 2020

### NOTE 2. DEPARTMENT OUTPUTS

This section includes information regarding the nature of funding the Department receives and how this funding is utilised to achieve the Department's objectives. This note also provides the distinction between controlled funding and administered funding:

	Note
Department objectives	2.1
Schedule of Income and Expenses by Service	2.2
Schedule of Assets and Liabilities by Service	2.3

#### 2.1 Department objectives

##### Mission

The Department's mission is to ensure school students across Western Australia have access to high quality education.

##### Services

The Department provides the following services:

##### *Service 1: Public Primary Education*

This service provides access to education in public schools for persons aged generally from four years and six months to 11 years and six months.

##### *Service 2: Public Secondary Education*

This service provides access to education in public schools for persons aged generally from 11 years and six months. It includes the provision of accommodation, care and services for students from rural and remote areas who have to board away from home to attend a public school.

##### *Service 3: Regulation and Non-Government Sector Assistance*

This service provides regulatory and assistance services, as required by legislation or government policy, to support provision of quality services by non-government schools, universities and teachers across Western Australia schools. It also includes the provision of accommodation, care and services for students from rural and remote areas who have to board away from home to attend a non-government school.

##### *Service 4: Support to the School Curriculum and Standards Authority*

This service provides resources to the School Curriculum and Standards Authority to assist it to perform its statutory functions under the *School Curriculum and Standards Authority Act 1997*.

## NOTES TO THE FINANCIAL STATEMENTS For the year ended 30 June 2020

### 2.2 Schedule of Income and Expenses by Service

	Primary Education		Secondary Education		Regulation and Non-Government Sector Assistance		Support to the School Curriculum and Standards Authority		Total	
	2019-20 \$'000	2018-19 \$'000	2019-20 \$'000	2018-19 \$'000	2019-20 \$'000	2018-19 \$'000	2019-20 \$'000	2018-19 \$'000	2019-20 \$'000	2018-19 \$'000
<b>COST OF SERVICES</b>										
<b>Expenses</b>										
Employee benefits expense	2,426,145	2,310,996	1,593,960	1,513,443	19,873	22,722	20,161	17,644	4,060,139	3,864,805
Supplies and services	525,468	478,653	405,691	385,027	16,631	21,573	13,732	16,037	961,522	901,290
Depreciation and amortisation expense	146,377	106,587	103,820	80,625	2,563	848	31	-	252,791	188,060
Grants and subsidies	6,587	3,799	6,293	5,936	18,362	23,125	303	317	31,545	33,177
Finance costs	11,113	7,875	7,517	5,048	12,593	17,957	2	1	31,225	30,881
Other expenses	11,579	221,429	9,708	252,362	606	2,480	2	1	21,895	476,272
<b>Total cost of services</b>	<b>3,127,269</b>	<b>3,129,339</b>	<b>2,126,989</b>	<b>2,242,441</b>	<b>70,628</b>	<b>88,705</b>	<b>34,231</b>	<b>34,000</b>	<b>5,359,117</b>	<b>5,494,485</b>
<b>Income</b>										
User contributions, charges and fees	30,622	37,682	78,309	89,656	6,992	8,042	4	43	115,927	135,423
Interest revenue	1,441	2,724	1,986	3,338	19,470	13,227	-	2	22,897	19,291
Other revenue	63,837	68,063	43,114	46,046	740	227	3,072	131	110,763	114,467
Australian Government grants and contributions	568,673	522,347	317,572	277,667	18,712	13,481	-	-	904,957	813,495
<b>Total income other than income from State Government</b>	<b>664,573</b>	<b>630,816</b>	<b>440,981</b>	<b>416,707</b>	<b>45,914</b>	<b>34,977</b>	<b>3,076</b>	<b>176</b>	<b>1,154,544</b>	<b>1,082,676</b>
<b>NET COST OF SERVICES</b>	<b>2,462,696</b>	<b>2,498,523</b>	<b>1,686,008</b>	<b>1,825,734</b>	<b>24,714</b>	<b>53,728</b>	<b>31,155</b>	<b>33,824</b>	<b>4,204,573</b>	<b>4,411,809</b>
<b>Income from State Government</b>										
Service appropriation	2,381,581	2,301,768	1,630,475	1,681,958	23,900	49,496	30,828	31,238	4,066,784	4,064,460
Grants from State Government Agencies	2,555	6,915	5,626	5,649	1,234	456	-	-	9,415	13,020
Services received free of charge	11,659	8,665	7,294	5,381	59	74	66	50	19,078	14,170
Royalties for Regions Fund	15,124	10,710	9,671	6,850	1,597	1,510	-	-	26,392	19,070
<b>Total income from State Government</b>	<b>2,410,919</b>	<b>2,328,058</b>	<b>1,653,066</b>	<b>1,699,838</b>	<b>26,790</b>	<b>51,536</b>	<b>30,894</b>	<b>31,288</b>	<b>4,121,669</b>	<b>4,110,720</b>
<b>SURPLUS/(DEFICIT) FOR THE PERIOD</b>	<b>(51,777)</b>	<b>(170,465)</b>	<b>(32,942)</b>	<b>(125,896)</b>	<b>2,076</b>	<b>(2,192)</b>	<b>(261)</b>	<b>(2,536)</b>	<b>(82,904)</b>	<b>(301,089)</b>

The Schedule of Income and Expenses by Service should be read in conjunction with the accompanying notes.

## NOTES TO THE FINANCIAL STATEMENTS For the year ended 30 June 2020

### 2.3 Schedule of Assets and Liabilities by Service

	Primary Education		Secondary Education		Regulation and Non-Government Sector Assistance		Support to the School Curriculum and Standards Authority		Total	
	2019-20 \$'000	2018-19 \$'000	2019-20 \$'000	2018-19 \$'000	2019-20 \$'000	2018-19 \$'000	2019-20 \$'000	2018-19 \$'000	2019-20 \$'000	2018-19 \$'000
<b>ASSETS</b>										
Current assets	352,049	386,176	309,504	333,894	46,551	45,081	3,031	238	711,135	765,389
Non-current assets	8,499,763	7,544,717	6,066,839	6,484,710	325,178	318,257	2,761	1,897	14,894,541	14,349,581
<b>Total assets</b>	<b>8,851,812</b>	<b>7,930,893</b>	<b>6,376,343</b>	<b>6,818,604</b>	<b>371,729</b>	<b>363,338</b>	<b>5,792</b>	<b>2,135</b>	<b>15,605,676</b>	<b>15,114,970</b>
<b>LIABILITIES</b>										
Current liabilities	465,687	413,849	295,324	262,791	39,625	41,719	2,359	2,098	802,995	720,457
Non-current liabilities	283,062	264,988	253,496	161,775	330,058	318,818	845	754	867,461	746,335
<b>Total liabilities</b>	<b>748,749</b>	<b>678,837</b>	<b>548,820</b>	<b>424,566</b>	<b>369,683</b>	<b>360,537</b>	<b>3,204</b>	<b>2,852</b>	<b>1,670,456</b>	<b>1,466,792</b>
<b>NET ASSETS</b>	<b>8,103,063</b>	<b>7,252,056</b>	<b>5,827,523</b>	<b>6,394,038</b>	<b>2,046</b>	<b>2,801</b>	<b>2,588</b>	<b>(717)</b>	<b>13,935,220</b>	<b>13,648,178</b>

The Schedule of Assets and Liabilities by Service should be read in conjunction with the accompanying notes.

## NOTES TO THE FINANCIAL STATEMENTS For the year ended 30 June 2020

### NOTE 3. USE OF OUR FUNDING

#### Expenses incurred in the delivery of services

This section provides additional information about how the Department's funding is applied and the accounting policies that are relevant for an understanding of the items recognised in the financial statements. The primary expenses incurred by the Department in achieving its objectives and the relevant notes are:

	Notes	2019-20 \$'000	2018-19 \$'000
Employee benefits expenses	3.1.1	4,060,139	3,864,805
Employee benefits provisions	3.1.2	821,708	775,571
Grants and subsidies	3.2	31,545	33,177
Other expenses	3.3	983,417	1,377,562

#### 3.1.1 Employee benefits expense

	2019-20 \$'000	2018-19 \$'000
Salaries and allowances	3,644,030	3,460,062
Termination benefits	1,076	6,683
Superannuation - defined contribution plans <sup>(a)</sup>	358,161	344,010
Other employee-related expense <sup>(b)</sup>	56,872	54,050
<b>Total employee benefits expense</b>	<b>4,060,139</b>	<b>3,864,805</b>
Add: AASB 16 Non-monetary benefits	18,975	-
Less: Employee contributions	(16,773)	-
<b>Net employee benefits</b>	<b>4,062,341</b>	<b>3,864,805</b>

- (a) Defined contribution plans include GESB West State \$289.59 million, GESB Gold State \$33.07 million and other superannuation funds (contributions paid) and includes the superannuation contribution component relating to leave movement.
- (b) Includes furniture (staff relocation costs) and fringe benefits tax. In 2018-19, employee rental contributions (\$17.19 million) was included within this note. In 2019-20, employee rental contributions (\$16.77 million) has been reclassified, and now included within Note 4.5 'Other Revenue.'

Employment on-costs expenses, such as workers' compensation insurance are included in Note 3.3 'Other Expenses.'

#### Employee benefits

Includes wages, salaries and social contributions, paid annual leave and paid sick leave, profit-sharing and bonuses; and non-monetary benefits (such as medical care, housing, cars and free or subsidised goods or services) for current employees.

#### Termination benefits

Payable when employment is terminated before normal retirement date, or when an employee accepts an offer of benefits in exchange for the termination of employment. Termination benefits are recognised when the Department is demonstrably committed to terminating the employment of current employees according to a detailed formal plan without possibility of withdrawal or providing termination benefits as a result of an offer made to encourage voluntary redundancy. Benefits falling due more than 12 months after the end of the reporting period are discounted to present value.

#### Superannuation

The amount recognised in profit or loss of the Statement of Comprehensive Income comprises employer contributions paid to the GSS (concurrent contributions), the WSS, the GESB, or other superannuation funds. The employer contribution paid to the Government Employees Superannuation Board (GESB) in respect of the GSS is paid back into the Consolidated Account by the GESB.

GSS (concurrent contributions) is a defined benefit scheme for the purposes of employees and whole-of-government reporting. It is however a defined contribution plan for Department purposes because the concurrent contributions (defined contributions) made by the Department to GESB extinguishes the Department's obligations to the related superannuation liability.

## NOTES TO THE FINANCIAL STATEMENTS For the year ended 30 June 2020

### 3.1.1 Employee benefits expense (continued)

#### Superannuation (continued)

The Department does not recognise any defined benefit liabilities because it has no legal or constructive obligation to pay future benefits relating to its employees. The Liabilities for the unfunded Pension Scheme and the unfunded GSS transfer benefits attributable to members who transferred from the Pension Scheme, are assumed by the Treasurer. All other GSS obligations are funded by concurrent contributions made by the Department to the GESB.

The GESB and other fund providers administer public sector superannuation arrangements in Western Australia in accordance with legislative requirements. Eligibility criteria for membership in particular schemes for public sector employees vary according to commencement and implementation dates.

#### AASB 16 Non-monetary benefits

Employee benefits in the form of non-monetary benefits, such as the provision of motor vehicles or housing, are measured at the cost.

### 3.1.2 Employee related provisions

Provision is made for benefits accruing to employees in respect of wages and salaries, annual leave and long service leave for services rendered up to the reporting date and recorded as an expense during the period the services are delivered.

	2019-20	2018-19
	\$'000	\$'000
<b>Current</b>		
<i>Employee related provisions</i>		
Annual leave <sup>(a)</sup>	31,449	27,297
Entitlement to payment during student vacation <sup>(b)</sup>	226,052	227,786
Long service leave <sup>(c)</sup>	296,072	280,974
Deferred salary scheme <sup>(d)</sup>	29,014	26,107
Remote teaching service <sup>(e)</sup>	6,853	7,404
	<b>589,440</b>	<b>569,568</b>
<b>Non-current</b>		
<i>Employee related provisions</i>		
Long service leave <sup>(c)</sup>	230,765	205,111
Remote teaching service <sup>(e)</sup>	1,503	892
	<b>232,268</b>	<b>206,003</b>
<b>Total employee related provisions</b>	<b>821,708</b>	<b>775,571</b>

#### (a) Annual leave liabilities

	2019-20	2018-19
	\$'000	\$'000
Within 12 months of the end of the reporting period	24,274	20,219
More than 12 months after the end of the reporting period	7,175	7,078
	<b>31,449</b>	<b>27,297</b>

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

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

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

## NOTES TO THE FINANCIAL STATEMENTS For the year ended 30 June 2020

### 3.1.2 Employee related provisions (continued)

#### (b) Entitlement to payment during student vacation

	2019-20 \$'000	2018-19 \$'000
Within 12 months of the end of the reporting period	226,052	227,786
	<b>226,052</b>	<b>227,786</b>

Entitlement to payment during student vacation is paid during the student vacation period for most school based staff employed under the Teachers Award, Teachers' Aides' Award and Education Department Ministerial Officer's Salaries and Allowances and Conditions Award, subject to meeting relevant conditions of the Award (including teachers, education assistants and some administration and school support staff).

The entitlement to payment during student vacation is used during the school vacations, leaving no balance at the end of the summer holidays (i.e. zero balance when school resumes at the start of each calendar year).

As at financial year end, the Department recognises a liability for the entitlement to payment during student vacation accrued during the current calendar school year (accrued daily) and not yet taken as at 30 June.

#### (c) Long service liabilities

	2019-20 \$'000	2018-19 \$'000
Within 12 months of the end of the reporting period	115,904	102,078
More than 12 months after the end of the reporting period	410,933	384,007
	<b>526,837</b>	<b>486,085</b>

A liability for long service leave is recognised across all employees using a short-hand approach which allows for the likelihood of payment, salary increases and a discount rate based on remuneration rates and bond yields current as at the end of the reporting period. The short-hand approach was not materially different from the liability determined using the present value of expected future payments. This calculation is consistent with the Department's experience of employee retention and leave utilisation

All long service leave provisions which are unconditional or expected to become unconditional within 12 months of the reporting date, plus all conditional long service leave provisions which are vested (i.e. the employee has met the age (55) or other criteria which allows early access) or will become vested within 12 months of the reporting date are classified as current liabilities. The remaining long service leave provisions are classified as non-current liabilities because the Department has an unconditional right to defer the settlement of the liability until the employee has completed the requisite criteria (e.g. age or years of service).

#### (d) Deferred salary scheme liabilities

	2019-20 \$'000	2018-19 \$'000
Within 12 months of the end of the reporting period	3,772	7,310
More than 12 months after the end of the reporting period	25,242	18,797
	<b>29,014</b>	<b>26,107</b>

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

## NOTES TO THE FINANCIAL STATEMENTS For the year ended 30 June 2020

### 3.1.2 Employee related provisions (continued)

(e) Remote teaching service

	2019-20	2018-19
	\$'000	\$'000
Within 12 months of the end of the reporting period	3,510	3,567
More than 12 months after the end of the reporting period	4,846	4,729
	<b>8,356</b>	<b>8,296</b>

The provision for Remote Teaching Service leave relates to teaching staff who are working in remote and isolated communities within Western Australia. Employees who stay in the same remote location continuously for three years are entitled to an additional 10 weeks paid leave and those who remain in the same remote location continuously for four years are entitled to an additional 22 weeks paid leave. The provision recognises the value of salary set aside for employees. This liability is measured on the same basis as long service leave.

#### Employment on-costs

The settlement of annual and long service leave liabilities gives rise to the payment of employment on-costs including workers' compensation insurance. The provision is the present value of expected future payments.

Employment on-costs, including workers' compensation insurance, are not employee benefits and are recognised separately as liabilities and expenses when the employment to which they relate has occurred. Employment on-costs are included as part of 'Other expenses, and are not included as part of the Department's 'employee benefits expense'.

#### Key sources of estimation uncertainty – long service leave

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

Several estimates and assumptions are used in calculating the Department's long service leave provision. These include:

- Expected future salary rates
- Discount rates
- Employee retention rates; and
- Expected future payments

Changes in these estimations and assumptions may impact on the carrying amount of the long service leave provision.

Any gain or loss following revaluation of the present value of long service leave liabilities is recognised as employee benefits expense.

### 3.2 Grants and subsidies

	2019-20	2018-19
	\$'000	\$'000
<u>Recurrent</u>		
Parents from public schools	2,455	2,426
Non-government schools and other organisations	29,090	30,751
<b>Total grants and subsidies</b>	<b>31,545</b>	<b>33,177</b>

Transactions in which the Department provides goods, services, assets (or extinguishes a liability) or labour to another party without receiving approximately equal value in return are categorised as 'Grant expenses'. Grants can either be operating or capital in nature.

Grants can be paid as general purpose grants which refer to grants that are not subject to conditions regarding their use. Alternatively, they may be paid as specific purpose grants which are paid for a particular purpose and/or have conditions attached regarding their use.

Grants and other transfers to third parties (other than contribution to owners) are recognised as an expense in the reporting period in which they are paid or payable. They include transactions such as: grants, subsidies, personal benefit payments made in cash to individuals, other transfer payments made to public sector agencies, local government, non-government schools, and community groups.

## NOTES TO THE FINANCIAL STATEMENTS For the year ended 30 June 2020

### 3.3 Other expenses

	2019-20	2018-19
	\$'000	\$'000
<b>Supplies and services</b>		
Communication services	25,882	27,776
Consumables	4,178	3,005
Consumables - utilities	79,324	76,425
Equipment purchases (\$4,999 and below)	6,004	5,141
Insurance	67,694	68,835
Minor works	76,152	69,885
PPP - School maintenance costs	7,392	4,315
Repairs and maintenance	125,876	116,068
Service and contracts <sup>(a)</sup>	171,133	148,022
Service and contracts - property	35,618	34,805
Staff-related expense	3,317	4,052
Travel	6,403	6,504
Schools expenses	345,943	331,983
Other	6,606	4,474
<b>Total supplies and services expenses</b>	<b>961,522</b>	<b>901,290</b>

- (a) Included within service and contracts are short-term and low value leases of up to \$5,000. This excludes leases with another wholly-owned public sector entity lessor agency. Refer to Note 5.2 for aggregate short-term and low value leases expense.

#### *Supplies and services*

Supplies and services are recognised as an expense in the reporting period in which they are incurred. The carrying amounts of any materials held for distribution are expensed when the materials are distributed.

#### *Repairs and maintenance*

Repairs, maintenance and cleaning costs are recognised as expenses as incurred, except where they relate to the replacement of a significant component of an asset. In that case, the costs are capitalised and depreciated.

#### *Employee on-cost*

Employee on-cost includes workers' compensation insurance and other employment on-costs. The on-costs liability associated with the recognition of annual and long service leave liabilities is included at Note 3.1.2 'Employee related provisions'. Superannuation contributions accrued as part of the provision for leave are employee benefits and are not included in employment on-costs.

#### *Expected credit losses expense*

Expected credit losses is an allowance of trade receivables, measured at the lifetime expected credit losses at each reporting date. The most significant assumptions and judgements in estimating the expected credit losses include the assessment of credit risk, forecasted economic assumptions and probability of recovery. Please refer to Note 6.1.1. 'Movement in the allowance for impairment of trade receivables'.

## NOTES TO THE FINANCIAL STATEMENTS For the year ended 30 June 2020

### 3.3 Other expenses (continued)

#### Other

Other operating expenses generally represent the day-to-day running costs incurred in normal operations.

	2019-20	2018-19
	\$'000	\$'000
<b>Other expenditures</b>		
Loss on disposal of non-current assets <sup>(a)</sup>	1,087	3,419
Write-off of intangibles (work in progress) <sup>(b)</sup>	13,100	-
Refund of prior period revenue	227	553
Asset revaluation decrement	-	468,447
Expected credit losses expense	7,447	3,822
Other expenditures	34	31
<b>Total other expenditures</b>	<b>21,895</b>	<b>476,272</b>
<b>Total other expenses</b>	<b>983,417</b>	<b>1,377,562</b>

(a) Refer to Note 3.4 Net loss on disposal of non-current assets for detailed breakdown.

(b) A write-off of intangibles (work in progress) relating to computer software development.

### 3.4 Net loss on disposal of non-current assets

	2019-20	2018-19
	\$'000	\$'000
<u>Carrying amount of disposal of non-current assets</u>		
Land	110	220
Buildings	392	1,189
Plant and equipment	282	986
Motor vehicles	2	422
Buses	65	105
Computers	49	289
Communication equipment	90	125
Office equipment	168	343
Library collections	80	75
Miscellaneous assets <sup>(a)</sup>	189	183
	<b>1,427</b>	<b>3,937</b>
<u>Proceeds from disposal of non-current assets</u>		
Land	110	220
Plant and equipment	71	112
Motor Vehicles	-	48
Buses	16	24
Computers	13	33
Communication equipment	22	14
Office equipment	38	35
Library collections	15	9
Miscellaneous assets	55	23
	<b>340</b>	<b>518</b>
<b>Net loss on disposal of non-current assets</b>	<b>1,087</b>	<b>3,419</b>

(a) Includes \$45,000 of intangibles disposed in 2019-20. Refer to Note 5.3.

#### Gains or losses

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

## NOTES TO THE FINANCIAL STATEMENTS For the year ended 30 June 2020

### NOTE 4. OUR FUNDING SOURCES

#### How we obtain our funding

This section provides additional information about how the department obtains its funding and the relevant accounting policy notes that govern the recognition and measurement of this funding. The primary income received by the Department and the relevant notes are:

	Notes	2019-20 \$'000	2018-19 \$'000
Income from State Government	4.1	4,121,669	4,110,720
User contributions, charges and fees	4.2	115,927	135,423
Australian Government grants and contributions	4.3	904,957	813,495
Interest revenue	4.4	22,897	19,291
Other revenue	4.5	110,763	114,467

#### 4.1 Income from State Government

	2019-20 \$'000	2018-19 \$'000
<u>Appropriation received during the period:</u>		
Service appropriation	4,066,784	4,064,460
	<b>4,066,784</b>	<b>4,064,460</b>
<u>Grants and subsidies received during the period:</u>		
State grants - recurrent*	9,415	13,020
	<b>9,415</b>	<b>13,020</b>
<u>Services received free of charge from other State government agencies during the period:</u>		
Department of Communities - Family centre operating costs	19	15
Department of Justice - Legal services	1,471	1,100
Department of Planning, Lands and Heritage - Data analysis	-	7
Department of Finance - Government accommodation	227	196
Department of Health - Online curriculum support materials, and funded teacher training	459	159
Landgate - Valuation services and land information data	325	183
Department of Primary Industries and Regional Development - Digital downloads	34	-
WA Child and Adolescent Health Service - School health services*	16,543	12,510
	<b>19,078</b>	<b>14,170</b>
<u>Royalties for Regions Fund:</u>		
Regional Community Services Fund	21,644	19,070
Regional Reform Fund**	4,748	-
	<b>26,392</b>	<b>19,070</b>
	<b>4,121,669</b>	<b>4,110,720</b>

\* In 2019-20, WA Child and Adolescent Health Service revised the 2018-19 services received free of charge from \$12.51 million to \$15.65 million.

\*\*In 2018-19, the Regional Reform Fund (\$3.37 million) was included within State grants - recurrent.

**Service Appropriations** are recognised as income at the fair value of consideration received in the period in which the Department gains control of the appropriated funds. The Department gains control of appropriated funds at the time those funds are deposited in the bank account or credited to the 'Amounts receivable for services' (holding account) held at Treasury. Service appropriations fund the net cost of services delivered (as set out in Note 2.2). Appropriation revenue comprises the following:

- Cash component; and
- A receivable (asset).

**Assets transferred** from other parties are recognised as income at fair value when the assets are transferred.

## NOTES TO THE FINANCIAL STATEMENTS For the year ended 30 June 2020

### 4.1 Income from State Government (continued)

The **Regional Infrastructure and Headworks Account, and Regional Community Services Accounts** are sub-funds within the over-arching 'Royalties for Regions Fund'. The recurrent funds are committed to projects and programs in WA regional areas and are recognised as income when the Department receives the funds. The Department has assessed Royalties for Regions agreements and concludes that they are not within the scope of AASB 15 as they do not meet the 'sufficiently specific' criterion.

The application of AASB 15 and AASB 1058 from 1 July 2019 has had no impact on the treatment of income from State Government.

#### *Assets and services received free of charge or for nominal value*

Assets or services received free of charge or for nominal cost, that the Department would otherwise purchase if not donated, are recognised as income at the fair value of the assets or services where they can be reliably measured. A corresponding expense is recognised for services received. Receipts of assets are recognised in the Statement of Financial Position. Assets or services received from other State Government agencies are separately disclosed under Income from State Government in the Statement of Comprehensive Income.

### 4.2 User contributions, charges and fees

	2019-20	2018-19
	\$'000	\$'000
<u>Schools</u>		
Contributions, charges and fees	97,986	114,509
	<b>97,986</b>	<b>114,509</b>
<u>Central Office</u>		
Agricultural schools fees	2,384	3,344
Other charges and fees	15,557	17,570
	<b>17,941</b>	<b>20,914</b>
<b>Total user contributions, charges and fees</b>	<b>115,927</b>	<b>135,423</b>

Until 30 June 2019, revenue was recognised and measured at the fair value of consideration received or receivable.

From 1 July 2019, revenue is recognised at the transaction price when the Department transfers control of the services to customers. Revenue is recognised for the major activities as follows:

#### *Contributions, charges and fees (schools and central office)*

Revenue is recognised when the agency transfers control of services to a customer for the amount to which the agency expects to be entitled. Under AASB 15, these are predominantly to be recognised at a point in time when performance obligations are satisfied.

#### *Net appropriation determination*

The Treasurer may make a determination providing for prescribed receipts to be retained for services under the control of the Department. In accordance with the determination specified in the 2019-20 Budget Statements, the Department retained \$1,292.99 million in 2019-20 (\$1,213.35 million in 2018-19) from the following:

- User contributions, charges and fees (excluding user contributions, and fees and charges in respect of schools);
- Australian Government specific purpose grants and contributions; and
- Other departmental revenue.

## NOTES TO THE FINANCIAL STATEMENTS For the year ended 30 June 2020

### 4.3 Australian Government grants and contributions

	2019-20 \$'000	2018-19 \$'000
<b>Central office</b>		
Australian Government grants - recurrent	900,521	806,460
Australian Government grants - capital	3,495	5,500
	<b>904,016</b>	<b>811,960</b>
<b>Schools</b>		
Australian Government grants - recurrent	823	1,535
Australian Government grants - capital	118	-
	<b>941</b>	<b>1,535</b>
<b>Total Australian Government grants and contributions</b>	<b>904,957</b>	<b>813,495</b>

Until 30 June 2019, income from Australian Government grants is recognised at fair value when the grant is receivable.

From 1 July 2019, recurrent Australian Government grants are recognised as income when the grants are receivable.

#### *Australian Government contributions*

Where Australian Government specific purpose funding is received, contributions received are deferred and revenue is recognised when or as the performance obligation is satisfied.

#### *Capital grants*

Income is recognised at the fair value of the consideration received to the extent the obligations for asset acquisition or construction specified in the grant are satisfied.

### 4.4 Interest revenue

	2019-20 \$'000	2018-19 \$'000
Interest revenue	3,518	6,066
Loan interest revenue	19,379	13,225
	<b>22,897</b>	<b>19,291</b>

Loan interest revenue amount reflects the interest charged and receivable from low interest loans to non-government schools and University of Notre Dame Australia (UNDA). In 2019-20 loans to the value of \$51.40 million were advanced to non-government schools and UNDA. Interest has been calculated using the effective interest rate method in compliance with AASB 9. Participating institutions repay financial costs applicable to their loans, with the balance of the interest rate charged (see Note 7.4 Finance Costs) being met by a government appropriation.

## NOTES TO THE FINANCIAL STATEMENTS For the year ended 30 June 2020

### 4.5 Other revenue

	2019-20	2018-19
	\$'000	\$'000
<u>Schools</u>		
Bookshops and canteens	4,396	4,381
Donations to schools	18,002	21,129
Hire of facilities <sup>(a)</sup>	2,495	3,086
Lease income <sup>(a)</sup>	6,401	6,414
Other revenue	21,353	20,112
<b>Total other revenue - Schools</b>	<b>52,647</b>	<b>55,122</b>
<u>Central office</u>		
<u>Capital contributions and recoveries</u>		
Developer contributions	2,664	7,161
	<b>2,664</b>	<b>7,161</b>
<u>Other</u>		
Recoveries and refunds	21,701	26,482
Sale of goods and services	13,584	15,427
Employee rental contributions <sup>(b)</sup>	16,773	-
Other miscellaneous revenue	3,394	10,275
	<b>55,452</b>	<b>52,184</b>
<b>Total other revenue - Central office</b>	<b>58,116</b>	<b>59,345</b>
<b>Total other revenue</b>	<b>110,763</b>	<b>114,467</b>

(a) Hire facilities for 2018-19 has been restated (previously \$9.50 million) with \$6.41 million now included within lease income (previously \$0).

(b) In 2018-19, employee rental contributions (\$17.19 million) was included within Note 3.1.1 under 'Other employee-related expense.' In 2019-20, employee rental contributions (\$16.77m) has been reclassified, and is now included within this note.

#### *Other revenue*

Other revenue is recognised in the accounting period in which the relevant performance obligations has been satisfied.

## NOTES TO THE FINANCIAL STATEMENTS For the year ended 30 June 2020

### NOTE 5. KEY ASSETS

#### Assets the Department utilises for economic benefit or service potential

This section includes information regarding the key assets the Department utilises to gain economic benefits or provide service potential. The section sets out both the key accounting policies and financial information about the performance of these assets:

	Notes	2019-20 \$'000	2018-19 \$'000
Property, plant and equipment	5.1	11,117,503	11,090,687
Right-of-use assets	5.2	293,225	-
Intangibles	5.3	4,733	16,366
<b>Total key assets</b>		<b>11,415,461</b>	<b>11,107,053</b>

## NOTES TO THE FINANCIAL STATEMENTS For the year ended 30 June 2020

### 5.1 Property, plant and equipment

	Carrying amount at 1 Jul 2018	Additions	Disposals	Transferred to land & buildings held for distribution to owner <sup>(a)</sup>	Transferred to/from works in progress	Depreciation	Transfers/ Adjustments/ Write- offs/ Revaluation tfr to Income Stat't	Carrying amount at 30 Jun 2019
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
<b>2018-19</b>								
Land	3,750,637	3,975	(220)	(96)	21,132	-	(101,476)	3,673,952
Buildings	7,141,904	46,814	(1,189)	-	251,009	(145,292)	(362,977)	6,930,269
Leased buildings PPP	117,052	64,039	-	-	365	(1,887)	(17,832)	161,737
Plant and equipment	13,321	3,486	(986)	-	-	(4,922)	1	10,900
Leased plant and equipment	85	-	-	-	-	(21)	-	64
Motor vehicles	1,230	148	(422)	-	-	(728)	(29)	199
Leased motor vehicles	183	227	-	-	-	(161)	61	310
Buses	4,638	1,666	(105)	-	-	(1,463)	-	4,736
Leased buses	59	-	-	-	-	-	(59)	-
Computers	5,185	2,686	(289)	-	-	(3,289)	(170)	4,123
Communication equipment	435	339	(125)	-	-	(571)	-	78
Office equipment	7,217	2,414	(343)	-	-	(2,990)	-	6,298
Leased office equipment	31,236	17,686	-	-	-	(15,578)	(558)	32,786
Library collections	35,155	6,642	(75)	-	-	(9,256)	(7)	32,459
Miscellaneous assets	4,090	476	(183)	-	-	(638)	9	3,754
Capital works in progress	152,679	348,850	-	-	(272,506)	-	(1)	229,022
<b>Total</b>	<b>11,265,106</b>	<b>499,448</b>	<b>(3,937)</b>	<b>(96)</b>	<b>-</b>	<b>(186,796)</b>	<b>(483,038)</b>	<b>11,090,687</b>

(a) The Department of Planning, Lands and Heritage (DPLH) is the only Department with the power to sell Crown land. The land is transferred to DPLH for sale and the Department accounts for the transfer as a distribution to owner.

Information on fair value measurements is provided in Note 8.3

## NOTES TO THE FINANCIAL STATEMENTS For the year ended 30 June 2020

### 5.1 Property, plant and equipment (continued)

	Carrying amount at 30 June 2019	Adjustment for change in accounting policy - AASB 16 <sup>(a)</sup>	Restated opening carrying amount at 1 Jul 2019	Additions	Disposals	Transferred to land & buildings held for distribution to owner <sup>(b)</sup>	Transferred from land & buildings held for distribution to owner	Transferred to/from works in progress	Impairment losses <sup>(c)</sup>	Depreciation	Transfers/ Adjustments/ Write-offs/ Revaluation tfr <sup>(d)</sup> to Income Stat't	Carrying amount at 30 Jun 2020
	\$'000			\$'000	\$'000	\$'000	\$'000	\$'000		\$'000	\$'000	\$'000
<b>2019-20</b>												
Land	3,673,952	-	3,673,952	-	(110)	(7)	55	29,572	-	-	(13)	3,703,449
Buildings	6,930,269	-	6,930,269	48,749	(392)	-	-	373,862	(18,282)	(168,882)	106	7,165,430
Leased buildings PPP	161,737	(161,737)	-	-	-	-	-	-	-	-	-	-
Plant and equipment	10,900	-	10,900	5,964	(282)	-	-	-	-	(4,518)	(10)	12,054
Leased plant and equipment	64	(64)	-	-	-	-	-	-	-	-	-	-
Motor vehicles	199	-	199	1,251	(2)	-	-	-	-	(519)	(2)	927
Leased motor vehicles	310	(310)	-	-	-	-	-	-	-	-	-	-
Buses	4,736	-	4,736	2,027	(65)	-	-	-	-	(941)	-	5,757
Leased buses	-	-	-	-	-	-	-	-	-	-	-	-
Computers	4,123	-	4,123	3,444	(49)	-	-	-	-	(3,296)	(17)	4,205
Communication equipment	78	-	78	964	(90)	-	-	-	-	(552)	1	401
Office equipment	6,298	-	6,298	4,487	(168)	-	-	-	-	(3,085)	1	7,533
Leased office equipment	32,786	(32,786)	-	-	-	-	-	-	-	-	-	-
Library collections	32,459	-	32,459	6,389	(80)	-	-	-	-	(9,824)	1	28,945
Miscellaneous assets	3,754	-	3,754	848	(144)	-	-	-	-	(592)	5	3,871
Capital works in progress	229,022	-	229,022	359,345	-	-	-	(403,434)	-	-	(2)	184,931
<b>Total</b>	<b>11,090,687</b>	<b>(194,897)</b>	<b>10,895,790</b>	<b>433,468</b>	<b>(1,382)</b>	<b>(7)</b>	<b>55</b>	<b>-</b>	<b>(18,282)</b>	<b>(192,209)</b>	<b>70</b>	<b>11,117,503</b>

(a) The application of AASB 16 has resulted in the reclassification of finance leased assets to right-of-use assets.

(b) The Department of Planning, Lands and Heritage (DPLH) is the only Department with the power to sell Crown land. The land is transferred to DPLH for sale and the Department accounts for the transfer as a distribution to owner.

(c) Refer to Note 5.1.1 for impairment loss details.

(d) The indices for land, buildings, and school infrastructure moved by less than 10% since the last revaluation and accordingly no revaluation adjustment for the year ended 30 June 2020.

Information on fair value measurements is provided in Note 8.3

## NOTES TO THE FINANCIAL STATEMENTS For the year ended 30 June 2020

### 5.1 Property, plant and equipment (continued)

#### *Initial recognition*

Items of property, plant and equipment, costing \$5,000 or more are measured initially at cost. Where an asset is acquired for no or nominal cost, the cost is valued at its fair value at the date of acquisition. Items of property, plant and equipment and infrastructure costing less than \$5,000 are immediately expensed direct to the Statement of Comprehensive Income (other than where they form part of a group of similar items which are significant in total).

Assets transferred as part of a machinery of government change are transferred at their fair value.

The cost of a leasehold improvement is capitalised and depreciated over the shorter of the remaining term of the lease or the estimated useful life of the leasehold improvement.

#### *Subsequent measurement*

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

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

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

School infrastructure consists of roads, foot paths and paved areas, boundary walls, fences and gates, soft landscaping, and external services. Information from the quantity surveyor engaged by the Department, previous analysis of school infrastructure, and a cross reference to industry cost guide publication is considered to estimate the building replacement cost for school infrastructure.

Land and Buildings are measured at fair value on a cyclical basis, consistent with TI 954 Revaluation of Non-Current Physical Assets, issued by the Department of Treasury. The last revaluation for land, buildings and school infrastructure was effective for the year ended 30 June 2019, carried out by the Western Australian Land Information Authority (Landgate).

Effective 1 July 2019, the Department reviewed the frequency to revalue land, buildings and school infrastructure annually to every three years. Any interim revaluations are determined by applying relevant industry indices to determine if fair values adjustments are required. In a non-revaluation year, land, buildings and school infrastructure are measured at each reporting date by applying cumulative Western Australia industry indices from the Australian Bureau of Statistics (ABS) since the last revaluation as follows:

- less than 10% - the carrying amount is not updated as the movement is immaterial;
- between 10% and 20% - the carrying amount is adjusted based on relevant indices; and
- more than 20% - a comprehensive revaluation is performed regardless of when the last comprehensive revaluation was performed.

A full revaluation normally occurs every three years but may occur more frequently if fair value assessments indicate material changes in values. Independent valuers are generally used to conduct these scheduled revaluations.

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

## NOTES TO THE FINANCIAL STATEMENTS For the year ended 30 June 2020

### 5.1 Property, plant and equipment (continued)

#### Key sources of estimation uncertainty – Valuation of building sub-classes

The Department recognises building sub-classes (school infrastructure) comprising roads, footpaths and paved areas; boundary walls, fencing and gates; soft landscaping and external services from an independent quantity surveyor as determined by the Department's valuer. Currently the value for each sub-class is determined by applying the appropriate disclosed rate per square metre to the gross floor area of the individual school. An appropriate unit rate per square metre is determined by the Department's valuer using, but not limited to such information as building periodicals, Departmental data and analysis of tender results from Department of Finance - Building Management and Works. When determining depreciated replacement cost the effective age for the school buildings is currently used. The carrying amounts of the building sub-classes (school infrastructure) included in the 2019–20 financial statements is \$1.51 billion (2018–19: \$1.55 billion). This is within the total buildings of \$7.16 billion (2018–19: \$6.93 billion).

The interest rate used to estimate the value of assets and liabilities under the PPP arrangement is 6.79%.

#### 5.1.1 Depreciation and impairment

##### Depreciation charge for the period

	2019–20	2018–19
	\$'000	\$'000
<u>Depreciation</u>		
Buildings	168,882	145,292
Plant and equipment	4,518	4,922
Motor vehicles	519	728
Buses	941	1,463
Computers	3,296	3,289
Communication equipment	552	571
Office equipment	3,085	2,990
Library collections	9,824	9,256
Miscellaneous assets	592	638
Leased buildings PPP*	-	1,887
Leased plant and equipment*	-	21
Leased office equipment*	-	15,578
Leased buses*	-	-
Leased motor vehicles*	-	161
<b>Total depreciation</b>	<b>192,209</b>	<b>186,796</b>

\*Lessees were required to classify leases as either finance leases or operating leases until 30 June 2019. From 1 July 2019, at the commencement date, lessees are required to recognise leases as right-of-use assets.

##### Impairment charge for the period

	2019–20	2018–19
	\$'000	\$'000
<u>Impairment</u>		
Buildings <sup>(a)</sup>	18,282	-
<b>Total impairment</b>	<b>18,282</b>	<b>-</b>

(a) The majority of the impairment charge relates to fire damage at Gingin District High School, East Kimberley College, Tom Price Primary School and Broome Primary School.

##### Finite useful lives

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

In calculating depreciation for buildings, (including the infrastructure sub-class), the Department deems the economic life of the asset (as assessed by the valuer) to be the useful life of the asset. The asset is then depreciated on a straight line basis over its economic life.

## NOTES TO THE FINANCIAL STATEMENTS For the year ended 30 June 2020

### 5.1.1 Depreciation and impairment (continued)

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

Buildings	40 to 80	Years
Communication equipment	5	Years
Computers	4	Years
Furniture and fittings	10	Years
Motor vehicles	5	Years
Buses	10	Years
Musical instruments	8 to 12	Years
Office equipment	5 to 8	Years
Plant and equipment	8	Years
Transportables	16	Years
Software	4	Years
Library collections	Four to five years with 100% depreciation at the end of the fifth year, or in the sixth year respectively after acquisition.	

Works of art controlled by the Department are classified as property, plant and equipment. These are anticipated to have indefinite useful lives. Their service potential has not, in any material sense, been consumed during the reporting period and consequently no depreciation has been recognised.

Land is not depreciated.

Transportables are included in buildings.

Furniture and fittings, and musical instruments are included within miscellaneous assets.

#### *Impairment*

Non-financial assets, including items of plant and equipment, are tested for impairment whenever there is an indication that the asset may be impaired. Where there is an indication of impairment, the recoverable amount is estimated. Where the recoverable amount is less than the carrying amount, the asset is considered impaired and is written down to the recoverable amount and an impairment loss is recognised.

Where an asset measured at cost is written down to its recoverable amount, an impairment loss is recognised through profit or loss.

Where a previously revalued asset is written down to its recoverable amount, the loss is recognised as a revaluation decrement through other comprehensive income.

As the Department is a not-for-profit agency, the recoverable amount of regularly revalued specialised assets is anticipated to be materially the same as fair value.

If there is an indication that there has been a reversal in impairment, the carrying amount shall be increased to its recoverable amount. However, this reversal should not increase the asset's carrying amount above what would have been determined, net of depreciation or amortisation, if no impairment loss had been recognised in prior years.

The risk of impairment is generally limited to circumstances where an asset's depreciation is materially understated, where the replacement cost is falling or where there is a significant change in useful life. Each relevant class of assets is reviewed annually to verify that the accumulated depreciation/amortisation reflects the level of consumption or expiration of the asset's future economic benefits and to evaluate any impairment risk from declining replacement costs.

## NOTES TO THE FINANCIAL STATEMENTS For the year ended 30 June 2020

### 5.2 Right-of-use assets

	Carrying amount at 30 Jun 2019	Recognition of right-of-use assets on initial application of AASB 16 <sup>(a)</sup>	Restated opening carrying amount at 1 Jul 2019	Additions	Disposals	Transfers	Impairment losses	Depreciation	Carrying amount at the end of the period
	\$'000			\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
<b>2019–20</b>									
Land	-	2,898	2,898	-	-	-	-	(416)	2,482
Buildings	-	28,400	28,400	5,290	-	-	-	(18,546)	15,144
Buildings PPP	-	161,737	161,737	88,955	-	602	-	(2,715)	248,579
Motor vehicles	-	5,804	5,804	2,035	(28)	-	-	(2,370)	5,441
Other	-	32,849	32,849	5,888	-	2	-	(17,160)	21,579
<b>Total</b>	<b>-</b>	<b>231,688</b>	<b>231,688</b>	<b>102,168</b>	<b>(28)</b>	<b>604</b>	<b>-</b>	<b>(41,207)</b>	<b>293,225</b>

(a) The application of AASB 16 has resulted in the reclassification of finance leased assets to right-of-use assets.

## NOTES TO THE FINANCIAL STATEMENTS For the year ended 30 June 2020

### 5.2 Right-of-use assets (continued)

#### Initial recognition

Right-of-use assets are measured at cost including the following:

- the amount of the initial measurement of lease liability
- any lease payments made at or before the commencement date less any lease incentives received
- any initial direct costs, and
- restoration costs, including dismantling and removing the underlying asset.

This includes all leased assets other than investment property ROU assets, which are measured in accordance with AASB 140 Investment Property.

The Department has elected not to recognise right-of-use assets and lease liabilities for short-term leases (with a lease term of 12 months or less) and low value leases (with an underlying value of \$5,000 or less). Lease payments associated with these leases are expensed over a straight-line basis over the lease term.

#### Subsequent measurement

The cost model is applied for subsequent measurement of right-of-use assets, requiring the asset to be carried at cost less any accumulated depreciation and accumulated impairment losses and adjusted for any re-measurement of lease liability.

#### Depreciation and impairment of right-of-use assets

Right-of-use assets are depreciated on a straight-line basis over the shorter of the lease term and the estimated useful lives of the underlying assets.

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

Right-of-use assets are tested for impairment when an indication of impairment is identified. The policy in connection with testing for impairment is outlined in Note 5.1.1.

The following amounts relating to leases have been recognised in the statement of comprehensive income:

	2019–20	2018–19
	\$'000	\$'000
Land	416	-
Buildings	18,546	-
Buildings PPP	2,715	-
Vehicles	2,370	-
Other	17,160	-
<b>Total depreciation expense of right-of-use assets</b>	<b>41,207</b>	
Lease interest expense	18,646	-
Short-term leases	289	-
Low-value leases	1,085	-

The total cash outflow for leases in 2019–20 was \$57.2 million.

#### The Department's leasing activities and how these are accounted for:

The Department has leases for mostly vehicles, computer equipment, private public partnership schools and residential accommodations.

The Department has entered into a Memorandum of Understanding Agreements (MOU) with the Department of Finance for the leasing of office accommodation. These are not recognised under AASB 16 because of substitution rights held by the Department of Finance and are accounted for as an expense as incurred.

The Department also has open ended leases with Government Regional Officer Housing (GROH), where either party may exit the agreement with limited penalty. As the agreements work on a month-to-month 'extension' basis, the lessee and lessor can elect to not continue extending the arrangement. As a result, under AASB 16, there is no non-cancellable period that gives right to specific rights and obligations, and are therefore accounted for as an expense as incurred.

## NOTES TO THE FINANCIAL STATEMENTS For the year ended 30 June 2020

### 5.2 Right-of-use assets (continued)

Up to 30 June 2019, the Department classified lease as either finance leases or operating leases. From 1 July 2019, the Department recognises leases as right-of-use assets and associated lease liabilities in the Statement of Financial Position.

The corresponding lease liabilities in relation to these right-of-use assets have been disclosed in Note 7.2.

### 5.3 Intangible assets

	2019-20 \$'000	2018-19 \$'000
<b>Computer software</b>		
At cost - central office	10,645	10,800
At cost - schools	167	173
Accumulated amortisation	(9,721)	(8,744)
	<b>1,091</b>	<b>2,229</b>
Work in progress - Intangible internally generated <sup>(a)</sup>	3,642	14,137
	<b>4,733</b>	<b>16,366</b>
<b>Reconciliations:</b>		
<b>Computer software</b>		
Carrying amount at start of period	2,229	3,290
Additions	-	203
Disposal	(45)	-
Amortisation expense	(1,093)	(1,264)
Carrying amount at end of period	<b>1,091</b>	<b>2,229</b>
Work in progress - Intangible internally generated <sup>(a)</sup>	3,642	14,137
	<b>4,733</b>	<b>16,366</b>

(a) Refer to Note 3.3 'Other Expenses' for further information.

#### Initial recognition

Intangible assets are initially recognised at cost. For assets acquired at no cost or for nominal cost, the cost is their fair value at the date of acquisition.

An internally generated intangible asset arising from development (or from the development phase of an internal project) is recognised if, and only if, all of the following are demonstrated:

- the technical feasibility of completing the intangible asset so that it will be available for use or sale;
- an intention to complete the intangible asset, and use or sell it;
- the ability to use or sell the intangible asset;
- the intangible asset will generate probable future economic benefit;
- the availability of adequate technical, financial and other resources to complete the development and to use or sell the intangible asset; and
- the ability to measure reliably the expenditure attributable to the intangible asset during its development.

Acquisitions of intangible assets costing \$50,000 or more and internally generated intangible assets costing \$50,000 or more that comply with the recognition criteria as per AASB 138.57 (as noted above), are capitalised.

Costs incurred below these thresholds are immediately expensed directly to the Statement of Comprehensive Income.

Costs incurred in the research phase of a project are immediately expensed.

#### Subsequent measurement

The cost model is applied for subsequent measurement of intangible assets, requiring the asset to be carried at cost less any accumulated amortisation and accumulated impairment losses.

## NOTES TO THE FINANCIAL STATEMENTS For the year ended 30 June 2020

### 5.3.1 Amortisation and impairment

Charge for the period

	2019-20	2018-19
	\$'000	\$'000
<u>Amortisation</u>		
Intangible assets	1,093	1,264
<b>Total amortisation</b>	<b>1,093</b>	<b>1,264</b>

As at 30 June 2020 there were no indications of impairment to intangible assets.

The Department held no goodwill or intangible assets with an indefinite useful life during the reporting period. At the end of the reporting period there were no intangible assets not yet available for use.

Amortisation of finite life intangible assets is calculated on a straight line basis at rates that allocate the asset's value over its estimated useful life. All intangible assets controlled by the Department have a finite useful life and zero residual value. Estimated useful lives are reviewed annually.

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

Software	4	Years
----------	---	-------

#### *Impairment of intangible assets*

The Department's central office and regional offices test intangible assets with an indefinite useful life and intangible assets not yet available for use for impairment at the end of each reporting period irrespective of whether there is any indication of impairment. Schools test intangible assets each year for indication of impairment.

#### **Key sources of estimation uncertainty – Impairment of intangible assets**

Central office, regional offices and schools assess impairment of intangible assets at the end of each reporting period. The impact of impairment of intangible assets in schools is minimal. Where there is an indication of impairment (such as falling replacement costs), the recoverable amount of the intangible asset is estimated. Calculations performed in assessing recoverable amounts incorporate a number of key estimates.

## NOTES TO THE FINANCIAL STATEMENTS For the year ended 30 June 2020

This section sets out those assets and liabilities that arose from the Department's controlled operations and includes other assets utilised for economic benefits and liabilities incurred during normal operations:

### NOTE 6. OTHER ASSETS AND LIABILITIES

	Notes	2019-20 \$'000	2018-19 \$'000
Receivables	6.1	379,755	352,723
Amounts receivable for services	6.2	3,139,234	2,941,595
Other current assets	6.3	10,763	19,578
Inventory	6.4	6,442	6,936
Payables	6.5	135,534	88,550
Other provisions	6.6	189	-
Other liabilities	6.7	11,481	12,253

#### 6.1 Receivables

	2019-20 \$'000	2018-19 \$'000
<u>Current</u>		
Trade receivables	44,516	33,732
Loans to non-government schools and UNDA <sup>(a)</sup>	34,876	31,980
Allowance for impairment of receivables	(14,474)	(10,362)
GST receivable	16,640	17,955
	<b>81,558</b>	<b>73,305</b>
<u>Non-current</u>		
Loans to non-government schools and UNDA <sup>(a)</sup>	298,197	279,418
	<b>298,197</b>	<b>279,418</b>

(a) Loans to non-government schools and UNDA.

The Department is required to report the value of subsidised loans it provides to non-government schools and the UNDA, in accordance with AASB 9. The loans are measured at amortised cost and have a maturity term not exceeding 15 years, as per the Low Interest Loan Scheme (LILS) guidelines. These loans are not held for trading purposes. See Note 8.1 Financial risk management.

The loans are at a reduced average interest rate of 2.53% per annum, as the Department meets the subsidised interest (refer to Note 4.4, Interest Revenue) on behalf of borrowers through a government appropriation.

Trade receivables are recognised and carried at original invoice amount less any allowance for uncollectible amounts (i.e. impairment). Estimated credit losses are provided for the life of loans using the simplified approach under AASB 9, taking into account historical trends as well as current and forecast credit risks. A progressive provisioning matrix is applied based on an ageing analysis. All loans were classified as current at the end of the reporting with a general provision for estimated credit losses at 0.27% (2018-19 - 0.10%).

## NOTES TO THE FINANCIAL STATEMENTS For the year ended 30 June 2020

### 6.1.1 Movement in the allowance for impairment of trade receivables

	2019-20	2018-19
	\$'000	\$'000
<u>Reconciliation of changes in the allowance for impairment of trade receivables:</u>		
Balance at start of period	10,362	919
Remeasurement under AASB 9	-	9,392
Restated balance at start of period	<b>10,362</b>	<b>10,311</b>
Expected credit losses expense	7,482	3,822
Amounts written off during the period	(3,370)	(3,771)
Balance at end of period	<b>14,474</b>	<b>10,362</b>

The maximum exposure to credit risk at the end of the reporting period for trade receivables is the carrying amount of the asset inclusive of any allowance for impairment as shown in the table at Note 8.1(c) 'Credit risk exposure'.

Other than loans to non-government schools and UNDA, for trade receivables, the Department does not hold any collateral as security or other credit enhancements.

### 6.2 Amounts receivable for services (Holding Account)

	2019-20	2018-19
	\$'000	\$'000
Current	19,674	19,673
Non-current	3,119,560	2,921,922
	<b>3,139,234</b>	<b>2,941,595</b>

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

Amounts receivable for services are not considered to be impaired (i.e. there is no expected credit loss of the holding accounts).

### 6.3 Other assets

	2019-20	2018-19
	\$'000	\$'000
<u>Current</u>		
Contract assets	2,352	-
Prepayments	8,411	19,578
	<b>10,763</b>	<b>19,578</b>

#### *Contract assets*

Where a Department performs by transferring either goods or services to a customer before the payment is due or before the customer pays for consideration, then these are to be classified as contract assets. Contract assets exclude any amounts presented as a receivable.

#### *Prepayments*

Represents payments in advance of receipt of goods or services or that part of expenditure made in one accounting period covering a term extending beyond that period.

## NOTES TO THE FINANCIAL STATEMENTS For the year ended 30 June 2020

### 6.4 Inventories

	2019-20	2018-19
	\$'000	\$'000
Inventories held for resale:		
School canteens, publications and bookshops stocks (at cost)	2,380	2,650
Livestock and farm produce (at cost)	4,062	4,286
	<b>6,442</b>	<b>6,936</b>

Inventories are measured at the lower of cost and net realisable value. Costs are assigned by the method most appropriate to each particular class of inventory, with the majority being valued on a first in first out basis.

Inventories not held for resale are valued at cost unless they are no longer required, in which case they are valued at net realisable value.

### 6.5 Payables

	2019-20	2018-19
	\$'000	\$'000
<u>Current</u>		
Trade and other payables - central office	2,968	23,031
Trade and other payables - schools	11,831	11,861
Accrued expenses	62,649	36,456
Accrued salaries	57,082	17,029
	<b>134,530</b>	<b>88,377</b>
<u>Non-current</u>		
Trade and other payables - central office	1,004	173
	<b>1,004</b>	<b>173</b>

#### *Payables*

Payables are recognised at the amounts payable when the Department becomes obliged to make future payments as a result of a purchase of assets or services. The carrying amount is equivalent to fair value, as settlement is generally within 30 days.

#### *Accrued salaries*

Accrued salaries represent the amount due to staff but unpaid at the end of the reporting period. Accrued salaries are settled within a fortnight of the reporting period end. The Department considers the carrying amount of accrued salaries to be equivalent to its fair value.

The accrued salaries suspense account (see Note 7.5.2 'Restricted cash and cash equivalents') consists of amounts paid annually, from Departmental appropriations for salaries expense, into a suspense account to meet the additional cash outflow for employee salary payments in reporting periods with 27 pay days instead of the normal 26. No interest is received on this account.

## NOTES TO THE FINANCIAL STATEMENTS For the year ended 30 June 2020

### 6.6 Other provisions

	2019-20 \$'000	2018-19 \$'000
<u>Non-current</u>		
Make-good provisions	189	-
<b>Balance at end of period</b>	<b>189</b>	<b>-</b>

#### *Make-good (restoration) provision*

Some leased premises are required to be restored to their original condition at the end of their respective lease terms. A provision needs to be recognised for the present value of the estimated expenditure required to remove any leasehold improvements. These costs are capitalised as part of the cost of leasehold improvements or right-of-use assets and are amortised over the shorter of the lease term and the useful life of the assets.

The Department has a legal or constructive obligation to dismantle and restore some leased premises.

A restoration provision is recognised when:

- there is a present obligation;
- it is probable that an outflow of economic benefits will be required to settle the obligation; and
- the amount of the provision can be measured reliably.

The estimated future obligations include the costs of restoring the sites to their original condition.

The provision for future restoration cost is the best estimate of the expenditure required to settle the restoration obligation at the reporting date. Future restoration costs are reviewed every three years and any changes in the estimate are reflected in the restoration provision at each reporting date.

#### 6.6.1 Movement in provisions

Movements in each class of provision during the period are set out below:

	2019-20 \$'000	2018-19 \$'000
<u>Make-good costs provisions</u>		
Carrying amount at start of period	-	-
Additional/(reversals of) provisions recognised	189	-
Payments	-	-
<b>Carrying amount at end of period</b>	<b>189</b>	<b>-</b>

### 6.7 Other liabilities

	2019-20 \$'000	2018-19 \$'000
<u>Current</u>		
Income received in advance	-	3,866
Amounts held in schools suspense accounts	6,601	5,855
Accrued interest expense	2,333	2,370
Other	171	162
Contract liabilities	2,376	-
	<b>11,481</b>	<b>12,253</b>

#### *Contract liabilities*

Contract liabilities, classified as amounts due to customers for services yet to be provided, primarily relate to when the Department has received consideration in advance of satisfying the performance obligation. Refer to Notes 4.2, 4.3 and 4.5 for details of the revenue recognition policy.

## NOTES TO THE FINANCIAL STATEMENTS For the year ended 30 June 2020

### 6.7.1 Movement in contract liabilities

	2019-20	2018-19
	\$'000	\$'000
<u>Reconciliation of changes in contract liabilities</u>		
Opening balance	597	-
Additions	3,597	-
Revenue recognised in the reporting period	(1,818)	-
<b>Balance at end of period</b>	<b>2,376</b>	-

The Department expects to satisfy the performance obligations unsatisfied at the end of the reporting period within the next 12 months.

## NOTES TO THE FINANCIAL STATEMENTS For the year ended 30 June 2020

### NOTE 7. FINANCING

This section sets out the material balances and disclosures associated with the financing and cash flows of the Department.

	Notes
Borrowings	7.1
Leases	7.2
Assets pledge as security	7.3
Finance costs	7.4
Cash and cash equivalents	7.5
Reconciliation of cash	7.5.1
Restricted cash and cash equivalents	7.5.2
Reconciliation of operating activities	7.5.3
Commitments	7.6
Capital commitments	7.6.1

#### 7.1 Borrowings

	2019-20 \$'000	2018-19 \$'000
<u>Current</u>		
WATC loans <sup>(a)</sup>	34,876	31,980
Finance lease liabilities (secured) <sup>(b)</sup>	-	15,723
Finance lease liabilities PPP <sup>(b)</sup>	-	2,556
<b>Total current</b>	<b>34,876</b>	<b>50,259</b>
<u>Non-current</u>		
WATC loans <sup>(a)</sup>	328,740	317,546
Other loans	109	494
Finance lease liabilities (secured) <sup>(b)</sup>	-	18,975
Finance lease liabilities PPP <sup>(b)</sup>	-	203,144
<b>Total non-current</b>	<b>328,849</b>	<b>540,159</b>
<b>Total borrowings</b>	<b>363,725</b>	<b>590,418</b>

- (a) Western Australian Treasury Corporation (WATC) Low Interest Loans. The Department borrows from the WATC to finance loans provided under the LILS (See also Note 6.1 Receivables). Loans are borrowed at an average rate of interest of 2.86% per annum. The carrying amounts are equivalent to their net fair values.

The current WATC Low Interest Loans relates to the portion of the principal repayments payable to WATC within the next 12 months. The amount is derived from estimates provided through the low interest loans system and the repayment schedule provided by WATC.

- (b) Lease Liabilities are effectively secured as the rights to the leased assets revert to the lessor in the event of default. The application of AASB 16 has resulted in the reclassification of finance leased liabilities to right-of-use lease liabilities. Refer to Note 7.2 Leases.

## NOTES TO THE FINANCIAL STATEMENTS For the year ended 30 June 2020

### 7.2 Leases

	2019-20	2018-19
	\$'000	\$'000
Current	32,668	-
Non-current	305,151	-
	<b>337,819</b>	-

The Department measures a lease liability, at the commencement date, at the present value of the lease payments that are not paid at that date. The lease payments are discounted using the interest rate implicit in the lease. If that rate cannot be readily determined, the Department uses the incremental borrowing rate provided by Western Australia Treasury Corporation.

Lease payments included by the Department as part of the present value calculation of lease liability include:

- Fixed payments (including in-substance fixed payments), less any lease incentives receivable;
- Amounts expected to be payable by the lessee under residual value guarantees;
- The exercise price of purchase options (where these are reasonably certain to be exercised);
- Payments for penalties for terminating a lease, where the lease term reflects the Department exercising an option to terminate the lease.

The interest on the lease liability is recognised in profit or loss over the lease term so as to produce a constant periodic rate of interest on the remaining balance of the liability for each period. Lease liabilities do not include any future changes in variable lease payments (that depend on an index or rate) until they take effect, in which case the lease liability is reassessed and adjusted against the right-of-use asset.

Periods covered by extension or termination options are only included in the lease term by the Department if the lease is reasonably certain to be extended (or not terminated).

This section should be read in conjunction with Note 5.2.

#### *Subsequent measurement*

Lease liabilities are measured by increasing the carrying amount to reflect interest on the lease liabilities; reducing the carrying amount to reflect the lease payments made; and remeasuring the carrying amount at amortised cost, subject to adjustments to reflect any reassessment or lease modifications.

#### *Public Private Partnerships*

The State Government partnered with a single Project Company to design, build, finance and maintain four new primary schools and four secondary schools to open progressively from 2017 to 2020, with a subsequent maintenance period ending in December 2047.

Schools are designed, constructed and made available to the Department, upon commercial acceptance (CA). The Project Company is to provide, over the duration of the term, agreed facilities management services, maintenance and refurbishment of the schools. At the end of the term, the Project Company is to hand over the schools to the Department in a well maintained condition, for nil consideration.

These Public Private Partnership (PPP) schools are recognised by the Department as a right of use asset with a right of use liability on achievement of CA of each phase of each school. The Department takes control of the school upon CA and provides school activities, including educational services and administration. The Department makes Quarterly Service Payments (QSP) over the term comprising repayment of design and construction costs and maintenance and service payments. The payment of the QSP will result in a reduction of the lease liability over time.

## NOTES TO THE FINANCIAL STATEMENTS For the year ended 30 June 2020

### 7.3 Assets pledged as security

	2019-20	2018-19
	\$'000	\$'000
<u>Assets pledged as security</u>		
The carrying amounts of non-current assets pledged as security are:		
Right-of-use asset - Land	2,482	-
Right-of-use asset - Buildings	15,144	-
Right-of-use asset - Buildings PPP	248,579	-
Right-of-use asset - Motor vehicles	5,441	-
Right-of-use asset - Other	21,579	-
Leased buildings PPP	-	161,737
Leased plant and equipment	-	64
Leased office equipment	-	32,786
Leased motor vehicles	-	310
	<b>293,225</b>	<b>194,897</b>

The Department has secured the right-of-use assets against the related lease liabilities. In the event of default, the rights to the leased assets will revert to the lessor.

### 7.4 Finance costs

	2019-20	2018-19
	\$'000	\$'000
Lease interest expense <sup>(a)</sup>	18,646	12,914
Loan fair value expense <sup>(b)</sup>	1,408	6,772
Interest expensed <sup>(c)</sup>	11,171	11,195
<b>Total finance costs expensed</b>	<b>31,225</b>	<b>30,881</b>

- (a) Lease interest expense (2018-19: \$0.78 million) has been reclassified to include lease interest expenses for PPP (2018-19: \$12.13 million) due to the application of AASB 16 which has resulted in the reclassification of finance lease liabilities to right-of-use lease liabilities.
- (b) Represents the write down to fair value of low interest loans provided to non-government schools. The amount of loans provided during 2019-20 was \$51.40 million (2018-19: \$46.26 million).
- (c) Represents the amounts charged for loans provided to the Department by the WATC for the operation of the LILS and special loan to the UNDA. Refer to Note 4.4 Interest Revenue and Note 6.1 Receivables for further details.

## NOTES TO THE FINANCIAL STATEMENTS For the year ended 30 June 2020

### 7.5 Cash and cash equivalents

#### 7.5.1 Reconciliation of cash

	2019-20 \$'000	2018-19 \$'000
<u>Schools</u>		
Bank accounts	359,575	361,170
Cash on hand	132	159
	<b>359,707</b>	<b>361,329</b>
<u>Central office</u>		
Operating bank account	199,245	237,984
	<b>199,245</b>	<b>237,984</b>
<b>Total cash and cash equivalents</b>	<b>558,952</b>	<b>599,313</b>

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

#### 7.5.2 Restricted cash and cash equivalents

	2019-20 \$'000	2018-19 \$'000
<u>Current</u>		
Grants accounts <sup>(a)</sup>	11,824	14,514
Royalties for Regions Fund	8,481	12,546
Paid Parental Leave	395	363
Special purpose account - TRBWA <sup>(b)</sup>	9,547	10,261
Special purpose account - Student Residential Colleges Fund <sup>(b)</sup>	-	5,353
	<b>30,247</b>	<b>43,037</b>
<u>Non-current</u>		
Accrued salaries suspense account (27th pay) <sup>(c)</sup>	61,323	41,188
	<b>61,323</b>	<b>41,188</b>
<b>Total restricted cash and cash equivalents</b>	<b>91,570</b>	<b>84,225</b>

- (a) Unspent cash balances relating to Australian Government grants and state funding, which can only be used for the purpose stipulated by the grant or funding arrangement.
- (b) Refer to Note 9.7 for further details.
- (c) Funds held in the suspense account for the purpose of meeting the 27th pay in a reporting period that occurs every 11th year.

## NOTES TO THE FINANCIAL STATEMENTS For the year ended 30 June 2020

### 7.5.3 Reconciliation of net cost of services to net cash flows provided by/(used in) operating activities

	2019-20	2018-19
	\$'000	\$'000
Cash and cash equivalents (note 7.5.1)	558,952	599,313
Restricted cash and cash equivalents (note 7.5.2)	91,570	84,225
	<b>650,522</b>	<b>683,538</b>
<b>Reconciliation of net cost of services to net cash flows used in operating activities</b>		
Net cost of services	(4,204,573)	(4,411,809)
<u>Non-cash Items</u>		
Depreciation expense (note 5.1.1 and note 5.2)	233,416	186,796
Amortisation expense (note 5.3.1)	1,093	1,264
Impairment expense (note 5.1.1)	18,282	-
Resources received free of charge (note 4.1)	19,078	14,170
Expected credit losses expense (note 6.1)	7,447	3,822
Loss on disposal of non-current assets (note 3.3)	1,087	3,419
Write-off of intangible (work in progress) (note 3.3)	13,100	-
Asset revaluation decrement (note 3.3)	-	468,447
Adjustment for other non-cash items	(1,080)	(6,406)
<u>(Increase)/decrease in assets</u>		
Current receivables <sup>(a)</sup>	(13,680)	4,119
Current inventories	494	(852)
Other current assets	8,815	(9,994)
Non-current receivables	(18,779)	(11,273)
<u>Increase/(decrease) in liabilities</u>		
Provisions	46,326	1,207
Current payables and other liabilities <sup>(a)</sup>	45,381	(10,351)
Non-current payables	831	(69)
Net GST receipts/(payments) <sup>(b)</sup>	1,456	(4,205)
Change in GST in receivables and payables <sup>(c)</sup>	1,315	(3,021)
<b>Net cash used in operating activities</b>	<b>(3,839,991)</b>	<b>(3,774,736)</b>

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

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

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

## NOTES TO THE FINANCIAL STATEMENTS For the year ended 30 June 2020

### 7.6 Commitments

#### 7.6.1 Capital commitments

	2019-20	2018-19
	\$'000	\$'000
<b>Capital expenditure commitments</b>		
<u>Capital expenditure commitments, being contracted capital expenditure additional to the amounts reported in the financial statements, are payable as follows:</u>		
Within 1 year	262,665	287,018
Later than 1 year and not later than 5 years	170,652	171,258
Later than 5 years	-	-
	<b>433,317</b>	<b>458,276</b>
<u>The capital commitments include amounts for:</u>		
Additional stages at secondary schools	55,926	6,681
Additions and improvements to secondary schools	123,381	207,650
Additions and improvements at primary schools	34,053	36,108
Additions and Improvements Residential Colleges	3,346	8,012
Miscellaneous	16,063	6,780
New secondary schools	2,802	51,293
New primary schools	145,330	113,337
Other school facilities	2,530	7,412
Other works	12,118	8,690
Universal Access Program	1,369	7,034
Stimulus Package	28,322	-
School funded projects	8,078	5,279
	<b>433,317</b>	<b>458,276</b>

## NOTES TO THE FINANCIAL STATEMENTS For the year ended 30 June 2020

### NOTE 8. RISKS AND CONTINGENCIES

This section sets out the key risk management policies and measurements techniques of the Department.

	Notes
Financial risk management	8.1
Contingent liabilities	8.2.1
Fair value measurements	8.3

#### 8.1 Financial risk management

Financial instruments held by the Department are cash and cash equivalents, restricted cash and cash equivalents, receivables, payables, Western Australian Treasury Corporation (WATC) borrowings and finance leases. The Department has limited exposure to financial risks. The Department's overall risk management program focuses on managing the risks identified below.

##### (a) Summary of risks and risk management

###### *Credit risk*

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

Credit risk associated with the Department's financial assets is minimal because the main receivable is the amounts receivable for services (holding account). Policies are in place to minimise exposure to credit risk associated with loans to non-government schools and UNDA, students and other debtors. In addition, receivable balances are monitored on an ongoing basis with the result that the Department's exposure to bad debts is minimal. Debt will be written-off against the allowance account when it is improbable or uneconomical to recover the debt. At the end of the reporting period there were no significant concentrations of credit risk.

###### *Liquidity risk*

Liquidity risk arises when the Department is unable to meet its financial obligations as they fall due.

The Department is exposed to liquidity risk through its trading in the normal course of business. The Department has appropriate procedures to manage cash flows including drawdowns of appropriations by monitoring forecast cash flows to ensure that sufficient funds are available to meet its commitments.

###### *Market risk*

Market risk is the risk that changes in market prices such as foreign exchange rates and interest rates will affect the Department's income or the value of its holdings of financial instruments. The Department does not trade in foreign currency and is not materially exposed to other price risks. The Department's exposure to market risk for changes in interest rates relate primarily to the long-term debt obligations.

All borrowings are due to the WATC and are repayable at fixed rates with varying maturities. Other than as detailed in the interest rate sensitivity analysis table at Note 8.1(e), the Department is not exposed to interest rate risk because the majority of cash and cash equivalents and restricted cash are non-interest bearing, and it has no borrowings other than the WATC borrowings and lease liabilities (fixed interest rate).

## NOTES TO THE FINANCIAL STATEMENTS For the year ended 30 June 2020

### 8.1 Financial risk management (continued)

#### (b) Categories of financial instruments

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

	2019-20	2018-19
	\$'000	\$'000
<u>Financial assets</u>		
Cash and cash equivalents	558,952	599,313
Restricted cash and cash equivalents	91,570	84,225
Financial assets at amortised cost <sup>(a)</sup>	3,502,349	3,276,363
<b>Total financial assets</b>	<b>4,152,871</b>	<b>3,959,901</b>
<u>Financial liabilities</u>		
Financial liabilities measured at amortised cost	848,559	691,221
<b>Total financial liability</b>	<b>848,559</b>	<b>691,221</b>

(a) The amount of receivables/Financial assets at amortised cost excludes GST recoverable from the ATO (statutory receivable).

## NOTES TO THE FINANCIAL STATEMENTS For the year ended 30 June 2020

### 8.1 Financial risk management (continued)

#### (c) Credit risk exposure

The following table details the credit risk exposure on the Department's trade receivables using a provision matrix.

	Total \$000	Days past due			
		Current \$000	<30 Days \$000	31-60 days \$000	>60 days \$000
<b>30 June 2020</b>					
<b>Central Office</b>					
Expected credit loss rate		1.00%	2.00%	5.00%	20.00%
Estimated total gross carrying amount at default	1,523	482	67	72	902
Expected credit losses	(190)	(5)	(1)	(4)	(180)
<b>Loans to non-government schools and University <sup>(a)</sup></b>					
Expected credit loss rate		0.27%			
Estimated total gross carrying amount at default	324,979	324,979			
Expected credit losses	(877)	(877)			
<b>Schools, Residential Colleges and other debtors <sup>(a)</sup></b>					
Estimated total gross carrying amount at default	51,087				
Expected credit losses	(13,407)				
<b>Total</b>					
Estimated total gross carrying amount at default <sup>(b)</sup>	377,589				
Expected credit losses	(14,474)				
<b>30 June 2019</b>					
<b>Central Office</b>					
Expected credit loss rate		1.00%	2.00%	5.00%	20.00%
Estimated total gross carrying amount at default	2,826	1,734	102	54	936
Expected credit losses	(209)	(17)	(2)	(3)	(187)
<b>Loans to non-government schools and University <sup>(a)</sup></b>					
Expected credit loss rate		0.10%			
Estimated total gross carrying amount at default	311,398	311,398			
Expected credit losses	(311)	(311)			
<b>Schools, Residential Colleges and other debtors <sup>(a)</sup></b>					
Estimated total gross carrying amount at default	30,906				
Expected credit losses	(9,841)				
<b>Total</b>					
Estimated total gross carrying amount at default <sup>(b)</sup>	345,130				
Expected credit losses	(10,362)				

(a) The calculation of past due aged analysis is not available for \$28.7 million of this class of debtor (\$25.3 million 2018–19), the residual \$22.4 million (\$5.6 million 2018–19) comprise state government agency debtors and not considered to be impaired.

(b) The estimated total gross amount and expected credit losses includes all debtors except for the GST recoverable from the ATO (statutory receivable).

(c) The provision is based on estimated credit losses on outstanding loan balances.

## NOTES TO THE FINANCIAL STATEMENTS For the year ended 30 June 2020

### 8.1 Financial risk management (continued)

#### (d) Liquidity risk and interest rate exposure

The following table details the Department's interest rate exposure and the contractual maturity analysis of financial assets and financial liabilities. The maturity analysis section includes interest and principal cash flows. The interest rate exposure section analyses only the carrying amount of each item.

#### Interest rate exposure and maturity analysis of financial assets and financial liabilities

	Weighted Average Effective Interest Rate	Interest rate exposure				Nominal Amount	Maturity dates				
		Carrying Amount	Fixed Interest rate	Variable Interest rate	Non-Interest bearing		Up to 1 month	1 - 3 months	3 months to 1 year	1 - 5 years	More than 5 years
		\$000	\$000	\$000	\$000		\$000	\$000	\$000	\$000	\$000
<b>2018-19</b>											
<u>Financial Assets</u>											
Schools cash balances	0.91	226,070	-	225,911	159	226,070	226,070	-	-	-	-
Central office cash balances		237,984	-	-	237,984	237,984	237,984	-	-	-	-
Restricted cash - TRBWA	1.93	10,261	-	10,261	-	10,261	10,261	-	-	-	-
Restricted cash - Residential Colleges Fund	1.53	5,353	-	2,244	3,194	5,438	5,438	-	-	-	-
Restricted cash balances - other		68,611	-	-	68,611	68,611	68,611	-	-	-	-
Trade receivables <sup>(b)</sup>		23,370	-	-	23,370	23,370	23,370	-	-	-	-
Term deposits	1.67	135,259	135,259	-	-	135,259	91,637	-	19,055	24,567	-
Loans to non-government schools and UNDA	5.26	311,398	311,398	-	-	311,398	-	7,788	24,192	131,122	148,296
Amounts receivable for services		2,941,595	-	-	2,941,595	2,941,595	2,232	2,976	14,465	78,692	2,843,230
		<b>3,959,901</b>	<b>446,657</b>	<b>238,416</b>	<b>3,274,913</b>	<b>3,959,986</b>	<b>665,603</b>	<b>10,764</b>	<b>57,712</b>	<b>234,381</b>	<b>2,991,526</b>
<u>Financial Liabilities</u> <sup>(a)</sup>											
Payables <sup>(b)</sup>		88,550	-	-	88,550	88,550	88,550	-	-	-	-
Finance lease liabilities	6.10*	240,398	240,398	-	-	240,398	1,087	3,498	13,694	30,960	191,159
WATC loans	3.07	349,526	349,526	-	-	349,526	-	7,788	24,192	127,134	190,412
Other loans	0.83	494	494	-	-	494	97	97	300	-	-
Other liabilities		12,253	-	-	12,253	12,253	12,253	-	-	-	-
		<b>691,221</b>	<b>590,418</b>	<b>-</b>	<b>100,803</b>	<b>691,221</b>	<b>101,987</b>	<b>11,383</b>	<b>38,186</b>	<b>158,094</b>	<b>381,571</b>

\* 2018-19 has been restated (previously 1.78%) to include the interest rate for PPP finance lease liabilities.

## NOTES TO THE FINANCIAL STATEMENTS For the year ended 30 June 2020

### 8.1 Financial risk management (continued)

#### (d) Liquidity risk and interest rate exposure (continued)

##### Interest rate exposure and maturity analysis of financial assets and financial liabilities

	Weighted Average Effective Interest Rate	Interest rate exposure				Nominal Amount	Maturity dates				
		Carrying Amount	Fixed Interest rate	Variable Interest rate	Non-Interest bearing		Up to 1 month	1 - 3 months	3 months to 1 year	1 - 5 years	More than 5 years
		\$'000	\$'000	\$'000	\$'000		\$'000	\$'000	\$'000	\$'000	\$'000
<b>2019-20</b>											
<u>Financial Assets</u>											
Schools cash balances	0.19	232,537	-	232,405	132	232,537	232,537	-	-	-	-
Central office cash balances		199,245	-	-	199,245	199,245	199,245	-	-	-	-
Restricted cash - TRBWA	0.52	9,547	-	9,547	-	9,547	9,547	-	-	-	-
Restricted cash - Residential Colleges Fund	0.53	-	-	3,490	(3,490)	-	-	-	-	-	-
Restricted cash balances - other		82,023	-	-	82,023	82,023	82,023	-	-	-	-
Trade receivables <sup>(b)</sup>		30,042	-	-	30,042	30,042	30,042	-	-	-	-
Term deposits	0.76	127,170	127,170	-	-	127,170	89,646	-	20,793	16,731	-
Loans to non-government schools and UNDA	4.85	333,073	333,073	-	-	333,073	-	8,638	26,238	138,549	159,648
Amounts receivable for services		3,139,234	-	-	3,139,234	3,139,234	2,232	2,976	14,430	78,552	3,041,044
		<b>4,152,871</b>	<b>460,243</b>	<b>245,442</b>	<b>3,447,186</b>	<b>4,152,871</b>	<b>645,272</b>	<b>11,614</b>	<b>61,461</b>	<b>233,832</b>	<b>3,200,692</b>
<u>Financial Liabilities</u> <sup>(a)</sup>											
Payables <sup>(b)</sup>		135,534	-	-	135,534	135,534	135,534	-	-	-	-
Lease liabilities	5.26	337,819	337,819	-	-	337,819	2,772	6,403	18,725	39,070	270,849
WATC loans	2.86	363,616	363,616	-	-	363,616	-	8,638	26,238	143,415	185,325
Other loans	0.83	109	109	-	-	109	-	109	-	-	-
Other liabilities		11,481	-	-	11,481	11,481	11,481	-	-	-	-
		<b>848,559</b>	<b>701,544</b>	<b>-</b>	<b>147,015</b>	<b>848,559</b>	<b>149,787</b>	<b>15,150</b>	<b>44,963</b>	<b>182,485</b>	<b>456,174</b>

(a) The amounts disclosed are the calculated undiscounted cash flow of each class of financial liabilities.

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

## NOTES TO THE FINANCIAL STATEMENTS For the year ended 30 June 2020

### 8.1 Financial risk management (continued)

#### (e) Interest rate sensitivity analysis

The following table represents a summary of the interest rate sensitivity of the Department's financial assets and liabilities at the end of the reporting period on the surplus for the period and equity for a 1% change in interest rates. It is assumed that the change in interest rates is held constant throughout the reporting period.

	Carrying amount \$'000	-100 basis points		+100 basis points	
		Surplus \$'000	Equity \$'000	Surplus \$'000	Equity \$'000
<b>2018-19</b>					
<u>Financial assets</u>					
Schools cash balances	226,070	(2,261)	(2,261)	2,261	2,261
Special purpose account - TRBWA	10,261	(103)	(103)	103	103
Special purpose account - Residential Colleges Fund	5,353	(54)	(54)	54	54
<b>Total increase/(decrease)</b>		<b>(2,417)</b>	<b>(2,417)</b>	<b>2,417</b>	<b>2,417</b>
<b>2019-20</b>					
<u>Financial assets</u>					
Schools cash balances	232,537	(2,325)	(2,325)	2,325	2,325
Special purpose account - TRBWA	9,547	(95)	(95)	95	95
Special purpose account - Residential Colleges Fund	-	-	-	-	-
<b>Total increase/(decrease)</b>		<b>(2,421)</b>	<b>(2,421)</b>	<b>2,421</b>	<b>2,421</b>

## NOTES TO THE FINANCIAL STATEMENTS For the year ended 30 June 2020

### 8.2 Contingent assets and liabilities

Contingent assets and contingent liabilities are not recognised in the statement of financial position but are disclosed and, if quantifiable, are measured at the best estimate.

Contingent assets and liabilities are presented inclusive of GST receivable or payable respectively.

The Department had no contingent assets as at 30 June 2020.

#### 8.2.1 Contingent liabilities

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

##### *Litigation in progress*

The Department is involved in a number of litigation proceedings that are either covered by RiskCover or of a nature that will not have a significant impact on the Department's financial position.

##### *Contaminated sites*

The Department currently has 61 sites that are owned by the Department and registered with Department of Water and Environmental Regulation under the *Contaminated Sites Act 2003*. Of these, 29 do not require any further action and 32 are still subject to investigation or require on-going management. Where a school or school site is identified as possibly contaminated, an investigation is carried out by a qualified environmental health consultant. In addition to a visual inspection, analytical techniques, such as material, water and soil testing are used to confirm the nature and extent of the contamination. Upon completion of their investigation, the consultant submits a report to the Department of Education, which is then forwarded to the Department of Water and Environmental Regulation for classification according to the Contaminated Sites Act.

##### *Cladding Rectification*

Following a fire involving aluminium composite panels, the Building Commission requested agencies assess their facilities. Noting that the Department of Education has no sites that fall within the minimum scope set by the Department of Mines, Industry Regulation and Safety, a more robust standard for the audit of its facilities was adopted and a review of 138 projects completed since 2000 was undertaken. Of these 28 school sites were investigated. This has resulted in the identification of 15 school sites that require either a performance solution or some form of remediation. The Department and Department of Finance have reviewed all documentation received from fire engineer's reports. Given the more robust criteria selected by the Department, the Fire Engineering Report risk classifications are to be understood within this context. There is considered to be minimal risk to school communities. The next stage is to engage architects and fire engineers to: enable more detailed scoping of each school's requirements, thereby clarifying the scope of any major remediation works; enable the preparation of performance solutions where appropriate; and cover the costs of minor works where an architectural solution is identified.

## NOTES TO THE FINANCIAL STATEMENTS For the year ended 30 June 2020

### 8.3 Fair value measurements

	Level 1	Level 2	Level 3	Fair value at end of period
Assets measured at fair value				
2019–20	\$'000	\$'000	\$'000	\$'000
Non-current assets classified as held for distribution to owner (Note 9.10)	-	-	3,499	3,499
Land (Note 5.1.1)	-	-	3,703,449	3,703,449
Buildings (Note 5.1.1) <sup>(a)</sup>	-	-	7,165,430	7,165,430
	-	-	<b>10,872,378</b>	<b>10,872,378</b>

	Level 1	Level 2	Level 3	Fair value at end of period
Assets measured at fair value				
2018–19	\$'000	\$'000	\$'000	\$'000
Non-current assets classified as held for distribution to owner (Note 9.10)	-	-	3,547	3,547
Land (Note 5.1.1)	-	-	3,673,952	3,673,952
Buildings (Note 5.1.1) <sup>(a)</sup>	-	-	7,092,006	7,092,006
	-	-	<b>10,769,505</b>	<b>10,769,505</b>

- (a) Included within buildings is school infrastructure totalling \$1.51 billion (2018–19: \$1.55 billion). Also, within buildings, leased buildings PPP (\$161.74 million) was included in 2018–19 however excluded in 2019–20 due to the application of AASB 16 as at 1 July 2019, which has resulted in the reclassification of finance leased assets to right-of-use assets. There were no transfers between Levels 1, 2 or 3 during the period.

## NOTES TO THE FINANCIAL STATEMENTS For the year ended 30 June 2020

### 8.3 Fair value measurements (continued)

Fair value measurements using significant unobservable inputs (Level 3)	Land	Buildings <sup>(a)</sup>
2019–20	\$'000	\$'000
Fair Value at start of period	3,673,952	7,092,006
Adjustment for change in accounting policy - AASB 16	-	(161,737)
Restated fair value at start of period	3,673,952	6,930,269
Contribution to owner	-	-
Additions	-	48,749
Transfer from Work in Progress	29,572	373,862
Transfers to/from held for distribution (within Level 3)	48	-
Disposals	(110)	(392)
Depreciation expense	-	(168,882)
Impairment loss	-	(18,282)
Adjustments/Revaluation transferred to Income Statement	(13)	106
Fair Value at end of period	<b>3,703,449</b>	<b>7,165,430</b>
Net loss on disposal of non-current assets under 'Costs of disposal of non-current assets' in Note 3.4	-	<b>392</b>

Fair value measurements using significant unobservable inputs (Level 3)	Land	Buildings <sup>(a)</sup>
2018–19	\$'000	\$'000
Fair Value at start of period	3,750,637	7,258,956
Contribution to owner	-	-
Additions	3,975	110,853
Transfer from Work in Progress	21,132	251,374
Transfers to/from held for distribution (within Level 3)	(96)	-
Disposals	(220)	(1,189)
Depreciation expense	-	(147,179)
Adjustments/Revaluation transferred to Income Statement	(101,476)	(380,809)
Fair Value at end of period	<b>3,673,952</b>	<b>7,092,006</b>
Net loss on disposal of non-current assets under 'Costs of disposal of non-current assets' in Note 3.4	-	<b>1,189</b>

- (a) Within buildings, leased buildings PPP (\$161.74 million) was included in 2018–19 however excluded in 2019–20 due to the application of AASB 16 as at 1 July 2019, which has resulted in the reclassification of finance leased assets to right-of-use assets.

#### Valuation processes

Land and Buildings are measured at fair value on a cyclical basis, consistent with TI 954 Revaluation of Non-Current Physical Assets, issued by the Department of Treasury. The last revaluation for land, buildings and school infrastructure was effective for the year ended 30 June 2019, carried out by the Western Australian Land Information Authority (Landgate).

Effective 1 July 2019, the Department reviewed the frequency to revalue land, buildings and school infrastructure annually to every three years. Any interim revaluations are determined by applying relevant industry indices to determine if fair values adjustments are required. Refer to Note 5.1 for further information.

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

## NOTES TO THE FINANCIAL STATEMENTS For the year ended 30 June 2020

### 8.3 Fair value measurements (continued)

#### Fair value for existing use specialised buildings including building sub classes

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

#### Fair value for restricted use land

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

#### Significant Level 3 inputs used by the Department are derived and evaluated as follows:

##### *Effective age*

The effective age is determined by the Valuation Services for buildings and by the Department's valuer for the building sub classes, after taking into account factors such as planned routine maintenance, building improvements and upgrades.

##### *Selection of land with restricted utility*

Fair value for restricted use land is determined by comparison with market evidence for land with low level utility. Relevant comparators of land with low level utility are selected by Valuation Services.

##### *Percentage rate of add-on cost - buildings and building sub-classes*

Valuation Services has determined that the costs relating to contingencies, headworks, demolitions costs, professional and project fees are inherent in the building valuations and therefore should not be added to its valuations. This also applies to the building sub-classes.

##### *Average installation costs - transportables*

The cost of transportation and connection of services determined by the Quantity Surveyor.

## NOTES TO THE FINANCIAL STATEMENTS For the year ended 30 June 2020

### NOTE 9. OTHER DISCLOSURES

This section includes additional material disclosures required by accounting standards or other pronouncements for the understanding of this financial report.

	Notes
Events occurring after the end of the reporting period	9.1
Initial application of Australian Accounting Standards	9.2
Future impact of Australian standards not yet operative	9.3
Key management personnel	9.4
Related party transactions	9.5
Affiliated and related bodies	9.6
Special purpose accounts	9.7
Remuneration of auditors	9.8
Services provided free of charge	9.9
Non-current assets classified as held for sale	9.10
Equity	9.11
Supplementary financial information	9.12
Explanatory statement	9.13
Indian Ocean Territories	9.14
Disclosure of administered income and expenses	9.15
Explanatory statement for administered items	9.16
Administered assets and liabilities	9.17

#### 9.1 Events occurring after the end of the reporting period

There have been no material events occurring after 30 June 2020.

#### 9.2 Initial application of Australian Accounting Standards

##### a. AASB 15 Revenue from Contracts with Customers and AASB 1058 Income of Not-for-Profit Entities

AASB 15 Revenue from Contracts with Customers replaces AASB 118 Revenue and AASB 111 Construction Contracts for annual reporting periods on or after 1 January 2019. Under the new model, an entity shall recognise revenue when (or as) the entity satisfies a performance obligation by transferring a promised good or service to a customer and is based upon the transfer of control rather than transfer of risks and rewards.

AASB 15 focuses on providing sufficient information to the users of financial statements about the nature, amount, timing and uncertainty of revenue and cash flows arising from the contracts with customers. Revenue is recognised by applying the following five steps:

- Identifying contracts with customers
- Identifying separate performance obligations
- Determining the transaction price of the contract
- Allocating the transaction price to each of the performance obligations
- Recognising revenue as each performance obligation is satisfied.

Revenue is recognised either over time or at a point in time. Any distinct goods or services are separately identified and any discounts or rebates in the contract price are allocated to the separate elements.

In addition, income other than from contracts with customers are subject to AASB 1058 Income of Not-for-Profit Entities. Income recognition under AASB 1058 depends on whether such a transaction gives rise to liabilities or a contribution by owners related to an asset (such as cash or another asset) recognised by the Department.

The Department adopted the modified retrospective approach on transition to AASB 15 and AASB 1058. No comparative information is restated under this approach, and the Department recognised the cumulative effect of initially applying the Standard as an adjustment to the opening balance of accumulated surplus/(deficit) at the date of initial application (1 July 2019).

## NOTES TO THE FINANCIAL STATEMENTS For the year ended 30 June 2020

### 9.2 Initial application of Australian Accounting Standards (continued)

Under this transition method, the Agency elects not to apply the standards retrospectively to non-completed contracts at the date of initial application.

Refer to Note 4.2, 4.3 and 4.5 for the revenue and income accounting policies adopted from 1 July 2019.

The effect of adopting AASB 15 and AASB 1058 are as follows:

	2019–20	Adjustments	2019–20 under AASB 118 and 1004
	\$'000	\$'000	\$'000
User contributions, charges and fees	115,927	-	115,927
Australian Government grants and contributions	904,957	(1,185)	903,772
Other revenue	110,763	-	110,763
<b>Net result</b>	<b>1,131,647</b>	<b>(1,185)</b>	<b>1,130,462</b>

#### b. AASB 16 Leases

AASB 16 Leases superseded AASB 117 Leases and related Interpretations. AASB 16 primarily affects lessee accounting and provides a comprehensive model for the identification of lease arrangements and their treatment in the financial statements of both lessees and lessors. The Department applies AASB 16 Leases from 1 July 2019 using the modified retrospective approach. As permitted under the specific transition provisions, comparatives are not restated. The cumulative effect of initially applying this Standard is recognised as an adjustment to the opening balance of accumulated surplus/(deficit).

The main changes introduced by this Standard include identification of lease within a contract and a new lease accounting model for lessees that require lessees to recognise all leases (operating and finance leases) on the Statement of Financial Position as right-of-use assets and lease liabilities, except for short term leases (lease terms of 12 months or less at commencement date) and low-value assets (where the underlying asset is valued less than \$5,000 when new). The operating lease and finance lease distinction for lessees no longer exists.

Under AASB 16, the Department takes into consideration all operating leases that were off balance sheet under AASB 117 and recognises:

- right of use assets and lease liabilities in the Statement of Financial Position, initially measured at the present value of future lease payments, discounted using the incremental borrowing rate on 1 July 2019;
- depreciation of right-of-use assets and interest on lease liabilities in the Statement of Comprehensive Income; and
- the total amount of cash paid as principal amount, which is presented in the cash flows from financing activities, and interest paid, which is presented in the cash flows from operating activities, in the Statement of Cash Flows.

In relation to leased vehicles that were previously classified as finance leases, their carrying amount before transition is used as the carrying amount of the right-of-use assets and the lease liabilities as of 1 July 2019.

The Department measures concessionary leases that are of low value terms and conditions at cost at inception. There is no financial impact as the Department is not in possession of any concessionary leases at the date of transition. The right-of-use assets are assessed for impairment at the date of transition and has not identified any impairments to its right-of-use assets.

On transition, the Department has elected to apply the following practical expedients in the assessment of their leases that were previously classified as operating leases under AASB 117:

- A single discount rate has been applied to a portfolio of leases with reasonably similar characteristics;
- The Department has relied on its assessment of whether existing leases were onerous in applying AASB 137 Provisions, Contingent Liabilities and Contingent Assets immediately before the date of initial application as an alternative to performing an impairment review. The Department adjusts the ROU asset at 1 July 2019 by the amount of any provisions included for onerous leases recognised in the statement of financial position at 30 June 2019;
- Where the lease term at initial application ended within 12 months, the Department has accounted for these as short-term leases;
- Initial direct costs have been excluded from the measurement of the right-of-use asset;
- Hindsight has been used to determine if the contracts contained options to extend or terminate the lease.

## NOTES TO THE FINANCIAL STATEMENTS For the year ended 30 June 2020

### 9.2 Initial application of Australian Accounting Standards (continued)

The Department has not reassessed whether existing contracts are, or contained a lease at 1 July 2019. The requirements of paragraphs 9-11 of AASB 16 are applied to contracts that came into existence post 1 July 2019.

<b>a. Measurement of lease liabilities</b>	<b>\$'000</b>
Operating lease commitments disclosed as at 30 June 2019	147,274
(Less): leasing of office accommodation <sup>(a)</sup>	117,891
Revised operating lease commitments (30 June 2019)	<u>29,383</u>
Discounted using incremental borrowing rate at date of initial application <sup>(b)</sup>	6,741
Finance lease liabilities recognised as at 30 June 2019	240,398
(Less): Short-term leases not recognised as liability	(131)
(Less): Low value leases not recognised as liability	(5)
<b>Lease liability recognised at 1 July 2019</b>	<b><u>276,386</u></b>
Current lease liabilities	39,279
Non-current lease liabilities	237,107

- (a) The leasing of office accommodation with the Department of Finance was classified as an operating lease as at 30 June 2019 however not recognised as a lease liability under AASB 16. Refer to Note 5.2.
- (b) The WATC incremental borrowing rate was used for the purposes of calculating the lease transition opening balance.

## NOTES TO THE FINANCIAL STATEMENTS For the year ended 30 June 2020

### 9.3 Future impact of Australian Accounting Standards not yet operative

The Department cannot early adopt an Australian Accounting Standard unless specifically permitted by TI 1101 Application of Australian Accounting Standards and Other Pronouncements or by an exemption from TI 1101. Where applicable, the Department plans to apply the following Australian Accounting Standards from their application date.

		<b>Operative for reporting periods beginning on/after</b>
<i>AASB 1059</i>	<i>Service Concession Arrangements: Grantors</i> This Standard addresses the accounting for a service concession arrangement (a type of public private partnership) by a grantor that is a public sector agency by prescribing the accounting for the arrangement from the grantor's perspective. Timing and measurement for the recognition of a specific asset class occurs on commencement of the arrangement and the accounting for associated liabilities is determined by whether the grantee is paid by the grantor or users of the public service provided. The Department does not manage any public private partnership that is within the scope of the Standard.	1 Jan 2020
<i>AASB 2018-6</i>	<i>Amendments to Australian Accounting Standards – Definition of a Business</i> The Standard amends AASB 3 to clarify the definition of a business, assisting entities to determine whether a transaction should be accounted for as a business combination or as an asset acquisition. There is no financial impact.	
<i>AASB 2018-7</i>	<i>Amendments to Australian Accounting Standards – Definition of Material</i> The Standard principally amends AASB 101 and AASB 108. The amendments refine the definition of material in AASB 101. The amendments clarify the definition of material and its application by improving the wording and aligning the definition across AASB Standards and other publications. The amendment also includes some supporting requirements in AASB 101 in the definition to give it more prominence and clarifies the explanation accompanying the definition of material. There is no financial impact.	
<i>AASB 2019-1</i>	<i>Amendments to Australian Accounting Standards – References to the Conceptual Framework</i> This Standard sets out amendments to Australian Accounting Standards, Interpretations and other pronouncements to reflect the issuance of the Conceptual Framework for Financial Reporting (Conceptual Framework) by the AASB. There is no financial impact.	1 Jan 2020
<i>AASB 2019-2</i>	<i>Amendments to Australian Accounting Standards – Implementation of AASB 1059</i> This Standard makes amendments to AASB 16 and AASB 1059 to: (a) amend the modified retrospective method set out in paragraph C4 of AASB 1059; (b) modify AASB 16 to provide a practical expedient to grantors of service concession arrangements so that AASB 16 would not need to be applied to assets that would be recognised as service concession assets under AASB 1059; and (c) include editorial amendments to the application guidance and implementation guidance accompanying AASB 1059. The Department does not maintain any public private partnership that is within the scope of the Standard.	
<i>AASB 2020-1</i>	<i>Amendments to Australian Accounting Standards – Classification of Liabilities as Current or Non-current</i> This Standard amends AASB 101 to clarify requirements for the presentation of liabilities in the statement of financial position as current or non-current. There is no financial impact.	1 Jan 2022

## NOTES TO THE FINANCIAL STATEMENTS For the year ended 30 June 2020

### 9.4 Key management personnel

The Department has determined that key management personnel include Ministers and senior officers of the Department. However, the Department is not obligated to compensate Ministers and therefore disclosures in relation to Ministers' compensation may be found in the Annual Report on State Finances.

Total compensation (total fees, salaries, superannuation, non-monetary and other benefits) for senior officers of the Department for the reporting period are presented within the following bands:

	2019-20	2018-19
Compensation band (\$)		
\$550,001 - \$560,000	1	-
\$360,001 - \$370,000	1	1 <sup>(a)</sup>
\$300,001 - \$310,000	1	-
\$290,001 - \$300,000	-	1
\$280,001 - \$290,000	-	1
\$260,001 - \$270,000	2 <sup>(a)</sup>	-
\$250,001 - \$260,000	1	-
\$240,001 - \$250,000	4	2
\$230,001 - \$240,000	1	2
\$220,001 - \$230,000	2	3 <sup>(a)</sup>
\$210,001 - \$220,000	2	2
\$200,001 - \$210,000	1	2
\$190,001 - \$200,000	1	1 <sup>(a)</sup>
\$180,001 - \$190,000	1 <sup>(a)</sup>	-
\$170,001 - \$180,000	-	2 <sup>(a)</sup>
\$160,001 - \$170,000	1 <sup>(a)</sup>	-
\$130,001 - \$140,000	1 <sup>(a)</sup>	-
\$120,001 - \$130,000	-	1 <sup>(a)</sup>
\$110,001 - \$120,000	-	1 <sup>(a)</sup>
\$100,001 - \$110,000	-	2 <sup>(a)</sup>
\$90,001 - \$100,000	1 <sup>(a)</sup>	-
\$70,001 - \$80,000	-	2 <sup>(a)</sup>
\$60,001 - \$70,000	-	1 <sup>(a)</sup>
\$50,001 - \$60,000	1 <sup>(a)</sup>	-
\$20,001 - \$30,000	1 <sup>(a)</sup>	-
\$0 - \$10,000	1 <sup>(a)</sup>	2 <sup>(a)(b)</sup>

	2019-20	2018-19
	\$'000	\$'000
Short term employee benefits	4,507	4,368
Post employment benefits	529	449
Other long term benefits	126	(339)
<b>Total compensation of senior officers</b>	<b>5,162</b>	<b>4,478</b>

(a) Includes senior officers where period of service is less than 12 months.

(b) Two senior officers left the Department early in 2018-19.

Total compensation includes the superannuation expense incurred by the Department in respect of senior officers.

## NOTES TO THE FINANCIAL STATEMENTS For the year ended 30 June 2020

### 9.5 Related party transactions

The Department is a wholly owned and controlled entity of the State of Western Australia. In conducting its activities, the Department is required to pay various taxes and levies based on the standard terms and conditions that apply to all tax and levy payers to the State and entities related to State.

Related parties of the Department include:

- all Ministers and their close family members, and their controlled or jointly controlled entities;
- all senior officers and their close family members, and their controlled or jointly controlled entities;
- other departments and public sector entities, including related bodies included in the whole of government consolidated financial statements; and
- associates and joint ventures, that are included in the whole of government consolidated financial statements.

### Significant transactions with government related entities

In conducting its activities, the Department is required to transact with the State and entities related to the State. These transactions are generally based on the standard terms and conditions that apply to all agencies. Such transactions include:

- income from State Government (note 4.1);
- equity contributions (note 9.1.1);
- insurance payments to the Insurance Commission and RiskCover fund (note 3.3);
- GROH payments to the Department of Communities (note 3.1.1);
- borrowings and repayments from/to Western Australian Treasury Corporation (WATC) (note 7.1);
- lease rentals payments to the Department of Finance (note 5.2);
- land acquisition payments to the Department of Justice and the Western Australian Planning Commission (note 5.1);
- services provided free of charge to other State government agencies (note 9.9);
- services received free of charge from other State government agencies (note 4.1);
- student health services payments to the Department of Health (note 3.1.1);
- student transportation service payments to the Public Transport Authority (note 3.3);
- remuneration for services provided by the Auditor General (note 9.8); and
- other payments to Water Corporation, Department of Planning, Lands and Heritage, Western Australia Police Force, Synergy, Department of Fire and Emergency Services and Mental Health Commission (note 3.1.1, 3.2 and 3.3).

### Material transactions with related parties

During the reporting period, other than superannuation payments to GESB and general citizen transactions, there was one related party of a Minister that has provided consulting services to a range of schools to a total value of \$75,000 of which \$20,000 was outstanding at the end of the reporting period.

## NOTES TO THE FINANCIAL STATEMENTS For the year ended 30 June 2020

### 9.6 Affiliated and related bodies

The following are affiliated bodies that received operational support from the Department. They are not subject to operational control by the Department.

	2019-20 \$'000	2018-19 \$'000
Community Kindergartens	4,151	3,628
Non-Government Schools Planning Advisory Panel	3	198
Rural and Regional Education Advisory Council	157	210
School Curriculum and Standards Authority	30,935	30,463
Training Accreditation Council	-	1,053
Western Australian Higher Education Council	15	14
<b>Total Affiliated bodies</b>	<b>35,261</b>	<b>35,566</b>

The Department had nil related bodies during the financial year.

### 9.7 Special purpose accounts

#### Teacher Registration Board of Western Australia Account

The purpose of this account is to hold funds received under section 115(3) of the *Teacher Registration Act 2012* for the payment of costs and expenses incurred in the performance of the functions of the Teacher Registration Board of Western Australia (TRBWA).

The special purpose account was established pursuant to section 16(1)(b) of the *Financial Management Act 2006*.

	2019-20 \$'000	2018-19 \$'000
Balance at start of period	10,261	9,137
Receipts	5,995	6,115
Payments	(6,709)	(4,991)
Balance at end of period	<b>9,547</b>	<b>10,261</b>

#### Student Residential Colleges Fund

The Student Residential Colleges Fund is a Department special purpose account under the *Financial Management Act 2006* section 16 (1)(b).

	2019-20 \$'000	2018-19 \$'000
Balance at start of period	5,353	5,830
Receipts	15,386	17,872
Payments	(23,029)	(18,349)
Balance at end of period*	<b>(2,290)</b>	<b>5,353</b>

\* The shortfall as at 30 June 2020 reflects an outstanding receipt from the Australian Government for capital improvements at Moora Residential College of \$3.48 million which were paid from the central office operating bank account.

#### Student scholarship accounts

The Department manages the following special purpose accounts in a trustee capacity. The funds are restricted in that they can only be used in accordance with the conditions of the accounts. These are not included in the Financial Statements.

## NOTES TO THE FINANCIAL STATEMENTS For the year ended 30 June 2020

### 9.7 Special purpose accounts (continued)

Special Purpose Account	2019-20				2018-19			
	Balance at start of period	Receipts	Payments	Balance at end of period	Balance at start of period	Receipts	Payments	Balance at end of period
	\$	\$	\$	\$	\$	\$	\$	\$
1 Olive A. Lewis Scholarship	4,736	25,000	25,000	4,736	4,736	25,000	25,000	4,736
2 Scholarship - Council of War Service Land Settlers Association	1,051	13	-	1,064	1,028	23	-	1,051
3 John Henry Kendall	1,168	15	-	1,183	1,143	25	-	1,168
4 Margueretta Wilson Scholarship	3,272	42	-	3,314	3,203	69	-	3,272
5 Perth Girls' Memorial Scholarship	91,660	1,654	7,000	86,314	99,219	2,441	10,000	91,660
6 Sir Thomas Coombe Scholarship	125,613	1,120	-	126,733	123,205	2,408	-	125,613
7 Margery Bennett Prize	1,407	18	-	1,425	1,377	30	-	1,407
8 W.J. Reid Memorial Prize	8,577	110	-	8,687	8,394	183	-	8,577
9 James and Rose Coombe Scholarships	1,250	30,000	31,000	250	500	28,000	27,250	1,250
10 Perth Boys' Memorial Scholarship	15,722	201	5,000	10,923	20,279	443	5,000	15,722
11 Roy Grace English Scholarship	-	-	-	-	-	-	-	-
12 James A. Heron Memorial Prize	14,181	181	2,000	12,362	13,879	302	-	14,181
13 Ernest Smith Memorial Prize for English	2,813	36	-	2,849	2,753	60	-	2,813
14 Bentley Senior High School Memorial Scholarship	20,122	257	4,000	16,379	22,628	494	3,000	20,122
15 Elaine Nora Walker Scholarships	101,219	1,292	3,000	99,511	101,994	2,225	3,000	101,219
16 William Samuel Bequest	1,796	22	100	1,718	1,856	40	100	1,796
17 Howard Porter Memorial Prize for Good Citizenship	2,514	32	100	2,446	2,560	54	100	2,514
18 Ian Bremner Memorial Scholarship	44,979	565	2,000	43,544	45,997	982	2,000	44,979
19 Catherine and Ernest Bennett Memorial Scholarship	29,806	381	-	30,187	29,661	645	500	29,806
20 Laurence Armstrong Scholarship	351,312	24,059	-	375,371	323,217	28,095	-	351,312
21 Rural Boarding Scholarship	23,752	303	-	24,055	-	23,752	-	23,752
<b>Totals</b>	<b>846,950</b>	<b>85,301</b>	<b>79,200</b>	<b>853,051</b>	<b>807,629</b>	<b>115,271</b>	<b>75,950</b>	<b>846,950</b>

## NOTES TO THE FINANCIAL STATEMENTS For the year ended 30 June 2020

### 9.7 Special purpose accounts (continued)

#### PURPOSE OF SPECIAL PURPOSE ACCOUNTS

##### 1. Olive A. Lewis Scholarship Trust Account

To hold funds received from the Trustees of the Olive A. Lewis Scholarship Trust pending payment of scholarships to students of ability whose further education might otherwise be restricted by virtue of financial need.

##### 2. Scholarship - Council of War Service Land Settlers Association Trust Account

To hold funds for the purpose of providing an annual prize and runner-up award for the students of residential agricultural schools.

##### 3. John Henry Kendall Trust Account

To hold and invest moneys bequeathed for the purpose of providing funds for the purchase and supply of books to the North Merredin Primary School library.

##### 4. Margueretta Wilson Scholarship Trust Account

To hold the foundation money for the purpose of making available an annual scholarship to a Year 9 student at Collie Senior High School.

##### 5. Perth Girls' Memorial Scholarship Trust Account

To hold moneys for the purpose of awarding scholarships to a girl or girls attending a public secondary school in the metropolitan area.

##### 6. Sir Thomas Coombe Scholarship Trust Account

To hold the money bequeathed for the purpose of awarding scholarships to male students of ability who for financial reasons would otherwise be unable to carry on to the Western Australian Certificate of Secondary Education.

##### 7. Margery Bennett Prize Trust Account

To hold moneys for the purpose of awarding a cash prize on a biennial rotation basis to an Aboriginal tertiary student in a teacher education program or an Aboriginal Education Worker in Western Australia.

##### 8. W. J. Reid Memorial Prize Trust Account

To hold and invest moneys donated for the purpose of awarding an annual prize to a student from Carine Senior High School who displays social maturity, confidence, poise, involvement in student and/or community affairs, and above average scholastic development.

##### 9. James and Rose Coombe Scholarship Trust Account

To hold and invest money bequeathed for the purpose of awarding cash prizes for public country school students who are in need of financial assistance to complete a high school education.

##### 10. Perth Boys' Memorial Scholarship Trust Account

To hold moneys for the purpose of awarding scholarships to a boy or boys attending a public secondary school in the metropolitan area.

##### 11. Roy Grace English Scholarship Trust Account

To hold the foundation money for the purpose of making an annual cash award available to a student at the end of both Years 10 and 11 who is attending a public secondary school and who demonstrates exceptional ability in the area of English.

##### 12. James A. Heron Memorial Prize Trust Account

To hold the foundation money for the purpose of awarding a cash prize to a student residing in the Fremantle district who is proceeding to take a Western Australian Certificate of Secondary Education course at any recognised high school.

##### 13. Ernest Smith Memorial Prize for English Trust Account

To hold and invest moneys donated for the purpose of awarding an annual prize to the best student in English at North Perth Primary School.

## NOTES TO THE FINANCIAL STATEMENTS For the year ended 30 June 2020

### 9.7 Special purpose accounts (continued)

#### 14. Bentley Senior High School Memorial Scholarship

To hold and invest moneys for the purpose of awarding scholarships based on academic merit to students of Kent Street Senior High School, Como Secondary College or Cannington Community College.

#### 15. Elaine Nora Walker Scholarship Trust Fund

To hold and invest moneys bequeathed for the purpose of providing annual scholarships to assist one male and one female student to continue their education in an institution governed by the Department of Education.

#### 16. William Samuel Bequest Trust Account

To hold and invest the bequest money for the purpose of awarding a boy from White Gum Valley Primary School a cash prize based on all-round efficiency in sport and school work.

#### 17. Howard Porter Memorial Prize for Good Citizenship Trust Account

To hold the bequest money for the purpose of awarding an annual prize for "good citizenship" to a female student at White Gum Valley Primary School.

#### 18. Ian Bremner Memorial Scholarship Trust Account

To hold moneys for the purpose of providing an annual scholarship to the most successful student at Cowaramup Primary School.

#### 19. Catherine and Ernest Bennett Memorial Scholarship Trust Account

To hold moneys for the purpose of providing an annual scholarship to the successful Year 10 student who is continuing on with Year 11 studies at Lake Grace District High School.

#### 20. Laurence Armstrong Scholarship Trust Account

To hold and manage funds for the purpose of funding scholarships for students of the Northam Senior High School in accordance with terms and conditions of the Laurence Armstrong Will.

#### 21. Rural Boarding Scholarship

To hold security monies deposited by scholarship holders. On completion of a teaching qualification, the funds in the trust account will be refunded to the successful scholarship recipient.

### 9.8 Remuneration of auditors

Remuneration paid or payable to the Auditor General in respect of the audit for the current financial year is as follows:

	2019-20	2018-19
	\$'000	\$'000
Remuneration payable to the Auditor General in respect of the audit for the current financial year is as follows:		
Auditing the accounts, financial statements and key performance indicators	500	500

These amounts are due and payable in the next financial year.

The expenses for the 2019-20 audit of the financial statements is included in note 3.3 'Other Expenses'.

## NOTES TO THE FINANCIAL STATEMENTS For the year ended 30 June 2020

### 9.9 Services provided free of charge

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

- Marketing and publications
- Delivery support systems - wide area network
- College management information systems support
- Accounting services
- Asset and building management services
- Industrial relations support
- Lease costs
- Outgoings
- School census information
- Administration support

	2019-20	2018-19
	\$'000	\$'000
Department of Finance	23	-
Department of Health	998	976
South Regional TAFE	140	-
Department of Premier and Cabinet	31	-
Department of Communities	15	2
Department of Justice	1	2
Public Sector Commission	1	1
Commissioner for Children & Young People	1	2
Trustees of the Public Education Endowment	16	15
School Curriculum & Standards Authority	30,935	30,463
	<b>32,161</b>	<b>31,461</b>

## NOTES TO THE FINANCIAL STATEMENTS For the year ended 30 June 2020

### 9.10 Non-current assets classified as held for sale

The following table represents a summary of assets held for sale:

	2019-20 \$'000	2018-19 \$'000
<u>Opening balance</u>		
Land and buildings	3,547	4,219
Write-down from cost to fair value less selling costs	-	-
	<b>3,547</b>	<b>4,219</b>
<u>Add: Assets reclassified as held for distribution</u>		
Land and buildings <sup>(a)</sup>	7	97
Write-down from cost to fair value less selling costs	-	-
	<b>7</b>	<b>97</b>
<u>Total assets classified as held for distribution</u>		
Land and buildings	3,554	4,316
Write-down from cost to fair value less selling costs	-	-
	<b>3,554</b>	<b>4,316</b>
<u>Less: Assets sold or distributed to owner</u>		
Land and buildings	55	370
Write-down from cost to fair value less selling costs	-	399
	<b>55</b>	<b>769</b>
<u>Closing balance</u>		
Land and buildings	3,499	3,547
Write-down from cost to fair value less selling costs	-	-
	<b>3,499</b>	<b>3,547</b>

- (a) In 2019-20 the following listed land and buildings, surplus to the Department's requirements, and with a fair value of \$7,000 were transferred from land and buildings held for distribution to owner:  
5 Gordon Street, Kulin \$7,000.

Non-current assets (or disposal groups) held for sale/ distribution to owner are recognised at the lower of carrying amount and fair value less costs to sell, and are disclosed separately from other assets in the Statement of Financial Position. Assets classified as held for distribution are not depreciated or amortised.

Non-current assets held for distribution comprise surplus Crown and freehold land 'held for sale' and buildings to be disposed of by the Department as a distribution to owner. All Crown land holdings are vested in the Department by the Government. The Department of Planning, Lands and Heritage (DPLH) is the only agency with the power to sell Crown land. The Department transfers the Crown land and any attached buildings to DPLH when the land becomes available for sale.

The Department has the power to sell freehold land, however cannot retain revenues derived from the sale unless specifically approved for retention by the Treasurer.

## NOTES TO THE FINANCIAL STATEMENTS For the year ended 30 June 2020

### 9.11 Equity

	2019–20	2018–19
	\$'000	\$'000
<b>Contributed equity</b>		
Balance at start of period	14,196,703	13,851,064
<u>Contributions by owners</u>		
Capital appropriation	316,737	275,880
Transfer of net assets from other agencies:		
Pilbara TAFE to Karratha Senior High School	174	-
Department of Communities	1,235	-
	<u>1,409</u>	<u>-</u>
<u>Other contributions by owners</u>		
Royalties for Regions Fund	42,917	84,487
<b>Total contributions by owners</b>	<b><u>14,557,766</u></b>	<b><u>14,211,431</u></b>
<u>Distributions to owners</u>		
Transfer of net assets to Government:		
Crown land transferred to Department of Planning, Lands and Heritage	(110)	(14,608)
Office equipment transferred to Public Sector Commission	-	(3)
Training Accreditation Council debtors transferred to Department of Training and Workforce Development	-	(117)
	<u>(110)</u>	<u>(14,728)</u>
<b>Total distributions to owner</b>	<b><u>(110)</u></b>	<b><u>(14,728)</u></b>
<b>Balance at end of period</b>	<b><u>14,557,656</u></b>	<b><u>14,196,703</u></b>
<b>Accumulated surplus</b>		
Balance at start of the year	(548,525)	(238,044)
Change in accounting policy <sup>(a)</sup>	8,993	(9,392)
Result for the period	(82,904)	(301,089)
	<u>(622,436)</u>	<u>(548,525)</u>
<b>Balance at the end of the year</b>	<b><u>(622,436)</u></b>	<b><u>(548,525)</u></b>
<b>Total equity at end of the period</b>	<b><u>13,935,220</u></b>	<b><u>13,648,178</u></b>

(a) Initial application of adopting AASB 15, AASB 16 and AASB 1058.

## NOTES TO THE FINANCIAL STATEMENTS For the year ended 30 June 2020

### 9.12 Supplementary financial information

	2019-20 \$'000	2018-19 \$'000
<b>Write-offs</b>		
<u>Accounts Receivable</u>		
During the financial year, \$3,370,834 (2018-19: \$2,971,484) of Accounts Receivable was written off under the authority of:		
Accountable Authority	3,371	2,971
The Minister	-	-
Executive Council	-	-
	<b>3,371</b>	<b>2,971</b>
<u>Asset Register</u>		
During the financial year, \$87,819 (2018-19: \$39,688) was written off the Department's asset register under the authority of:		
The Accountable Authority	88	40
The Minister	-	-
Executive Council	-	-
	<b>88</b>	<b>40</b>
<b>Losses through theft, defaults and other causes</b>		
Losses of public money and other property through theft or default	17	1
Amounts recovered	-	1
	<b>17</b>	<b>2</b>
The dollar amount allocated to "Losses of public money and other property through theft or default" is an estimate as some of the cases are still under investigation and/or the actual loss incurred is not able to be quantified.		
<b>Gifts of public property</b>		
Gifts of public property provided by the Department	-	-
	<b>-</b>	<b>-</b>

During the year no gifts of public property were made.

### 9.13 Explanatory statement

All variances between annual estimates (original budget) and actual results for 2020, and between the actual results for 2020 and 2019 are shown below. Narratives are provided for key major variances, which are greater than 10% and \$1 million for the Statements of Comprehensive Income, Cash Flows, and the Statement of Financial Position.

## NOTES TO THE FINANCIAL STATEMENTS For the year ended 30 June 2020

### 9.13 Explanatory statement (continued)

#### Statement of Comprehensive Income

	Estimate 2019–20	Actual 2019–20	Actual 2018–19	Variance							
				Variance between estimate and actual			Variance between actual results for 2020 and 2019				
				\$'000	\$'000	\$'000	\$'000	%	Note	\$'000	%
<b>COST OF SERVICES</b>											
<b>Expenses</b>											
Employee benefits expense	3,899,926	4,060,139	3,864,805	160,213	4%		195,334	5%			
Supplies and services	957,671	961,522	901,290	3,851	0%		60,232	7%			
Depreciation and amortisation expense	271,798	252,791	188,060	(19,007)	(7%)		64,731	34%			A
Grants and subsidies	28,875	31,545	33,177	2,670	9%		(1,632)	(5%)			
Finance costs	78,804	31,225	30,881	(47,579)	(60%)	1	344	1%			
Other expenses	4,012	21,895	476,272	17,883	446%	2	(454,377)	(95%)			B
<b>Total cost of services</b>	<b>5,241,086</b>	<b>5,359,117</b>	<b>5,494,485</b>	<b>118,031</b>	<b>2%</b>		<b>(135,368)</b>	<b>(2%)</b>			
<b>Income</b>											
<b>Revenue</b>											
User contributions, charges and fees	148,457	115,927	135,423	(32,530)	(22%)	3	(19,496)	(14%)			C
Other revenue	83,141	110,763	114,467	27,622	33%	4	(3,704)	(3%)			
Australian Government grants and contributions	904,018	904,957	813,495	939	0%		91,462	11%			D
Interest revenue	22,461	22,897	19,291	436	2%		3,606	19%			E
<b>Total Revenue</b>	<b>1,158,077</b>	<b>1,154,544</b>	<b>1,082,676</b>	<b>(3,533)</b>	<b>(0%)</b>		<b>71,868</b>	<b>7%</b>			
<b>Total income other than income from State Government</b>	<b>1,158,077</b>	<b>1,154,544</b>	<b>1,082,676</b>	<b>(3,533)</b>	<b>(0%)</b>		<b>71,868</b>	<b>7%</b>			
<b>NET COST OF SERVICES</b>	<b>4,083,009</b>	<b>4,204,573</b>	<b>4,411,809</b>	<b>121,564</b>	<b>3%</b>		<b>(207,236)</b>	<b>(5%)</b>			
<b>Income from State Government</b>											
Service appropriation	4,068,147	4,066,784	4,064,460	(1,363)	(0%)		2,324	0%			
Grants from State Government Agencies	6,246	9,415	13,020	3,169	51%	5	(3,605)	(28%)			F
Services received free of charge	15,020	19,078	14,170	4,058	27%	6	4,908	35%			G
Royalties for Regions Fund	28,658	26,392	19,070	(2,266)	(8%)		7,322	38%			H
<b>Total income from State Government</b>	<b>4,118,071</b>	<b>4,121,669</b>	<b>4,110,720</b>	<b>3,598</b>	<b>0%</b>		<b>10,949</b>	<b>0%</b>			
<b>SURPLUS/(DEFICIT) FOR THE PERIOD</b>	<b>35,062</b>	<b>(82,904)</b>	<b>(301,089)</b>	<b>(117,966)</b>	<b>(336%)</b>		<b>218,185</b>	<b>(72%)</b>			
<b>TOTAL COMPREHENSIVE INCOME FOR THE PERIOD</b>	<b>35,062</b>	<b>(82,904)</b>	<b>(301,089)</b>	<b>(117,966)</b>	<b>(336%)</b>		<b>218,185</b>	<b>(72%)</b>			

**NOTES TO THE FINANCIAL STATEMENTS For the year ended 30 June 2020**

**9.13 Explanatory statement (continued)**

**Statement of Financial Position**

	Estimate 2019-20	Actual 2019-20	Actual 2018-19	Variance						
				Variance between estimate and actual			Variance between actual results for 2020 and 2019			
				\$'000	%	Note	\$'000	%	Note	
<b>ASSETS</b>										
<b>Current Assets</b>										
Cash and cash equivalents	491,807	558,952	599,313	67,145	14%		(40,361)	(7%)		
Restricted cash and cash equivalents	14,076	30,247	43,037	16,171	115%		(12,790)	(30%)		
Amounts receivable for services	19,673	19,674	19,673	1	0%		1	0%		
Inventories	-	6,442	6,936	6,442	100%	7	(494)	(7%)		
Receivables	97,246	81,558	73,305	(15,688)	(16%)		8,253	11%		
Other current assets	16,055	10,763	19,578	(5,292)	(33%)	8	(8,815)	(45%)		I
Non-current assets held for distribution to owner	4,219	3,499	3,547	(720)	(17%)		(48)	(1%)		
<b>Total Current Assets</b>	<b>643,076</b>	<b>711,135</b>	<b>765,389</b>	<b>68,059</b>	<b>11%</b>		<b>(54,254)</b>	<b>(7%)</b>		
<b>Non-Current Assets</b>										
Restricted cash and cash equivalents	53,598	61,323	41,188	7,725	14%		20,135	49%		
Receivables	311,800	298,197	279,418	(13,603)	(4%)		18,779	7%		
Amounts receivable for services	3,173,969	3,119,560	2,921,922	(54,409)	(2%)		197,638	7%		
Property, plant and equipment	11,656,050	11,117,503	11,090,687	(538,547)	(5%)		26,816	0%		
Right-of-use assets	1,053,152	293,225	-	(759,927)	(72%)	9	293,225	100%		J
Intangible assets	20,075	4,733	16,366	(15,342)	(76%)	10	(11,633)	(71%)		K
<b>Total Non-Current Assets</b>	<b>16,268,644</b>	<b>14,894,541</b>	<b>14,349,581</b>	<b>(1,374,103)</b>	<b>(8%)</b>		<b>544,960</b>	<b>4%</b>		
<b>TOTAL ASSETS</b>	<b>16,911,720</b>	<b>15,605,676</b>	<b>15,114,970</b>	<b>(1,306,044)</b>	<b>(8%)</b>		<b>490,706</b>	<b>3%</b>		
<b>LIABILITIES</b>										
<b>Current Liabilities</b>										
Payables	128,843	134,530	88,377	5,687	4%		46,153	52%		
Borrowings	32,520	34,876	50,259	2,356	7%		(15,383)	(31%)		L
Lease liabilities	65,503	32,668	-	(32,835)	(50%)	11	32,668	100%		M
Employee related provisions	609,359	589,440	569,568	(19,919)	(3%)		19,872	3%		
Other current liabilities	14,135	11,481	12,253	(2,654)	(19%)	12	(772)	(6%)		
<b>Total Current Liabilities</b>	<b>850,360</b>	<b>802,995</b>	<b>720,457</b>	<b>(47,365)</b>	<b>(6%)</b>		<b>82,538</b>	<b>11%</b>		
<b>Non-Current Liabilities</b>										
Payables	-	1,004	173	1,004	100%		831	480%		
Borrowings	350,330	328,849	540,159	(21,481)	(6%)		(211,310)	(39%)		N
Lease liabilities	1,028,227	305,151	-	(723,076)	(70%)	13	305,151	100%		O
Employee related provisions	191,846	232,268	206,003	40,422	21%	14	26,265	13%		P
Other provisions	-	189	-	189	0%		189	100%		
Other current liabilities	242	-	-	(242)	(100%)		-	0%		
<b>Total Non-Current Liabilities</b>	<b>1,570,645</b>	<b>867,461</b>	<b>746,335</b>	<b>(703,184)</b>	<b>(45%)</b>		<b>121,126</b>	<b>16%</b>		
<b>TOTAL LIABILITIES</b>	<b>2,421,005</b>	<b>1,670,456</b>	<b>1,466,792</b>	<b>(750,549)</b>	<b>(31%)</b>		<b>203,664</b>	<b>14%</b>		
<b>NET ASSETS</b>	<b>14,490,715</b>	<b>13,935,220</b>	<b>13,648,178</b>	<b>(555,495)</b>	<b>(4%)</b>		<b>287,042</b>	<b>2%</b>		
<b>EQUITY</b>										
Contributed equity	14,628,124	14,557,656	14,196,703	(70,468)	(0%)		360,953	3%		
Reserves	-	-	-	-	0%		-	0%		
Accumulated surplus/(deficit)	(137,409)	(622,436)	(548,525)	(485,027)	353%		(73,911)	13%		
<b>TOTAL EQUITY</b>	<b>14,490,715</b>	<b>13,935,220</b>	<b>13,648,178</b>	<b>(555,495)</b>	<b>(4%)</b>		<b>287,042</b>	<b>2%</b>		

## NOTES TO THE FINANCIAL STATEMENTS For the year ended 30 June 2020

### 9.13 Explanatory statement (continued)

#### Statement of Cash Flows

	Estimate 2019–20	Actual 2019–20	Actual 2018–19	Variance							
				Variance between estimate and actual			Variance between actual results for 2020 and 2019				
				\$'000	\$'000	\$'000	\$'000	%	Note	\$'000	%
<b>CASH FLOWS FROM STATE GOVERNMENT</b>											
Service appropriation	3,796,427	3,849,508	3,824,094	53,081	1%		25,414	1%			
Capital contributions	365,494	316,737	275,880	(48,757)	(13%)	15	40,857	15%		Q	
Holding account drawdown	19,673	19,637	19,842	(36)	(0%)		(205)	(1%)			
Royalties for Regions Fund	75,708	69,309	103,557	(6,399)	(8%)		(34,248)	(33%)		R	
Grants and subsidies	6,246	9,600	12,909	3,354	54%	16	(3,309)	(26%)		S	
<b>Net cash provided by State Government</b>	<b>4,263,548</b>	<b>4,264,791</b>	<b>4,236,282</b>	<b>1,243</b>	<b>0%</b>		<b>28,509</b>	<b>1%</b>			
Utilised as follows:											
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>											
<b>Payments</b>											
Employees benefits	(3,874,826)	(3,952,490)	(3,842,592)	(77,664)	2%		(109,898)	3%			
Supplies and services	(942,571)	(937,350)	(910,629)	5,221	(1%)		(26,721)	3%			
Grants and subsidies	(28,875)	(31,732)	(32,276)	(2,857)	10%	17	544	(2%)			
Finance costs	(70,636)	(24,882)	(22,948)	45,754	(65%)	18	(1,934)	8%			
GST payments on purchases	(108,241)	(134,857)	(132,130)	(26,616)	25%	19	(2,727)	2%			
Loans advanced to non-government schools	(57,100)	(51,406)	(46,264)	5,694	(10%)	20	(5,142)	11%		T	
Other payments	-	(261)	(592)	(261)	(100%)		331	(56%)			
<b>Receipts</b>											
User contributions, charges and fees	148,417	109,066	125,249	(39,351)	(27%)	21	(16,183)	(13%)		U	
Australian Governments grants and contributions	906,106	906,521	813,495	415	0%		93,026	11%		V	
Interest received	17,519	13,586	15,798	(3,933)	(22%)	22	(2,212)	(14%)		W	
GST receipts on revenue	7,001	4,204	5,790	(2,797)	(40%)	23	(1,586)	(27%)		X	
GST receipts from taxation authority	101,141	132,110	122,135	30,969	31%	24	9,975	8%			
Repayments of loans by non-government schools	34,101	37,318	31,324	3,217	9%		5,994	19%		Y	
Other receipts	83,041	90,182	98,904	7,141	9%		(8,722)	(9%)			
<b>Net cash used in operating activities</b>	<b>(3,784,923)</b>	<b>(3,839,991)</b>	<b>(3,774,736)</b>	<b>(55,068)</b>	<b>1%</b>		<b>(65,255)</b>	<b>2%</b>			
<b>CASH FLOW FROM INVESTING ACTIVITIES</b>											
<b>Payments</b>											
Purchase of non-current assets	(452,810)	(428,202)	(416,991)	24,608	(5%)		(11,211)	3%			
<b>Receipts</b>											
Receipts from sale of non-current physical assets	-	211	517	211	100%		(306)	(59%)			
<b>Net cash used in investing activities</b>	<b>(452,810)</b>	<b>(427,991)</b>	<b>(416,474)</b>	<b>24,819</b>	<b>(5%)</b>		<b>(11,517)</b>	<b>3%</b>			
<b>CASH FLOW FROM FINANCING ACTIVITIES</b>											
<b>Payments</b>											
Payment lease liabilities	(65,132)	(43,529)	(18,986)	21,603	(33%)	25	(24,543)	129%		Z	
Repayment of borrowings	(69,183)	(37,702)	(31,420)	31,481	(46%)	26	(6,282)	20%		A1	
<b>Receipts</b>											
Proceeds from borrowings	92,182	51,406	46,264	(40,776)	(44%)	27	5,142	11%		A2	
<b>Net cash used in financing activities</b>	<b>(42,133)</b>	<b>(29,825)</b>	<b>(4,142)</b>	<b>12,308</b>	<b>(29%)</b>		<b>(25,683)</b>	<b>620%</b>			
Net increase/(decrease) in cash and cash equivalents	(16,318)	(33,016)	40,930	(16,698)	102%		(73,946)	(181%)			
Cash and cash equivalents at the beginning of the period	575,799	683,538	642,608	107,739	19%		40,930	6%			
<b>CASH AND CASH EQUIVALENTS AT THE END OF THE PERIOD</b>	<b>559,481</b>	<b>650,522</b>	<b>683,538</b>	<b>91,041</b>	<b>16%</b>		<b>(33,016)</b>	<b>(5%)</b>			

## NOTES TO THE FINANCIAL STATEMENTS For the year ended 30 June 2020

### 9.13 Explanatory statement (continued)

#### Major Variance Narratives

##### Variations between estimate and actual

---

##### Statement of Comprehensive Income

---

- 1 The State's accounting position on specific inter-agency agreements in the context of AASB 16 - Leases was revised during 2019-20. This change has resulted in a \$47.6 million (60%) variance between the Estimate, which reflected the previous accounting position and the Actual.
- 2 Other Expenses were \$17.9 million (446%) higher than the 2019-20 Estimate. This is mainly due to the accounting write-off of intangible work in progress associated with the development of computer software (\$13.1 million) and an increase in Doubtful and Bad Debts (\$3.6 million) due to the financial impact of COVID-19 on the State's economy.
- 3 User contributions, charges and fees was \$32.5 million (22%) lower than the 2019-20 Estimate primarily due to the COVID-19 pandemic with school's providing rent waivers for not for profit organisations and small businesses, a reduction in the number of excursion and other extra cost options as well as the suspension of follow up activities for outstanding school charges and fees during Term 2, 2020.
- 4 Other revenue was \$27.6 million (33%) higher than the 2019-20 Estimate. This reflects a change in the classification of employee contributions for Government Regional Officers Housing which were previously offsetting Employee benefits expense (\$16.8 million); and a higher than anticipated RiskCover Workers' Compensation performance adjustment for 2015-16 (\$10.3 million).
- 5 Grants from Other State Government Agencies was \$3.2 million (51%) higher than the 2019-20 Estimate. This variance is due the schools receiving additional grant funding from other State Government agencies (\$3.1 million) during 2019-20 than had been expected in the Estimate.
- 6 Services received free of charge is \$4.1 million (27%) higher than the 2019-20 Estimate due to the increased value of services received from WA Child and Adolescent Health Service (\$4.0 million).

---

##### Statement of Financial Position

---

- 7 The variance is due to a revision in the State's accounting position in 2019-20 which resulted in the actuals for Inventories being classified separately whereas they were included under the heading of Other current asset for the 2019-20 Budget.
- 8 Other current assets was \$5.3 million (33%) lower than the 2019-20 Estimate due to different classification of inventories (see note 7 above) which was partly offset by the early prepayment for software licences.
- 9 Right-of-use assets were \$759.9 million (72%) under the 2019-20 Estimate mainly reflecting a change in the State's accounting position on specific inter-agency agreements in the context of AASB 16 Leases during 2019-20.
- 10 Intangible assets were \$15.3 million (76%) lower than the 2019-20 Estimate mainly due to the accounting write-off of intangible work in progress associated with the development of computer software.
- 11 Lease liabilities were \$32.8 million (50%) lower than the 2019-20 Estimate mainly due to a revision in the State's accounting position on specific inter-agency agreement in the context of AASB 16 Leases during 2019-20. In the 2019-20 Estimate, open ended leases were treated as Right of Use assets whereas these were reclassified as ongoing expenses in the Actuals.
- 12 The variance of \$2.7 million (19%) in Other current liabilities is mainly due to funding provided to schools by the Australian Government for the Local Schools Community Fund. While schools received \$2.3 million for approved small scale projects in January 2020, due to the impact of COVID-19, \$1.7 million of this funding had not been spent as at 30 June 2020.
- 13 Lease liabilities (non-current) was \$723.1 million (70%) lower than the 2019-20 Estimate mainly due to a change in the accounting treatment of open ended leases and the assumptions regarding the term of Right of Use assets.
- 14 Employee related provisions were \$40.4 million (21%) higher than 2019-20 Estimate due to a 0.7% decrease in the discount rate for long service leave liabilities (\$12.5 million) and the combined impact of an increase in leave accruing over the year and less leave being taken during the year due to employee's deferring their leave in light of the COVID-19 travel restrictions.

## NOTES TO THE FINANCIAL STATEMENTS For the year ended 30 June 2020

### 9.13 Explanatory statement (continued)

---

#### Statement of Cash Flows

---

- 15 Capital contributions were \$48.8 million (13%) lower than the 2019–20 Estimate due to changes in the timing of the commencement and progress of projects.
- 16 Grants and subsidies is \$3.4 million (54%) higher than the 2019–20 Estimate mainly due to schools receiving additional grants from other State Government agencies during 2019–20 (\$3.1 million).
- 17 Grants and subsidies payments is \$2.9 million (10%) higher than the 2019–20 Estimate mainly due to Western Australia's contribution to Education Council (\$1.7 million) and the Department's contribution towards the DETECT research study in public schools (\$0.9 million). The contributions were negotiated after the release of 2019–20 Budget.
- 18 Finance costs are \$45.8 million (65%) less than 2019–20 Estimate due to a change in the State's accounting position on specific inter-agency agreements in the context of AASB 16 Leases after the 2019–20 Estimate was finalised.
- 19 The variance of \$26.6 million (25%) in GST payments on purchases is mainly due to higher than expected purchases under Supplies and services and capital projects.
- 20 Loans advanced to non-government schools were \$5.7 million (10%) lower than the 2019–20 Estimate, reflecting slightly lower demand from non-government schools than expected at the time of finalising the 2019–20 Estimate.
- 21 User contributions, charges and fees were \$39.4 million (27%) lower than the 2019–20 Estimate primarily due to the COVID-19 pandemic with school's providing rent waivers for not for profit organisations and small businesses, a reduction in the number of excursion and other extra cost options as well as well as the suspension of follow up activities for outstanding school charges and fees during Term 2, 2020.
- 22 Interest received was \$3.9 million (22%) lower than the 2019–20 Estimate due to the current low interest rate environment.
- 23 GST receipts on revenue were \$2.8 million (40%) lower than the 2019–20 Estimate reflecting lower receipts in 2019–20.
- 24 GST receipts from taxation authority were \$31.0 million (31%) higher than the 2019–20 Estimate due to more purchases being made in 2019–20 compared to the Estimate.
- 25 Payment lease liabilities were \$21.6 million (33%) lower than the 2019–20 Estimate mainly due to a change in the State's accounting position on specific inter-agency agreements in the context of AASB 16 - Leases which occurred after the finalisation of the 2019–20 Estimate.
- 26 Repayment of borrowings were \$31.5 million (46%) lower than the 2019–20 Estimate mainly due to a change in the State's position on the treatment of long-term debt.
- 27 Proceeds from borrowings were \$40.8 million (44%) lower than the 2019–20 Estimate due to a change in the State's position on the treatment of long-term debt.

## NOTES TO THE FINANCIAL STATEMENTS For the year ended 30 June 2020

### 9.13 Explanatory statement (continued)

#### Major Variance Narratives

##### Variances between actual results for 2020 and 2019

---

##### Statement of Comprehensive Income

---

- A** Depreciation and amortisation expenses was \$64.7 million (34%) higher than 2018–19 mainly as a result of the costs associated with Right-of-use Assets following the introduction of AASB 16 Leases (\$23.9 million); building impairment expense due to assets damaged by fire and a truck (\$18.3 million); and the accelerated depreciation for assets that were disposed of during the year (\$14.0 million).
- B** The decrease of \$454.4 million (95%) in Other Expenses mainly reflects the 2018–19 decrement to Land and Buildings (\$468.4 million).
- C** The decrease of \$19.5 million (14%) in User contributions, charges and fees compared with 2018–19 primarily due to the impact of the COVID-19 pandemic with school's providing rent waivers for not for profit organisations and small businesses, a reduction in the number of excursion and other extra cost options as well as the suspension of follow up activities for outstanding school charges and fees during Term 2, 2020.
- D** Australian Government grants and contributions were \$91.5 million (11%) higher than 2018–19, mainly due to additional Quality Schools funding of \$90.0 million under the National School Reform Agreement.
- E** Interest Revenue is \$3.6 million (19%) higher than the previous year due to an increase in notional interest revenue for the Low Interest Loan Scheme (\$5.3 million). This is partially offset by a decrease in Interest on bank accounts (\$2.5 million).
- F** Grants from State Government Agencies were \$3.6 million (28%) lower than 2018–19, mainly attributed to the Kimberley Schools Project which is included in the Royalties for Regions Fund for 2019–20.
- G** Services received free of charge is \$4.9 million (35%) higher than 2018–19 mainly due to the increased value of services received from the WA Child and Adolescent Health Service.
- H** The increase of \$7.3 million (38%) for Royalties for Regions Fund mainly reflects the Kimberley Schools Project (\$4.7 million) which was included in Grants from State Government Agencies last year, and an increase in funding for two other projects: Put Education Assistants back in the classroom (\$1.1 million); and Regional learning specialists for Mathematics, Science, Social Science and English (\$1.0 million).

---

##### Statement of Financial Position

---

- I** Other current assets as at 30 June 2020 were \$8.8 million (45%) lower than the previous year mainly due to a lower prepayment balance (\$11.2 million) in 2019–20 compared to 2018–19. This decrease was partially offset by the initial recognition of Contract assets under new accounting standard AASB 15 (\$2.4 million).
- J** Initial recognition of Right of Use assets occurred in 2019–20 as a result of the new accounting standard AASB 16 Leases.
- K** The decrease of \$11.6 million (71%) was predominately due to the accounting write-off of existing work in progress associated with the development of computer software.
- L** Borrowings (current) was \$15.4 million (31%) lower than the previous year mainly due to the implementation of AASB 16 Leases in 2019–20. Finance leases recognised in 2018–19 are now classified as Right-of-use assets in 2019–20. The associated liabilities are presented under 'Lease liabilities (current)'.  
**M** Initial recognition of Lease Liabilities (current) occurred in 2019–20 due to the introduction of AASB 16 Leases. The associated liabilities was included under Borrowings in the previous year.
- N** Borrowings (non-current) were \$211.3 million (39%) lower than the previous year mainly due to the implementation of AASB 16 Leases in 2019–20. Finance leases recognised in 2018–19 are now classified as Right-of-use assets in 2019–20. The associated liabilities are presented under 'Lease liabilities - non-current'.
- O** Initial recognition of Lease Liabilities (non-current) due to the introduction of AASB 16 Leases in 2019–20. The associated liabilities was presented under Borrowings in the previous year.
- P** Employee related provisions (non-current) were \$26.3 million (13%) higher than the previous year mainly due to a 0.7% decrease in the discount rate for long service leave liabilities. The remaining increase is due to the combined impact of an increase in leave accruing over the year and less leave being taken during the year due to employee's deferring their leave in light of the COVID-19 travel restrictions.

## NOTES TO THE FINANCIAL STATEMENTS For the year ended 30 June 2020

### 9.13 Explanatory statement (continued)

#### Statement of Cash Flows

- Q** Capital contributions were \$40.9 million (15%) higher than the previous year due to the increased investment in the Department's asset portfolio.
- R** Royalties for Regions funding was \$34.2 million (33%) lower than 2018–19 due to a reduced number of approved projects.
- S** Grants and subsidies were \$3.3 million (26%) lower than 2018–19 mainly reflecting a decrease in grants from other State Government agencies.
- T** Loans advanced to non-government schools were \$5.1 million (11%) higher than 2018–19 due to an increase in demand for loans in 2019–20.
- U** User contributions, charges and fees were \$16.2 million (13%) lower than 2018–19 primarily due to the COVID-19 pandemic with school's providing rent waivers for not for profit organisations and small businesses, a reduction in the number of excursion and other extra cost options as well as the suspension of follow up activities for outstanding school charges and fees during Term 2, 2020.
- V** Australian Government grants and contributions were \$93.0 million (11%) higher than 2018–19, mainly due to additional Quality Schools funding (\$90.0 million) under the National School Reform Agreement.
- W** Interest received was \$2.2 million (14%) lower than 2018–19 due to lower interest rates in 2019–20 compared to 2018–19.
- X** GST receipts on revenue were \$1.6 million (27%) lower than 2018–19 reflecting lower receipts in 2019–20.
- Y** The Repayment of loans by non-government schools was \$6.0 million (19%) higher than 2018–19 due to the higher loan portfolio and a few non-government schools taking the opportunity to pay off their loans ahead of schedule due to the low interest rate environment.
- Z** Payment lease liabilities were \$24.5 million (129%) higher than 2018–19 due to the application of AASB 16 Leases the first time in 2019–20.
- A1** Repayment of borrowings were \$6.3 million (20%) higher than 2018–19 due to the higher repayments of loans received from non-government schools.
- A2** Proceeds of borrowings were \$5.1 million (11%) higher than 2018–19 due to an increase in demand for loans in 2019–20.

### 9.14 Indian Ocean Territories

	2019–20	2018–19
	\$'000	\$'000
<u>Reconciliation of Australian Government funds received and expended for the Indian Ocean Territories</u>		
<b>Balance at start of period</b>	(68)	(553)
Receipts	15,812	14,974
Payments	(14,819)	(14,489)
<b>Balance at end of period</b>	<b>925</b>	<b>(68)</b>

## NOTES TO THE FINANCIAL STATEMENTS For the year ended 30 June 2020

### 9.15 Disclosure of administered income and expenses

	2019-20	2018-19
	\$'000	\$'000
<b>Income</b>		
Transfer revenue	451,873	454,256
<b>Total administered Income</b>	<b>451,873</b>	<b>454,256</b>
<b>Expenses</b>		
Transfer payments	455,469	453,943
<b>Total administered expenses</b>	<b>455,469</b>	<b>453,943</b>

#### Notes to the schedule of administered items

##### (i) Transfer revenues

	2019-20	2018-19
	\$'000	\$'000
Financial assistance for non-government schools	442,590	444,342
Other grants and subsidies*	1,304	1,304
Other revenue*	5,009	5,412
Subsidies for unfunded superannuation liabilities of higher education institutions	2,970	3,198
<b>Total</b>	<b>451,873</b>	<b>454,256</b>

\*Other grants and subsidies for 2018-19 has been restated (previously \$6.72 million) with \$5.41m now included within other revenue (previously \$0).

##### (ii) Transfer payments

The Department is responsible for transfers of appropriations to eligible beneficiaries consistent with the requirements of the *School Education Act 1999*, the *School Education Regulations 2000* and the applicable Government Gazettes. The Department does not control amounts for transfer but acts only as an agent. Except for the funding received for the unfunded superannuation liabilities of higher education institutions of \$2.97 million, other miscellaneous grants and subsidies of \$1.30 million, and other revenue of \$5.01 million, the remaining \$442.59 million relates primarily to per capita funding.

The Department of Treasury provides for per capita grants funding based on student growth, the Education Price Index and the movement in the Average Government School Recurrent Cost (AGSRC) index. The State Government's policy commitment to the non-government education sector, is that average per capita of total expenditure on non-government students, including payment of direct per capita grants to schools, should be 'no less than 25%' of the adjusted AGSRC.

	2019-20	2018-19
	\$'000	\$'000
Financial assistance for non-government schools	446,186	444,029
Other grants and subsidies*	1,304	1,304
Other expenses*	5,009	5,412
Subsidies for unfunded superannuation liabilities of higher education institutions	2,970	3,198
<b>Total</b>	<b>455,469</b>	<b>453,943</b>

\*Other grants and subsidies for 2018-19 has been restated (previously \$6.72 million) with \$5.41m now included within other expenses (previously \$0).

## NOTES TO THE FINANCIAL STATEMENTS For the year ended 30 June 2020

### 9.16 Explanatory statement for administered items

All variances between annual estimates and actual results for 2020, and between the actual results for 2020 and 2019 are shown below. Narratives are provided for key major variances, which are generally greater than 10% and \$1 million.

	Estimate 2019–20	Actual 2019–20	Actual 2018–19	Variance					
				Variance between estimate and actual			Variance between actual results for 2020 and 2019		
				\$'000	%	Note	\$'000	%	Note
<b>Income</b>									
Transfer revenue	451,873	451,873	454,256	-	0%		(2,383)	(1%)	
<b>Total administered Income</b>	<b>451,873</b>	<b>451,873</b>	<b>454,256</b>	<b>-</b>	<b>0%</b>		<b>(2,383)</b>	<b>(1%)</b>	
<b>Expenses</b>									
Transfer payments	451,873	455,469	453,943	3,596	1%		1,526	0%	
<b>Total administered expenses</b>	<b>451,873</b>	<b>455,469</b>	<b>453,943</b>	<b>3,596</b>	<b>1%</b>		<b>1,526</b>	<b>0%</b>	
<b>Net income from administered items</b>	<b>-</b>	<b>(3,596)</b>	<b>313</b>	<b>(3,596)</b>	<b>100%</b>		<b>(3,909)</b>	<b>(1249%)</b>	

### 9.17 Administered assets and liabilities

	2019–20 \$'000	2018–19 \$'000
<b>Assets</b>		
<b>Cash and restricted cash assets</b>		
Cash and cash equivalents	7,572	11,168
<b>Total administered current assets</b>	<b>7,572</b>	<b>11,168</b>
<b>Net administered assets</b>	<b>7,572</b>	<b>11,168</b>