



Portable Long Service Authority

Annual Report 2019-20



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Contents

| | |
|--|-----------|
| Responsible body's declaration | 3 |
| OVERVIEW | 4 |
| Vision | 5 |
| Purpose | 5 |
| Values | 5 |
| Chair and Chief Executive Officer / Registrar's Report | 6 |
| Role and functions | 7 |
| Business Units | 8 |
| Objectives | 9 |
| The year in review | 10 |
| Meet Alison Cosker, the Scheme's 100,000th registered worker | 10 |
| Event with Members of Parliament | 11 |
| ISSA Cleaning and Hygiene Expo 2019 | 12 |
| First Staff Recognition Awards | 12 |
| International Women's Day | 13 |
| COVID-19 response | 13 |
| Remote working life | 14 |
| Q&A with Khayshie Tilak Ramesh | 15 |
| State of the sectors | 16 |
| OUR PERFORMANCE | 18 |
| Departmental objectives, indicators and outputs | 19 |
| Business Unit reports | 19 |
| Executive, Governance, Legal and Secretariat | 19 |
| Financial Services | 20 |
| Client Service and Operations | 20 |
| Facilities, Information and Technology | 21 |
| Communications and Engagement | 22 |
| People and Culture | 23 |
| Delivering on our objectives | 24 |
| The numbers | 24 |
| Financial performance | 30 |
| Five-year financial summary | 30 |
| Current-year financial performance | 30 |
| Financial position balance sheet | 31 |
| Operating cash flows | 31 |
| Investment performance | 32 |
| Current-year investment performance | 32 |
| Previous-year investment performance | 33 |
| Outlook | 33 |

| | |
|---|-----------|
| GOVERNANCE AND ORGANISATIONAL STRUCTURE | 34 |
| Governing Board | 35 |
| Audit and Risk Committee | 38 |
| Audit and Risk Committee Members | 38 |
| Organisational structure | 39 |
| Conflicts of interest | 39 |
| Occupational health and safety | 40 |
| OHS Committee | 40 |
| Employment and conduct principles | 40 |
| WORKFORCE DATA | 42 |
| Public sector values and employment principles | 42 |
| Comparative workforce data | 43 |
| Executive officer data | 44 |
| OTHER DISCLOSURES | 45 |
| Local Jobs First | 45 |
| Government advertising expenditure | 45 |
| Consultancy expenditure | 46 |
| Details of consultancies (valued at \$10,000 or greater) | 46 |
| Details of consultancies under \$10,000 | 46 |
| Information and communication technology expenditure | 46 |
| Details of information and communication technology (ICT) expenditure | 46 |
| Disclosure of major contracts | 47 |
| Freedom of information | 47 |
| Making a request | 47 |
| Further information | 47 |
| Compliance with the <i>Building Act 1993</i> | 48 |
| Competitive neutrality policy | 48 |
| Compliance with the <i>Public Interest Disclosure Act 2012</i> | 48 |
| Compliance with the <i>Carers Recognition Act 2012</i> | 49 |
| Compliance with the <i>Disability Act 2006</i> | 49 |
| Office-based environmental impacts | 49 |
| Subsequent events | 50 |
| Additional information | 50 |
| Attestation for financial management compliance with Standing Direction 5.1.4 | 50 |
| FINANCIAL STATEMENTS | 51 |
| Understanding the financial statements | 52 |
| Statutory certification | 53 |
| Independent Auditor's Report | 54 |
| Comprehensive operating statement | 56 |
| Balance sheet | 57 |
| Cash flow statement | 58 |
| Statement of changes in equity | 59 |
| Notes | 60 |
| APPENDIX I: Disclosure Index | 84 |



Responsible body's declaration

In accordance with the *Financial Management Act 1994*, I am pleased to present the Portable Long Service Benefits Authority's Annual Report for the year ended 30 June 2020.

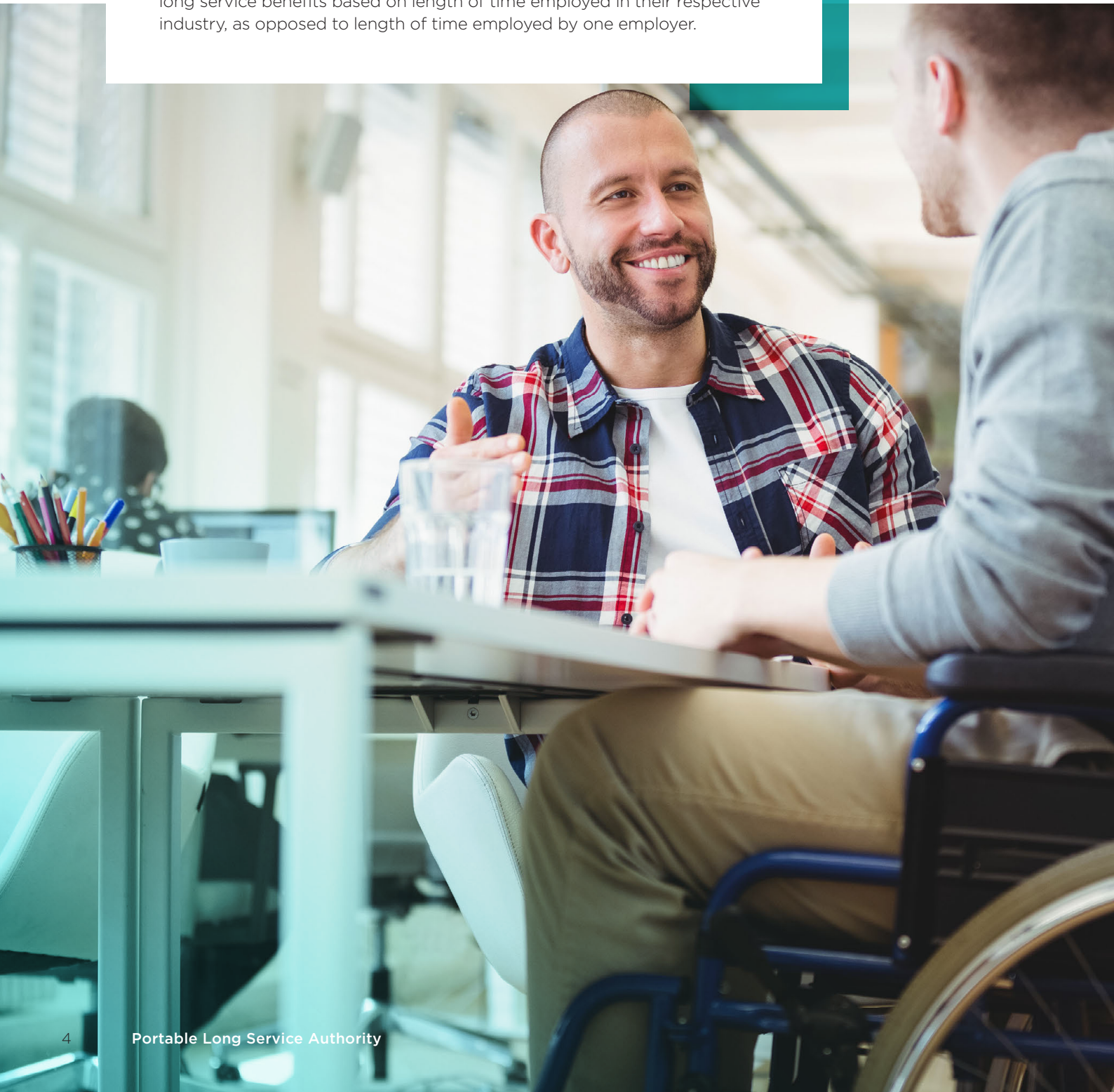
A handwritten signature in black ink, reading "Julius Roe". The signature is written in a cursive style with a large, stylized 'J' and 'R'.

Julius Roe
Chair, Governing Board

Overview

The Portable Long Service Benefits Authority is an independent statutory body established to administer the *Long Service Benefits Portability Act 2018*. The Act, together with the *Interim Long Service Benefits Portability Regulations 2019* provide a scheme for the portability of long service benefits to eligible workers in the Community Services, Contract Cleaning and Security Industries.

The Scheme was created in response to the Victorian Parliament's Economic, Education, Jobs and Skills Committee inquiry into portability of long service leave entitlements. It enables eligible workers to accrue long service benefits based on length of time employed in their respective industry, as opposed to length of time employed by one employer.



Vision

Delivering a quality Portable Long Service Benefits Scheme to protect the benefits of those who are entitled to them.

Purpose

Administering an effective Portable Long Service Benefits Scheme through prudent, sustainable investment and supporting all stakeholders – including employers and workers alike – as well as educating and enforcing every stakeholder’s role and interest in the Scheme.

Values

The Authority has adopted the Victorian Public Sector values, which underpin the behaviours that the government and community rightly expect of it. Acting consistently with these values strengthens the Authority’s capacity to operate effectively and achieve our objectives. These values are:



Responsiveness – We are approachable and provide timely, useful and accurate information.



Integrity – We have unbiased and honest interactions.



Impartiality – We are firm and consistent in our application of the law.



Accountability – We fulfil our objectives in a clear, transparent and responsible manner.



Respect – We respect our stakeholders, each other and ourselves.



Leadership – We seek to have a positive influence and to empower others.



Human rights – We administer the law and deliver decisions, advice and policy that respect and support everyone’s human rights.

Chair and Chief Executive Officer / Registrar's Report

The start of the 2019-20 financial year on 1 July 2019 marked the commencement of the Portable Long Service Leave Scheme (the Scheme) in Victoria for the Community Services, Contract Cleaning and Security Industries. For the first time, eligible workers in these sectors could accumulate long service benefits after working in their industry for seven years, irrespective of the number of employers that they have worked for over that time. Covered employers also became obliged to comply with the requirements set out in the *Long Service Benefits Portability Act 2018* (the Act) as well as any accompanying Regulations issued by the Authority.

From an operational perspective, the first year of operations for the Authority as a Regulator has been one of strong achievement, with the Scheme registering over 100,000 workers – well in excess of the Victorian government's target of 75,000 workers as set out in the 2019-20 Victorian State Budget Papers. Under the oversight of an experienced Governing Board, the Authority's leadership team has established strong corporate governance and risk management practices that have guided the Authority's approach to its education and enforcement activities, having clear regard for the interests of all stakeholders whether they are eligible workers or covered employers.

From a staff perspective, it is likely that we will perhaps all remember 2019-20 only for the far-reaching efforts that the global coronavirus (COVID-19) pandemic has created for us. Notwithstanding that the Authority is based predominantly in Bendigo in regional Victoria where the impact has been comparatively low, the arising consequences of coronavirus (COVID-19) on work practices and how we support our staff with social distancing protocols, balancing home teaching and other care duties, as well as occupational health, safety and mental health support has all been challenging.

Although only in its first year of operations, we are pleased to say that the Authority's staff and management team displayed exemplary resilience and dedication to ensure that there were no unplanned outages during the financial year, both in terms of the Authority's core systems or contact centre all while maintaining staff morale and productivity.

There remains much work of a challenging nature to be done in 2020-21 by the Authority. While the Authority is financially sustainable, the pace of change with technology will require some investment in new systems and interfaces with the public to respond both to stakeholder feedback and to changes that will occur arising from the *Long Service Benefits Portability Regulations 2020*, which is expected to come into effect before the end of 2020.

We look forward to building on the success of 2019-20 as we progress towards our vision of delivering a high-quality Portable Long Service Leave Scheme to protect the benefits of those who are entitled to them.



Julius Roe
Chair, Governing Board

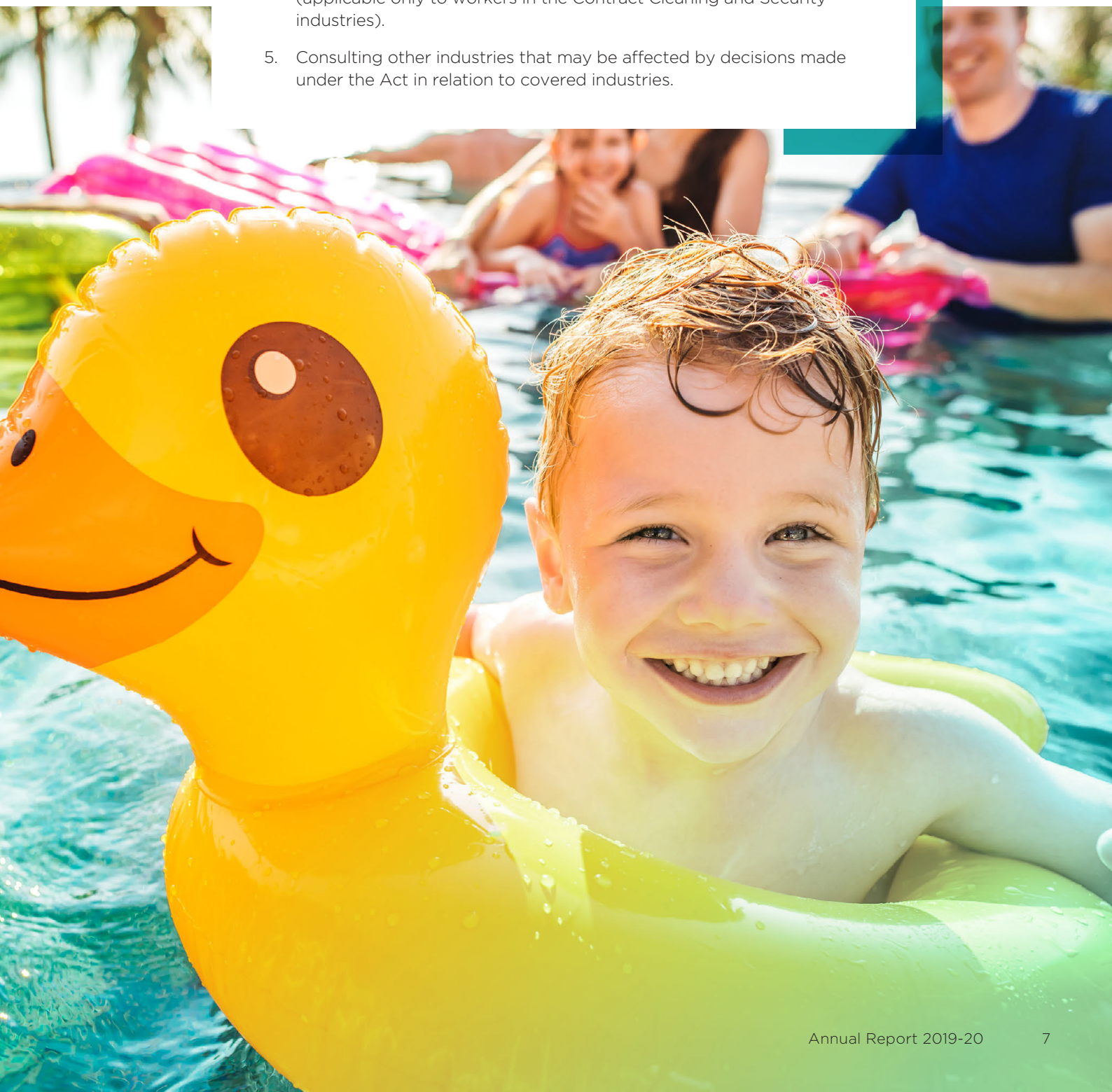


Joseph Yeung
CEO / Registrar

Role and functions

The Authority has several key functions pursuant to the *Long Service Benefits Portability Act 2018*:

1. Administering the Portable Long Service Benefits Scheme in the covered industries.
2. Making payments of benefits.
3. Keeping registers of covered employers and workers.
4. Resolving disputes as to the timing of taking a period of leave (applicable only to workers in the Contract Cleaning and Security industries).
5. Consulting other industries that may be affected by decisions made under the Act in relation to covered industries.



Business Units



The **Executive, Governance, Legal and Secretariat Business Unit** is responsible for establishing good governance, delivering sound legal advice to the Authority as well as facilitating the efficient and effective running of the Governing Board and Audit and Risk Committee.



The **Financial Services Business Unit** underpins our operations and the Chief Financial Officer has specific responsibilities under the *Financial Management Act 1994*. Performance monitoring, responsible budgeting, and a robust investment strategy ensures that the entitlements of registered workers are managed prudently, and helps to ensure the sustainability of the Scheme.



The **Client Service and Operations Business Unit** is the largest business unit within the Authority and delivers our core registry and enforcement functions through engaging with employers and workers to support them to fulfil their obligations and understand their rights.



The **Facilities, Information and Technology Business Unit** underpins our core operations and manages key vendors which support our network infrastructure and telephony systems. Having the best systems in place enables us to be efficient and effective in delivering on our functions.



The **People and Culture Business Unit** supports the growth and development of our people and culture. Our people are our greatest asset. Without our people, we have no capability to fulfil our statutory obligations under the Act.



The **Communications and Engagement Business Unit** leads communications, identification of and engagement with key stakeholders and internal and external education activities to ensure that employers understand their obligations and workers know their rights. As a new scheme in Victoria, it is vital that we communicate and engage with employers and eligible workers across the covered sectors.

Objectives

The Authority's primary objectives are to:

- **Fulfil our legislative obligations** by effectively administering and providing information about the *Long Service Benefits Portability Act 2018*.
- **Implement responsible budget and effective investment strategies** which grow levy funds and deliver long-term sustainability.
- **Be clear, consistent, transparent and responsive** in our stakeholder communications to encourage registration and levy payments and ensure that eligible workers and employers are aware of their rights and obligations.
- **Maintain a healthy and safe workplace** with a culture that encourages engaged, resilient and solution-focused staff.
- **Maintain an innovative, secure, resilient and integrated information technology environment** that supports effective operations now and into the future.
- **Protect the long-term interests of the Authority** through effective regulation using governance, strategic risk management and clear policies and procedures.



The year in review

Meet Alison Cosker, the Scheme's 100,000th registered worker

Community service worker Alison Cosker was the 100,000th worker to be registered with the Portable Long Service Benefits Scheme after being signed up by her employer, e.motion21.

The Kew-based not-for-profit aims to enhance lives for people with Down syndrome and change perceptions of Down syndrome through performance-based activities and community engagement.

Alison is the learning facilitator for e.motion21's pilot initiative, Impact21, working with a select group of students in a tertiary setting to prepare them for work and explore customised employment that suits their skills and interests.

Portable long service was introduced to provide portability of long service benefits for workers in sectors that struggle to qualify for long service entitlements under traditional long service.

"If portable long service gives people the incentive to feel safe and try different organisations and practices while growing and developing in their role, I can't see any negatives."

The community services sector is often characterised by short-term contracts and funding arrangements, meaning workers are not always able to stay with a single employer long enough to access long service leave despite working in a similar role or area for many years.

For community services workers like Alison, the Portable Long Service Benefits Scheme is game changing. Portable long service makes sure workers in the covered industries can accrue long service benefits for their total years in a single industry, rather than with a single employer.

Impact21

Alison, whose background is in teaching and human services, has been working with her students for the past 12 months out of the Torrens University campus on Flinders Street in Melbourne.

On a typical day the 12 students travel into the CBD from all around Melbourne, and from as far away as Geelong and the Mornington Peninsula. Commuting into the university campus is integral as it exposes the participants to social and professional connections from all around the world. Impact21 provides its students with



an opportunity to experience tertiary education, where this may otherwise have been impossible or unlikely.

The program has employment partners that offer work experience and internship opportunities.

An average day in the program includes classroom time, city time and coffee breaks, supplemented with simulated work and project-based learning.

Alison says the participants "kept kicking goals" once the COVID-19 pandemic became a reality,

working hard to become technically savvy and using technology to stay connected to each other and learn.

While the program has experienced “massive hurdles” with COVID-19, Alison said it has given participants the opportunity to grow in other directions, using online tools and “becoming okay with the unknown; continuing to learn in a situation where we don’t have an answer to questions about its end date or about what work can recommence.”

Drawn to community service work

Growing up with a mother working in a range of roles within the disability support sector was hugely influential for Alison, who says her upbringing was “very comfortable with all different kinds of people and the context of disability work.”

While she was studying education, Alison provided in-home support for a young boy with disabilities before moving in to respite services. She gravitates towards working with “older young people” – those in their teens, twenties and thirties.

The students Alison works with want to live their life, go out, have fun, have partners, learn and work. Through the program they are growing their communication skills and confidence.

Alison wants to see a disruption in community perceptions around Down syndrome so that young people like those she works with can experience everyday life like other people their age. Some of her favourite moments have been seeing her students confidently blending in among peak-time commuters on Flinders Street, preparing and serving cocktails at e.motion21’s 10th anniversary gala, or be approached for assistance without hesitancy by shoppers.

Portable long service

Alison says the Portable Long Service Benefits Scheme offers people in the sector security that they haven’t had previously and hopes it will attract young people and youthful ideas to the sector while also giving more experienced people the chance to take a break.

“So much of what I know and believe and advocate for, I’ve learned through having had lots of experiences in different organisations, with different leaders, values and approaches. There is so much to learn by moving around organisations but continuing to service that world.

If portable long service gives people the incentive to feel safe and try different organisations and practices while growing and developing in their role, I can’t see any negatives.”

Event with Members of Parliament

At the start of the year the Authority hosted Steve Dimopoulos, Parliamentary Secretary to the Treasurer; and Maree Edwards, Deputy Speaker for the Legislative Assembly and local Member of Parliament for Bendigo West.

The event gave the Authority the opportunity to present the new Scheme and provide our visitors with an overview of the system and employer experience.



Authority CEO Joseph Yeung speaking to journalists.



From left: Maree Edwards, Joseph Yeung and Steve Dimopoulos.

The year in review

ISSA Cleaning and Hygiene Expo 2019

In October 2019, Authority staff represented the Scheme at the ISSA Cleaning and Hygiene Expo.

Held at the Melbourne Convention and Exhibition Centre and hosted by ISSA - The Worldwide Cleaning Industry Association and Interpoint Events, the expo showcased cleaning products and services from local and international exhibitors.

The Authority partnered with QLeave, our Queensland counterpart, to take part in the expo. It was a great opportunity for our Customer Service and Education Officers to meet key players in the industry and provide information about the Portable Long Service Benefits Scheme to stakeholders and employers.



The Authority's stand at the 2019 ISSA Expo.

First Staff Recognition Awards

In October, the team came together for an afternoon tea following the Governing Board Meetings, to celebrate the contributions made by our team since the establishment of the Authority.

There were a large number of nominees for Staff Awards, with each one having gone 'above and beyond' in pursuit of the Authority's values.

Customer Service and Education Officers Deb Danahay, Karl Quast and Maxine Rae received awards for their combined willingness to get the job done, knowledge of the Scheme and outstanding stakeholder interactions.



From left: Deb Danahay, Maxine Rae, Joseph Yeung and Karl Quast.

International Women's Day



From left: David Dearricott, Dr Airlie Chapman, Jorge Restrepo-Mendez, Sheree Laursen, Chris Gillis, Kayla Friswell, Adrian Powell, Amy Gardner, Peter Leersen, Khayshie Tilak Ramesh and Amy Stratton.

In March, Authority staff had the opportunity to attend the International Women's Day Dinner, hosted by the Zonta Club of Bendigo and held at the Conservatory in Bendigo.

The event's keynote speaker was Dr Airlie Chapman, who holds a PhD in Aeronautics & Astronautics from the University of Washington.

Dr Chapman is a L'ORÉAL - UNESCO Women in Science Fellow and a strong advocate for Science, Technology, Engineering and Mathematics (STEM) education and has a special interest in underrepresented groups such as women and students in rural and remote areas. She currently lectures in Mechatronics at the University of Melbourne, where she is also the Director of their Flight Lab.

Dr Chapman devoted her speech to sharing her journey in STEM, and advocating for the promotion of careers in STEM.

Zonta International is a leading global organization of professionals empowering women worldwide through service and advocacy. The organisation has over 30,000 members in more than 1,200 clubs across 66 countries.

COVID-19 response

As it did with all businesses, the COVID-19 pandemic has presented many challenges for the Portable Long Service Authority.

In March 2020, a Continuity Leadership Team was established to plan and implement the Authority's response to the pandemic. This team facilitated the successful move to remote working arrangements quickly and efficiently, while also implementing the crisis communications procedure and operational procedures to minimise investment risk in a volatile market caused by the pandemic.

During the last quarter of the year, the Authority found itself well-positioned to enable operations to continue with minimal interruption; our staff and systems remaining operational, agile and responsive.

Our Customer Service and Education Officers have continued providing valuable advice and delivering online training sessions for employers.

The year in review

Remote working life

Following the advice that if Victorian Public Service employees could work from home, they must work from home, Authority staff worked together in a new way, giving us all a glimpse into each other's lives that we hadn't had before.



The Authority's first virtual team meeting, including one team member as a pickle.



The shared tea station at customer service officer Sheree Laursen's home office.



"Tilly" Friswell has been an excellent co-worker for Kayla from the Customer Service team.



The Authority uses a range of contemporary business technologies to support our blended in-office and remote operations.

Q&A with Khayshie Tilak Ramesh

Khayshie Tilak Ramesh was employed as a graduate in the Authority's legal function where she provides support to our in-house legal team while working towards her admission as a lawyer.



Khayshie Tilak Ramesh

Tell us a bit about yourself and how you came to work for the Authority?

I am 23 and a passionate community volunteer and advocate for youth, regional and multicultural issues. I have served on a number of boards and committees including ARC Justice, Ambulance Victoria Community Advisory Committee, Loddon Campaspe Multicultural Services and City of Greater Bendigo Economic Steering Committee. I was also the first Youth Mayor for the City of Greater Bendigo in 2019, Law Student of the Year 2019, Young Citizen of the Year in 2017, and named in the Top 100 future leaders of Australia. As well as my position at the Authority, I am also currently the Multicultural Youth Commissioner of Victoria.

I studied Law in La Trobe University and was in my final honours year when the Authority started in Bendigo in 2019. I was passionate about the social justice element of long service portability and applied for a position within the legal and governance team, combining my love of law and community boards. I was extremely fortunate to be selected and am now working in my ideal job as a graduate.

What attracted you to the public service?

I was attracted to the public service because of the immense career progression opportunities and the chance to work within multidisciplinary teams where you get to experience a bit of everything and really appreciate the work of your co-workers.

What attracted you to law?

I like the educational side of law and increasing access to justice through making legal obligations more accessible to the wider community. It baffles me that we are bound by laws which we don't always understand so I enjoy increasing that wider understanding by translating complex concepts into simpler ones. I also love problem solving and tackling new challenges every day which I am lucky to do in my role at the Authority.

What do you enjoy most about working for the Authority?

My favourite thing about working for the Authority is the diversity of staff backgrounds! A lot of our staff are not from government backgrounds so it's always fun to hear about what industries they came from and their past experiences on lunch breaks.

What has surprised you most about working for the Authority?

That the heart of the Authority is in Bendigo. All too often I've seen organisations claim to have a regional centre but then their head office is in Melbourne but the Authority is well and truly grounded here. I grew up in Bendigo and love my local community so it meant so much to me that I could continue my career progression in my ideal job within my hometown.

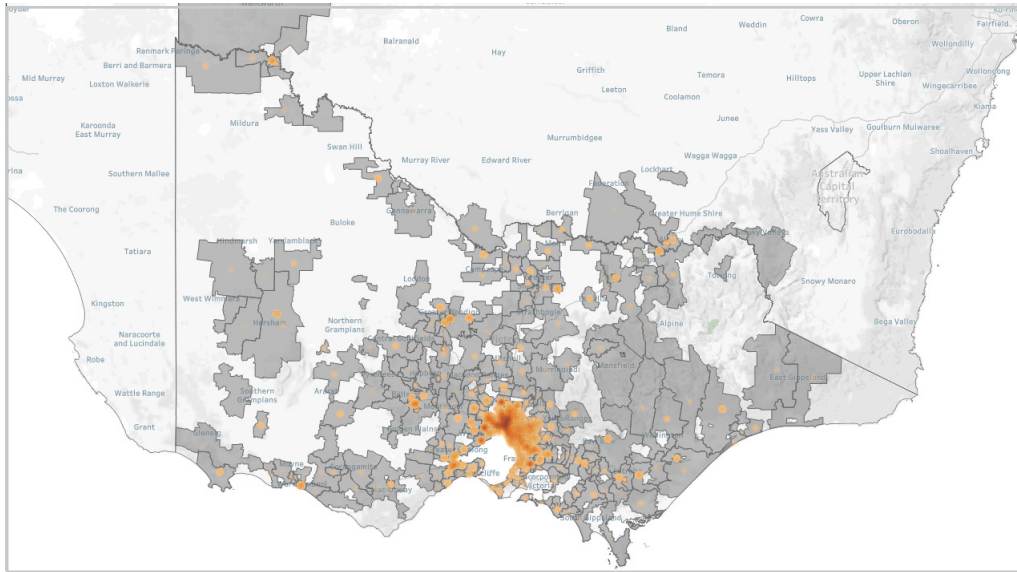
What might someone be surprised to know about you?

I am an avid self-taught musician in my spare time! I sing and play acoustic guitar, piano and ukulele. I also got a bit bored in self-isolation and took up electric guitar and kalimba.

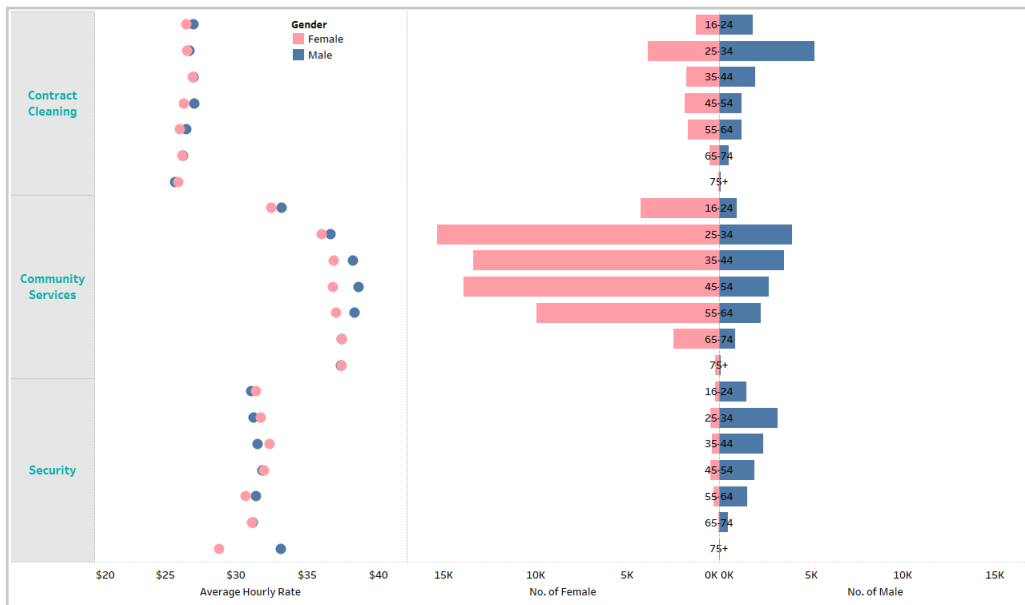
State of the sectors

The below observations are based on information the Authority currently has on its active Employer and Worker's Registers as at 30 June 2020.

Workers location density



Age group analysis | sector - gender - hourly rate



Key insights

- Majority of the employers registered with the Scheme are small businesses.
- 43% of registered employers have less than 10 workers.
- 79% of registered employers have less than 50 workers.
- Less than 1% of registered employers have more than 1,000 registered workers.
- 68% of registered workers are in Community Services.
- The average age range of registered workers is in the 25 – 34 year old bracket.

Community Services

- The most common location for registered employers is the Melbourne CBD.
- South Cranbourne is the most common location for registered workers to live.
- Average 3.1 hours in a working day.*
- \$35.69 is the median hourly rate for registered workers.
- Majority of registered workers are female.

Contract Cleaning

- The most common location for registered employers is the Melbourne CBD.
- Werribee is the most common location for registered workers to live.
- Average 2.5 hours in a working day.*
- \$26.24 is the median hourly rate for registered workers.
- Approximately equal gender split of registered workers.

Security

- The most common location for registered employers is Melbourne CBD.
- Roxburgh Park is the most common location for registered workers to live.
- Average 3.3 hours in a working day.*
- \$30.73 is the median hourly rate for registered workers.
- Majority of registered workers are male.

* The above observations are based on information the Authority currently has on its active Employer and Worker's Registers as at 30 June 2020. The Worker Register does not currently capture information on whether a single worker is employed in more than one covered industry; thus these figures are calculated per worker per industry.

Our Performance



Departmental objectives, indicators and outputs

The Authority had one output associated performance measure within the Victorian Budget 2019-20.

The medium-term departmental objectives, associated indicators and linked outputs as set out in the 2019-20 Budget Paper No. 3 *Service Delivery* are shown in Table 1.

Table 1: Progress against departmental objectives, indicators and outputs

| Performance measures | Unit of Measure | 2019/20 actual result | 2019/20 target |
|---|-----------------|-----------------------|----------------|
| Workers registered under the Portable Long Service Benefits Scheme | Number | 114,137 | 75,000 |

Business Unit reports



Executive, Governance, Legal and Secretariat

We have built a strong foundation during our start-up phase to ensure that the Authority is operating with key processes and controls in place to administer an effective and successful portable long service benefits scheme.

Both our Governing Board and Audit and Risk Committees have been established with the appropriate supports in place to facilitate effective decision-making. We have exceeded our performance targets for number of workers registered.

In addition, the Governing Board approved a risk framework including setting the risk appetite for the Authority. An integrity framework guides our work to ensure that we continue to uphold public sector values. Furthermore, we have appointed an internal audit service provider who has executed the first year of an approved three-year internal audit program.

The establishment of our in-house Legal function has enabled us to provide internal legal advice to support our compliance activities.

We drafted and executed our Authority's Business Continuity Policy and associated Pandemic Plan ensuring our Continuity Leadership Team could effectively transition our staff to carrying out the operations of the Authority from home. Our business was able to continue operations as normal, despite having to shift quickly to working completely online.

The experience and achievements of the past 12 months mean that the Authority is well-positioned to build on its strong foundations and continue to effectively advise on and administer the Scheme as it grows.

Business Unit reports



Financial Services

This year has seen the successful set up of the Authority's business systems and bank accounts, achieved on time and without any disruptions. We have completed the Authority's financial statements, involving an actuarial review of the portable long service benefits entitlements, and are achieving compliance with the Standing Directions 2018 issued by the Assistant Treasurer under the *Financial Management Act 1994*.

The development of our investment policy and the setup of the investment portfolio with the Victorian Funds Management Corporation (VFMC) has been a significant achievement that will ensure our investment funds can continue to grow to support the entitlements of workers.

Another highlight of the year was the introduction of the employer reimbursement process. Through this process, employers can apply to the Authority for a reimbursement of a long service leave payment made directly to an eligible worker under the *Long Service Leave Act 2018* or a fair work instrument. The Authority will reimburse employers for the period of service recorded with the Authority.

COVID-19 has impacted the revenue of businesses and this has resulted in several employers requesting a payment arrangement in line with the Business Support policy; however, the impact to employers at this stage has been less than we initially expected.



Client Service and Operations

Over the past year we have seen an increase in awareness of the Scheme across the covered industries. We have found that the majority of employers for the Scheme are small and need assistance to fully understand their portable long service leave obligations.

Our operational procedures for pursuing, assessing and approving registration applications are working effectively, along with procedures for the submission and amendment of quarterly returns and invoice payment. Records management and complaint handling frameworks have also been designed and implemented.

We implemented a successful quality assurance pilot to review quarterly returns to ensure entitlements and levies paid were reported correctly. Accordingly, we have seen an increase in quarterly returns being lodged in a timely manner without adjustments being required.

An external compliance framework has been designed and implemented and we are finding that most employers meet their obligations once the Compliance team makes contact. As a result, only a small number of enforcement activities are progressing towards prosecution for employers who have failed to comply with the Act.

The year has also seen the continual development and improvement of processes and business systems, often through the feedback that we receive from employers and workers.

The impact of COVID-19 presented a number of challenges; however, staff were agile and responsive in adapting to a remote working environment and the impact to employers has so far not been as significant as we initially anticipated – particularly in terms of payment arrangements or businesses entering voluntary administration.



Facilities, Information and Technology

Over the past 12 months, the Authority has refined many of its processes to support and drive ongoing registrations and compliance. This has culminated in many collaborative initiatives throughout the year, such as recording “how-to” videos for our social media channels, supporting processing large returns by bulk uploads and researching and making use of online tools such as EventBrite and Vision6 to support our communications.

Highlights of the 2019-20 financial year have included the implementation of project, change, risk and issues management frameworks. The Business Unit successfully delivered the remaining establishment project deliverables, and implemented the Worker CRM 2.0 release, enabling the Authority to mature its compliance activities and enhance operational efficiency.

We have also successfully developed and tested disaster recovery of the Worker CRM platform and migrated staff from personal OneDrive storage accounts to centralised SharePoint storage which reduces risk and increases compliance and data retention practices.

COVID-19 has been a significant challenge for many businesses; however, the Authority is well-positioned with its modern architecture to continue operations with minimal interruption. By adapting systems and processes to support remote working and call centre operations, our staff and systems have remained operational throughout the pandemic.

As the Authority grows as an organisation, it is paramount that we continue investing in technology to enable effective collaboration, workflow management, case management, compliance activity, automation, and business intelligence, and continuously improve our processes to adapt to the ever-evolving needs of covered employers and eligible workers.

Flexible work practices will likely continue in some form post-COVID-19 and our systems and processes that support this will need to continue to evolve and ensure the Authority can continue to provide a high level of service.



Communications and Engagement

In the first 12 months of operation, the Authority needed to establish processes to communicate and engage with employers and eligible workers across the covered industries to ensure that employers understood their obligations and workers knew their rights under the Scheme.

One of the first initiatives was to establish an Authority site on the Victorian Government's Single Digital Presence (vic.gov.au). Over the year, the website attracted 71,900 unique visitors seeking information about the Scheme. We continue to work with DPC's Single Digital Presence team to improve search engine optimisation for the Authority's website content.

In the lead up to the first quarterly return being due in October 2019, Authority staff delivered more than 34 pop-up information sessions for stakeholders across Victoria.

Throughout the year, communications and engagement activities have sought to remain responsive to the needs of our stakeholders. This has included the development and distribution of a Guidance Note for the application of the predominance test in community services, the launch of "how-to" videos to guide employers through registration and submission of quarterly returns, and the delivery of a series of online training sessions for employers during the COVID-19 pandemic.

To ensure that Authority staff can communicate adequately with employers and workers within the Scheme, we partnered with Language Loop to provide translation and interpreter services for phone calls. Calls originating in the customer service centre can now be transferred with ease to a qualified interpreter who assists our staff with their communications and enquiries.

Throughout the year, we have distributed registration certificates to all registered employers and information packs to more than 100,000 workers registered with the Scheme, as well as sending out a fortnightly eNews to more than 3,000 subscribers.

We continue to develop our relationships with unions, peak bodies, and other key stakeholders to share messages and support communications activities.



People and Culture

During the past year, the People and Culture Business Unit has overseen the establishment of an employee reward and recognition program, led the recruitment process for several new roles and been the liaison point for other government agencies and the union for the public sector.

Other highlights have included representing the Authority through the development and consultation surrounding the Victorian Public Service's new Enterprise Bargaining Agreement and the establishment of the Occupational Health and Safety Group.

The unit has also been responsible for coordinating the organisation's learning and development needs.

The COVID-19 pandemic has impacted the way that our organisation operates, and the way that we view employee wellbeing. With the unprecedented disruption in both our working and personal lives, the People and Culture Business Unit has been key in delivering services to strengthen our organisation and support our people during this time. This has included more than 80 one-on-one check-in consultations with staff.

Despite the challenges faced, the past 12 months has helped our organisation build a work culture that is collegiate, effective and values-based and will serve us well into the future.

Delivering on our objectives

The Authority's Corporate Plan 2019-20 set out the organisation's goals, objectives and activities for its first 12 months of operations. Below is an overview of the activities contributing towards these objectives.



Fulfil our legislative obligations by effectively administering with the *Long Service Portability Act 2018*.

2019-20 activities:

- Launched the Worker Customer Relationship Management (CRM) system.
- Monitoring and enforcing compliance.
- Negotiated data sharing arrangements with state and federal regulatory agencies.
- Implemented employer reimbursement.
- Business Support policy in place.
- Recruited an independent Audit and Risk Committee member.
- Implemented online Board papers solution.
- Approved an external compliance policy.

Numbers:

- 2,179 applications for registration processed (1,914 employers being registered)
 - 1,363 community services employers registered
 - 347 cleaning employers registered
 - 204 security employers registered
- 114,137 workers registered
- 4,576 quarterly returns issued and processed (96% submission rate)
- 8,437 calls answered
- 12,777 outbound calls
- 10,115 email enquiries received and responded to
- 393 applications for prior service granted



Implement effective responsible budget and investment strategies that grow levy funds and deliver long-term sustainability.

2019-20 activities:

- Set inaugural levy rates.
- Developed the Authority’s first responsible budget and reforecast.
- Investment strategy developed and implemented.
- Implemented operational procedures to minimise investment risk in a volatile market caused by the COVID-19 pandemic.
- Appointed an Actuarial Advisor as required under the Act.
- Total expenditure under budget for the year.

Numbers:

- \$38.8 million invoiced with only \$1.193 million outstanding at the time of 30 June 2020
- \$26.2 million invested with VFMC in the Balanced Fund



Be clear, consistent, transparent and responsive in our stakeholder communications, which encourages registration, levy payments and ensures that workers and employers are aware of their rights and obligations.

2019-20 activities:

- Developed and implemented a 2019-20 strategic communications plan.
- Ran first advertising campaign in September 2019.
- Detailed guidance note published to guide employer registrations.
- Developed and embedded communications processes and procedures.
- Developed social media channels Facebook, LinkedIn and YouTube.
- Developed relationships with key stakeholders.
- Launched fortnightly eNews publication.
- Online employer reporting training.
- Procedure for crisis communications implemented in response to COVID-19.
- Partnered with Language Loop to provide translation and interpreter services for phone calls.
- Increased search engine optimisation for Authority website content.
- Worked with the Department of Premier and Cabinet's Behavioural Insights team on strategies to encourage compliance with the Scheme through our messaging and communications.
- Represented the Authority at events such as the ISSA Cleaning and Hygiene Expo and the regular ASIAL Stakeholder Breakfast.

Numbers:

- 573 radio advertisements
- 105 non-English language radio spots
- 11,602 emails to potential employers
- 71,938 visits to the Authority's website (197 visits per day)
- 3,512 eNews subscribers
- 29 eNews editions
- 28 meetings with employers
- 16 meetings with peak bodies
- 34 pop-up information sessions across Victoria



Maintain a healthy and safe workplace with a culture that encourages engaged, resilient and solution-focused staff.

2019-20 activities:

- Established a Melbourne office.
- Established a Continuity Leadership Team to plan and implement the Authority's response to the COVID-19 pandemic.
- Established an OHS Committee and a Peer Support program.
- Appointed First Aiders and Floor Wardens and provided required training.
- Set up an Employee Assistance Program.
- Received positive results from Employee Wellbeing and Remote Work survey.
- Built collegiate, effective and values-based work culture.
- Implemented an employee reward and recognition program.
- Implemented a new recruitment system.
- Completed a comprehensive performance development planning process for all staff.

Numbers:

- 100% PDPs completed
- 1 fixed term higher duties assignment
- 3 internal promotions (merit-based)
- 1 external secondment
- 30 staff as at 30 June 2020
- 84 one-on-one check-ins with staff during the COVID-19 pandemic



Implement an innovative, secure, resilient and integrated information technology environment that supports effective operations now and into the future.

2019-20 activities:

- Executed a Business Continuity Policy and a Pandemic Plan.
- Implemented a cyber security awareness program that tests our resilience and provides ongoing education for staff.
- Undertook Amazon Web Services (AWS) Performance Monitoring of the Worker CRM to ensure vendor contract compliance.
- Developed a specification with our Worker CRM vendor to remove double handling of customer information, streamline tasks and provide consistency.
- Developed modern access and security practices to protect the Worker CRM and enable remote access.

Numbers:

- 151 incidents lodged and closed with Cenitex
- 1 project managed with Cenitex



Protect the long-term interests of the Authority through effective regulation using procedure governance, strategic risk management and clear policies and procedures.

2019-20 activities:

- Developed and implemented the Corporate Plan 2019-20.
- Set our vision, purpose and values.
- Established a risk framework, including a risk policy, procedures and appetite.
- Insurance program in place to cover insurable risks.
- Developed key corporate policies and a policy framework.
- Established an integrity framework.
- Recruited and appointed internal auditors and established a 3-year internal audit program.
- Implemented project, change, risk and issues management frameworks, and successfully delivered remaining establishment project deliverables.
- Tested business continuity planning and disaster recovery processes.
- Designed and established a compliance framework.

Numbers:

- 50% compliance files closed before enforcement action commenced
- 15 eligible employers registered within two months through compliance outreach
- 4 show cause notices issued
- 7 Board meetings held

Financial performance

Five-year financial summary

The Authority commenced operations on 18 March 2019, therefore only one year of comparative information is available.

Table 2: Two-year financial summary

| Summary | 2019-20 (\$'000) | 2018-19 (\$'000) |
|--|---------------------|---------------------|
| Total income from transactions | 62,419 | 1,820 |
| Total expenses from transactions | 53,146 | 301 |
| Net result for the period | 9,273 | 1,519 |
| Net cash flow from operating activities | 40,387 | - |
| Total assets | 59,740 | 2,351 |
| Total liabilities | 48,948 | 832 |
| Net assets | 10,792 | 1,519 |

Current-year financial performance

The 2019-20 financial year is the Authority's first full year of operations, having only commenced on 18 March 2019.

The Authority administers three schemes which provide portability of long service benefits for registered workers in the Community Services, Contract Cleaning and Security Industries in Victoria.

The Authority levies registered employers for workers in the covered industries in accordance with the *Long Service Benefits Portability Act 2018* and makes payments for benefits taken.

In the 2019-20 financial year, the Authority achieved a net result for the year of a \$9.3 million surplus.

Income from levy contributions from employers and contractors commenced during the year based on levy rates set by the Governing Board following an actuarial review. This was achieved through 114,137 registered workers with 1,914 registered employers completing three quarterly returns during the financial year.

The Authority commenced investing with the Victoria Funds Management Corporation (VFMC) Balanced Fund in February 2020 and transferred a total of \$26.2 million during the year. Investment income totalled \$0.6 million; however, this was offset by a net loss on financial instruments of \$0.4 million.

A total of \$6.2 million in government grants was received during the financial year to help establish the Authority.

The first long service valuation totalled \$47.7 million for portable long service benefits expense.

Administration expenses totalled \$5.2 million with \$3.7 million relating to employee benefits expense and \$1.4 million for information technology costs, office expenses, professional services, and internal and external audit fees.

Financial position balance sheet

The Authority ended the financial year with net assets of \$10.8 million and a solvency ratio of 122.1%.

Cash at bank totalled \$13.9 million, which included scheme funds collected and not transferred to VFMC investments and the remaining Government grants received but not spent.

The Authority has \$25.7 million invested with VFMC and accrued \$17.2 million for the fourth quarter employer levy contribution payable by 31 July 2020.

The Authority's actuary calculated the first long service leave valuation which totalled \$47.7 million for portable long service benefits expense. This valuation is based on 118,345 workers at 30 June 2020 which includes the current 114,137 workers adjusted for an additional 4,208 new workers that are estimated to be included in the fourth quarter return by employers.

Operating cash flows

Net cash flow from operating activities was positive for the year totalling \$40.4 million, which included \$37.7 million of receipts from employers for their worker levy contributions and \$6.2 million from Government to continue the establishment of the Authority.

The Authority transferred \$26.2 million to the VFMC Balance Fund and purchased \$0.1 million of plant and equipment, which finalised the office fit-out and IT equipment purchases.

Investment performance

The Governing Board approved the Authority's investment strategy following workshops facilitated by VFMC based on an analysis of desired investment returns against investment risk appetite. Investment manager performance is actively monitored by management of the Authority.

The investment objectives of the Authority at 30 June 2020 are:

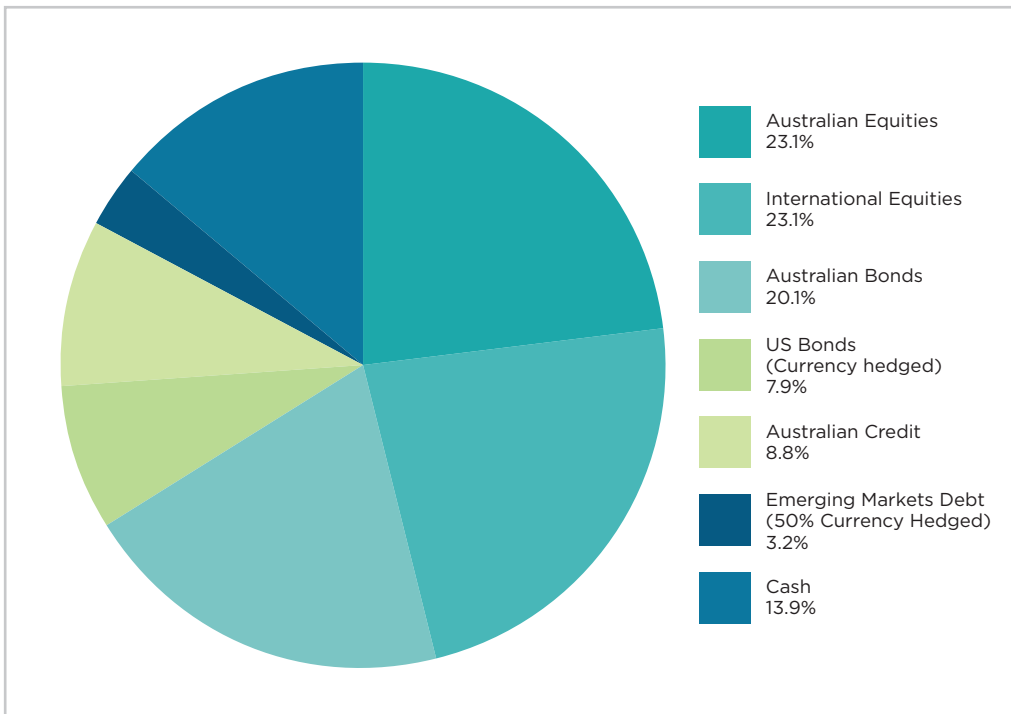
- **Return:** To achieve an average return objective of at least CPI + 3.0% p.a. with greater than 60% probability over a rolling 10 year period; and
- **Risk:** To limit the likelihood of a negative annual return to no more than one year in every five years and when negative returns occur, for this not to exceed a 10% loss of capital on average.

Current-year investment performance

Under the *Long Service Benefits Portability Act 2018*, the Authority is permitted to invest Scheme assets for the benefit of the schemes.

The Authority has appointed VFMC as its investment manager and VFMC has determined the following balanced asset allocation of investments for the Authority's portfolio:

Figure 1: VFMC asset allocation



For the 12 months from 1 July 2019 – 30 June 2020, total unrealised investment losses for the Authority was \$0.4 million against total scheme funds of \$33.9 million at 30 June 2020. The \$0.4 million investment losses were offset by \$0.5 million of investment income received during the year. As a result, the net investment gain for the financial year was \$0.1 million (or 0.5% return for the financial year). This compares with a benchmark 7.6% investment loss for Australian Equities, 4.7% investment gain for international equities and a 4.2% investment gain for Australian Bonds for the financial year.

Previous-year investment performance

The Authority did not invest any funds during the 2018-19 financial year.

Outlook

The Authority is working with its advisers to adjust portfolio positioning in response to market movements and changes to economic conditions and policy outlook of governments, which may affect key investment asset classes.

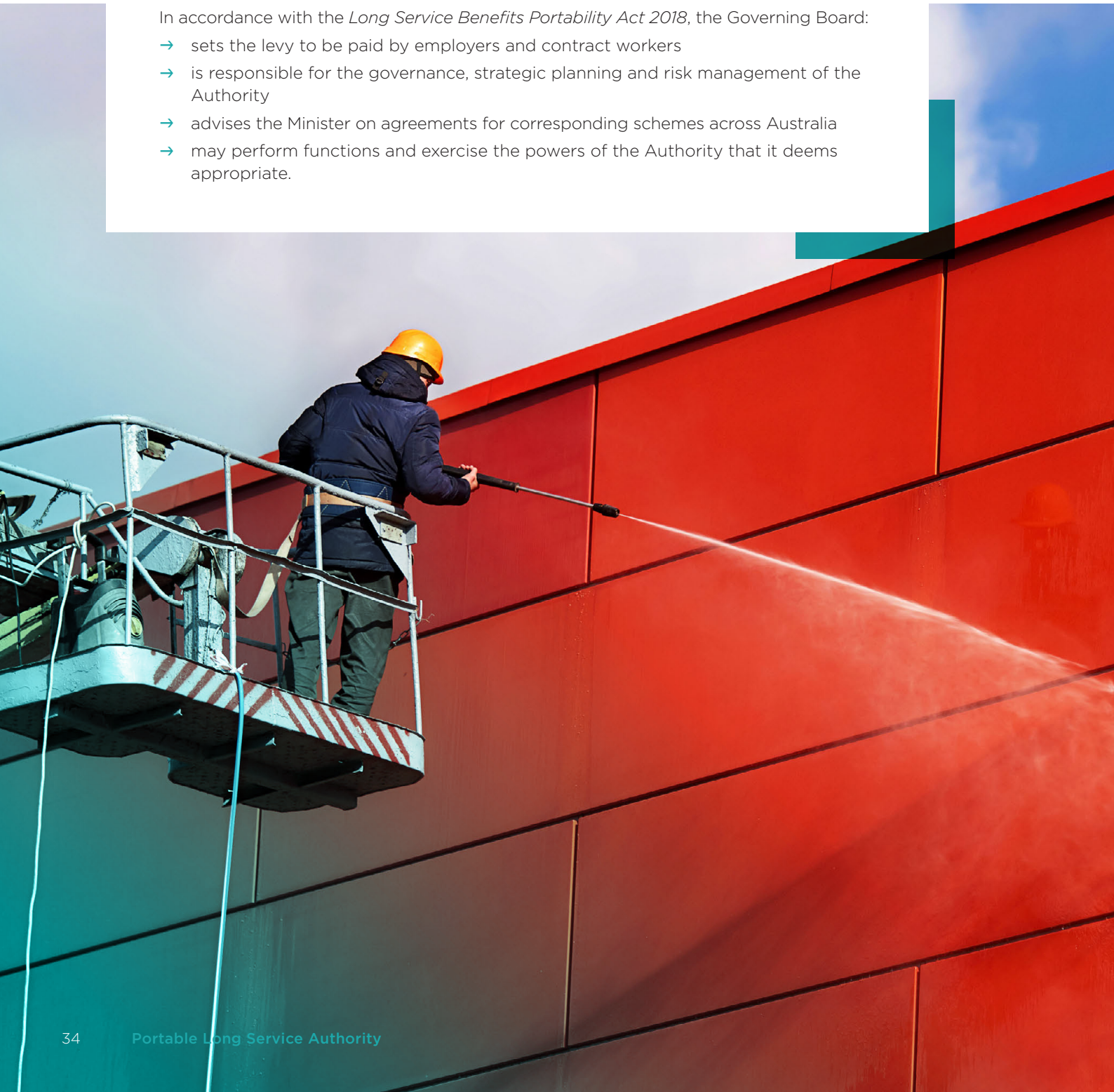
Governance and Organisational Structure

The Authority is responsible to a Governing Board appointed by the Victorian Minister for Industrial Relations. The Governing Board comprises a mix of expert skills, qualifications and experience, including individuals from organisations who represent employers and workers for the three covered industries.

The directors of the Governing Board perform their duties consistent with the standards set in the Code of Conduct for Directors of Victorian Public Entities and the duties and values contained in the *Public Administration Act 2004*.

In accordance with the *Long Service Benefits Portability Act 2018*, the Governing Board:

- sets the levy to be paid by employers and contract workers
- is responsible for the governance, strategic planning and risk management of the Authority
- advises the Minister on agreements for corresponding schemes across Australia
- may perform functions and exercise the powers of the Authority that it deems appropriate.



Governing Board



Julius Roe
Chair



Claire Filson
Deputy Chair



Emma King
Member



Kate Marshall
Member



Tim Piper AM
Member



Rachael Saunders
Member



Julie Warren
Member



Linda White
Member



Joseph Yeung
CEO

Julius Roe, Chair

Julius's career spans 40 years in industrial relations, including as Fair Work Commissioner from 2010 to 2017. He has been a member of the Police Registration and Services Board since 2018. Since July 2017, Julius has been working as a consultant, handling mediation in a diverse range of workplace disputes in the public and private sectors. Julius has been a leader in vocational education and training policy, including on a number of boards at both state and national level. He was National President of the Australian Manufacturing Workers Union from 2000-2010.

Claire Filson, Deputy Chair

Claire Filson has worked extensively in the financial services sector, with more than 20 years' boardroom experience in superannuation and infrastructure businesses. Before taking a break to travel in 2010, she was a Director on the Board of Emergency Services & State Superannuation, a 150,000-member public sector superannuation fund managing \$15 billion. Claire has a mix of skills spanning law, governance and risk management.

Emma King

CEO of the Victorian Council of Social Service, Emma King is a strong voice on social justice. She has a Master's in Industrial and Employee Relations and has worked as a policy adviser, teacher and in a range of industrial and training roles.

Emma is currently Chair of the Future Social Service Institute, President of the Farnham Street Neighbourhood Learning Centre and a Board Member with Mental Health Victoria.

Kate Marshall

National Junior Vice President of the Health Services Union, Kate Marshall joined the union in 2015 and is now the Assistant State Secretary of the Health and Community Services Union (HSU, Vic No. 2 Branch).

Before that, she was a legal officer with the Construction, Forestry, Mining and Energy Union in Victoria and Tasmania, heading the legal department to run matters before the Fair Work Commission, the Federal Court and the Federal Circuit Court. Kate was an associate in the Federal Court in Queensland, and completed her articles at Maurice Blackburn Lawyers.

Tim Piper AM

Tim Piper has been Head of the Australian Industry Group's Victorian branch since 2002, advocating for more than 12,000 businesses in Victoria and over 60,000 across Australia. He's had significant engagement with government at both levels. He Chairs the Industry Capability Network and sits on a number of Ministerial Committees and government bodies.

A lawyer in private practice in Australia and the UK, Tim was previously executive director of the Australian Retailers Association in Victoria. Tim was appointed a Member of the Order of Australia (AM) in the Queen's Birthday 2020 Honours List for significant service to industry and manufacturing, to skills training, and to multicultural youth.

Rachael Saunders

Rachael Saunders – founder of National Protective Services, a top Australian professional security company – is a leader in her field. She currently sits on the Board of the Australian Security Industry Association, the peak body for security employers. As CEO of National Protective Services, Rachael sets the strategic direction for the business with focus on operations, finance, human resources, sales and marketing.

Julie Warren

In addition to her work with the Authority, Julie is also on the Board of Victorian WorkCover Authority (WorkSafe Victoria) and the Migrant Workers Centre Inc.

She has worked for more than 20 years with the National Union of Workers and has been president of the union's Victoria branch since 2006. In that role, she has been part of a number of valuable changes in strategic direction.

Previously, Julie was the Senior Vice President of the Victorian Trades Hall Council and has considerable understanding of the issues and concerns that are relevant to contract industries.

Linda White

As the Australian Services Union's assistant national secretary, Linda White is responsible for the union's strategy in the private and community sectors and also works on the union's growth strategy.

She coordinated the ASU's ground-breaking Equal Pay case in the Fair Work Commission and before joining the ASU, was a senior associate at Maurice Blackburn for a decade, practising in crime, industrial law, personal injuries and criminal injuries compensation.

Joseph Yeung

Joseph Yeung is an experienced corporate governance and corporate services professional and was the chief financial officer at the Department of Premier and Cabinet from 2017 to 2019.

Before working in State Government, Joseph was an Assistant Secretary in the Civil Justice and Legal Group Division at the Commonwealth Attorney-General's Department in Canberra. Joseph is a Fellow of CPA Australia, a chartered accountant as well as a lawyer and Victorian Legal Practitioner. He also holds an MBA (Executive).

The following table indicates Director attendance at governing board meetings for the Authority.

Table 3: Director attendance at Governing Board meetings

| Director | Eligible to attend | Attended |
|------------------|--------------------|----------|
| Julius Roe | 7 | 7 |
| Claire Filson | 7 | 7 |
| Emma King | 7 | 7 |
| Kate Marshall | 7 | 6 |
| Tim Piper AM | 7 | 5 |
| Rachael Saunders | 7 | 7 |
| Julie Warren | 7 | 7 |
| Linda White | 7 | 6 |
| Joseph Yeung | 7 | 7 |

Audit and Risk Committee

The Audit and Risk Committee is established by the Governing Board and in accordance with the Standing Directions for the Assistant Treasurer under the *Financial Management Act 1994* (the Standing Directions).

It provides independent assurance and advice to the Governing Board and Chief Executive Officer/Registrar on the effectiveness of the Authority's financial management systems and controls, performance and stability, compliance with laws and regulations and risk management.

The Audit and Risk Committee comprises four members, at least one of which must be independent from the Governing Board and the Authority. The Committee is governed by a charter detailing its role and responsibilities consistent with the Standing Directions and best practice corporate governance principles.

Audit and Risk Committee members

The Audit and Risk Committee consists of the following members:

- Claire Filson
- Rachael Saunders
- Julie Warren
- Peter Wyatt (independent member)

The Audit and Risk Committee's independent member, Peter Wyatt, is the Chief Financial Officer of Treasury Corporation Victoria (TCV) and has responsibility for TCV's finance and reporting and settlements functions. Prior to joining TCV in 2006, Peter was the Chief Financial Officer of the State Superannuation Fund, having formerly held senior management roles in life insurance and financial services organisations.

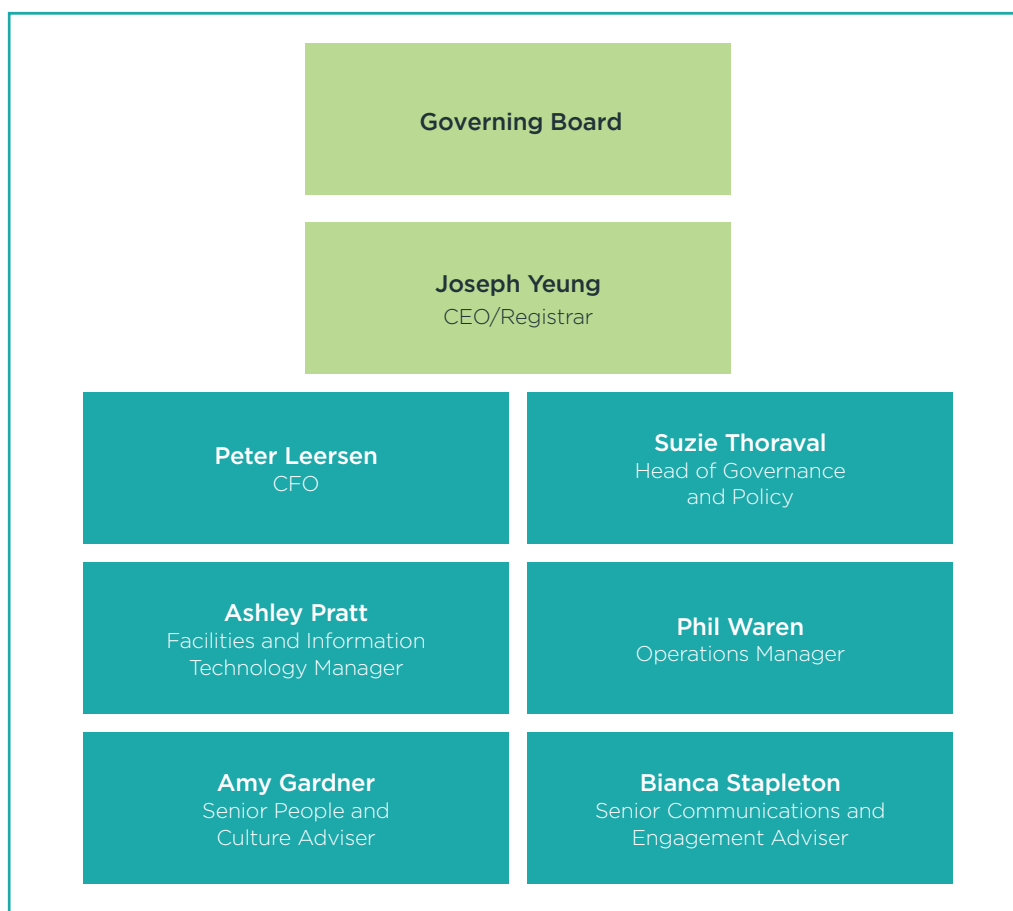
Peter has a Bachelor of Business and a Graduate Diploma of Applied Finance, is a Certified Practising Accountant, a Senior Associate of the Financial Services Institute of Australasia and a member of the Australian Institute of Company Directors (GAICD).

The following table indicates committee member attendance at governing board meetings for the Authority.

Table 4: Attendance at Audit and Risk Committee meetings

| Member | Eligible to attend | Attended |
|------------------|--------------------|----------|
| Claire Filson | 7 | 7 |
| Rachael Saunders | 7 | 7 |
| Julie Warren | 7 | 7 |
| Peter Wyatt | 4 | 4 |

Organisational structure



Conflicts of interest

The Authority has a Conflict of Interest Policy for the Governing Board and for employees. These policies set out obligations in relation to managing conflicts of interest.

The policies ensure that there is a clear, transparent and accountable process in place to manage actual and perceived conflicts of interest which facilitates the Authority's compliance with section 81 of the *Public Administration Act 2004* and section 45 of the *Long Service Benefits Portability Act 2018* in relation to pecuniary interests.

Occupational health and safety

The Authority is committed to providing and maintaining a healthy, safe working environment for staff and visitors in accordance with the *Occupational Health and Safety Act 2004* and associated regulations.

In 2019-20, we recorded:

- Nil worker injury claims
- Nil days of lost time due to injury
- Nil formal written complaints
- Nil equal opportunity, bullying or harassment complaints

OHS Committee

The Authority's OHS Committee meets bi-monthly to discuss the health, safety and wellbeing of staff and visitors in the workplace. The committee consists of management, employees and health and safety representatives from both our Bendigo and Melbourne offices.

During the COVID-19 pandemic, the committee has overseen the liaison with staff working from home to support them to undertake ergonomic self-assessments and fulfil any equipment needs.

Employment principles and code of conduct

The Authority is committed to applying merit and equity principles when appointing staff. The selection processes ensure that applicants are assessed and evaluated fairly and equitably on the basis of the key selection criteria and other accountabilities, without discrimination.

The Authority has introduced policies and practices that are consistent with the Victorian Public Sector Commission (VPSC)'s employment standards and provide for fair treatment, career opportunities and the early resolution of workplace issues. The Authority has also adopted the VPS Enterprise Agreement common policies.



Workforce Data

The Authority maintains a range of detailed employment policies to guide staff on matters relating to resolving grievances, flexible work opportunities, discrimination, recruitment, and performance.

Public sector values and employment principles

All policies and practices are consistent with the Victorian Public Sector Commission employment standards and the *Equal Opportunity Act 2010*.

The Authority's workforce policies and processes provide for fair treatment and early resolution of workplace issues. All staff are advised on how to avoid conflicts of interest, how to respond to offers of gifts, and how the Authority deals with misconduct.



IMAGE REQUIRED

Comparative workforce data

The following table discloses the head count and full-time equivalent (FTE) of all Authority employees employed in the last full pay period in June of the current reporting period, and in the last full pay period in June (2019) of the previous reporting period (2019).

Table 5: Details of employment levels in June 2019 and 2020

| | 1 July 2019 to 30 June 2020 | | | | | | As at 1 July 2019 | | | | | |
|-----------------------|-----------------------------|-------------|-----------------------|-------------|-----------|-------------|-------------------|-------------|-----------------------|------------|-----------|-------------|
| | Ongoing | | Fixed-term and casual | | Total | | Ongoing | | Fixed-term and casual | | Total | |
| | Headcount | FTE | Headcount | FTE | Headcount | FTE | Headcount | FTE | Headcount | FTE | Headcount | FTE |
| Gender | | | | | | | | | | | | |
| Male | 9 | 8.7 | 5 | 5.0 | 14 | 13.7 | 6 | 5.7 | 5 | 5.0 | 11 | 10.7 |
| Female | 10 | 10.0 | 6 | 5.8 | 17 | 16.5 | 8 | 7.5 | 3 | 2.8 | 11 | 10.3 |
| Self-described | - | - | - | - | - | - | - | - | - | - | - | - |
| Age | | | | | | | | | | | | |
| Under 25 | - | - | 1 | 1.0 | 1 | 1.0 | - | - | - | - | - | - |
| 25-34 | 5 | 5.0 | 3 | 3.0 | 8 | 8.0 | 3 | 3.0 | - | - | 3 | 3.0 |
| 35-44 | 6 | 6.0 | 4 | 4.0 | 10 | 10.0 | 4 | 3.8 | 4 | 4.0 | 8 | 7.8 |
| 45-54 | 7 | 6.4 | 3 | 2.8 | 10 | 9.2 | 6 | 5.4 | 2 | 2.0 | 8 | 7.4 |
| 55-64 | 2 | 2.0 | - | - | 2 | 2.0 | 1 | 1.0 | 2 | 2.0 | 3 | 3.0 |
| Classification | | | | | | | | | | | | |
| VPS2 | 8 | 7.2 | 3 | 3.0 | 11 | 10.4 | 9 | 8.4 | 4 | 4.0 | 13 | 12.4 |
| VPS3 | 5 | 5.0 | 1 | 1.0 | 6 | 6.0 | 1 | 1.0 | - | - | 1 | 1.0 |
| VPS4 | 3 | 3.0 | - | - | 3 | 3.0 | 3 | 3.0 | - | - | 3 | 3.0 |
| VPS5 | 2 | 2.0 | 2 | 2.0 | 4 | 4.0 | - | - | - | - | - | - |
| VPS6 | - | - | 4 | 4.0 | 4 | 4.0 | - | - | 2 | 2.0 | 2 | 2.0 |
| STS | - | - | 1 | 0.8 | 1 | 0.8 | - | - | 1 | 0.8 | 1 | 0.8 |
| Executive | 2 | 2.0 | - | - | 2 | 2.0 | - | - | 2 | 2.0 | 2 | 2.0 |
| TOTAL | 20 | 19.4 | 11 | 10.8 | 31 | 30.2 | 13 | 12.4 | 9 | 8.8 | 22 | 21.2 |

Note: Comparative data is taken from as at 1 July 2019 when Authority staff commenced employment.

The Authority's senior employee base consists of one Senior Technical Specialist and two Executives. The following table discloses senior employees' annualised total salary, categorised by their classification. The salary amount is reported as the full-time annualised salary.

Table 6: Annualised total salary for executives and other senior non-executive staff

| Income band (salary) | Executives | | STS | |
|-----------------------|------------|-----|-----------|-----|
| | Headcount | FTE | Headcount | FTE |
| \$160,000 - \$179,999 | - | - | 1 | 0.8 |
| \$180,000 - \$239,999 | 1 | 1 | - | - |
| \$240,000 - \$259,999 | 1 | 1 | - | - |

Executive officer data

An executive officer (EO) is defined as a person employed as an executive under Part 3 of the *Public Administration Act 2004* or a person to whom the Victorian Government's Policy on Executive Remuneration in Public entities applies.

The table below reflects employment levels at the last full pay period in June of the current and corresponding previous reporting year.

Table 7: Total number of EOs for the Authority, broken down into gender

| | 1 July 2019 to 30 June 2020 | | | | | | | |
|------------------|-----------------------------|-----|-----------|-----|----------------|-----|-----------|-----|
| | Female | | Male | | Self-described | | Total | |
| | Headcount | FTE | Headcount | FTE | Headcount | FTE | Headcount | FTE |
| Executive | - | - | 1 | 1 | - | - | 1 | 1 |
| Total | - | - | 1 | 1 | - | - | 1 | 1 |

The definition of an EO does not include a statutory office holder or an accountable officer; thus, the Authority's Chief Executive Officer, who is a statutory office holder, was excluded from this data.

Other Disclosures

Local Jobs First

The *Local Jobs First Act 2003*, introduced in August 2018, brings together the Victorian Industry Participation Policy and Major Project Skills Guarantee, which were previously administered separately.

The Authority is required to apply the Local Jobs First Policy to all metropolitan Melbourne or state-wide projects valued at \$3 million or more, or any regional Victoria projects valued at \$1 million or more.

The Authority undertook no projects subject to the Act during the 2019-20 reporting period.

Government advertising expenditure

In 2019-20, there was one government advertising campaign with total media spend of \$100,000 or greater (exclusive of GST). This advertising campaign was primarily targeted at eligible employers to raise their awareness of obligations under the Scheme. The campaign incurred a total of \$160,000 (excl. GST).

Table 8: Government advertising expenditure

(\$ thousand)

| Name of campaign | Campaign summary | Start/ end date | Advertising (media) expenditure (excl. GST) | Creative and campaign development expenditure (excl. GST) | Research and evaluation expenditure (excl. GST) | Print and collateral expenditure (excl. GST) | Other campaign expenditure (excl. GST) | Total |
|--|--|---------------------|---|---|---|--|--|-------|
| Portable Long Service - Long Service that moves with you | Implemented during the month of September 2019 to create awareness among employers and workers in community services, contract cleaning and security about Victoria's new portable long service scheme and encourage compliance with the Portable Long Service Scheme. | 1-30 September 2019 | 145 | 15 | - | - | - | 160 |

Consultancy expenditure

Details of consultancies (valued at \$10,000 or greater)

In 2019-20, there was one consultancy where the total fees payable to the consultants were \$10,000 or greater.

The total expenditure incurred during 2019-20 in relation to these consultancies is \$127,000 (excl. GST). Details of individual consultancies are outlined below.

Table 9: Details of consultancies (valued at \$10,000 or greater) (\$ thousand)

| Consultant | Purpose of consultancy | Start date | End date | Total approved project fee (excl. GST) | Expenditure 2019-20 (excl. GST) | Future expenditure (excl. GST) |
|--------------|------------------------|-----------------|-----------------|--|---------------------------------|--------------------------------|
| KPMG | Actuarial services | 5 December 2019 | 5 December 2020 | 127 | 127 | - |
| Total | | | | 127 | 127 | - |

Details of consultancies under \$10,000

In 2019-20, there were no consultancies engaged during the year, where the total fees payable to the individual consultancies was less than \$10,000.

The total expenditure incurred during 2019-20 in relation to these consultancies was nil.

Information and communication technology expenditure

Information and communication technology (ICT) expenditure refers to the Authority's costs in providing business enabling ICT services within the current reporting period.

For the 2019-20 reporting period, the Authority had a total ICT expenditure of \$0.5 million, with the details shown below.

Table 10: ICT expenditure (\$ thousand)

| All operational ICT expenditure | | ICT expenditure related to projects to create or enhance ICT capabilities | |
|---|---|---|---------------------|
| Business as usual (BAU) ICT expenditure | Non-business as usual (non-BAU) ICT expenditure | Operational expenditure | Capital expenditure |
| (Total) | (Total = Operational expenditure and capital expenditure) | | |
| 538 | - | - | - |

It comprises of business as usual (BAU) ICT expenditure and non-business as usual (Non-BAU) ICT expenditure. Non-BAU ICT expenditure relates to extending or enhancing the Authority's current ICT capabilities. BAU ICT expenditure is all remaining ICT expenditure that primarily relates to ongoing activities to operate and maintain the current ICT capability.

Disclosure of major contracts

The Authority did not award any major contracts valued above \$10 million or more during the 2019-20.

Freedom of information

The *Freedom of Information Act 1982* allows the public a right of access to documents held by the Authority.

Information about the type of material produced by the Authority is available on its website under the Part II Information Statement.

During the 2019-20 financial year, the Authority received no applications.

Access to documents may be obtained through written request to the Freedom of Information Officer, as detailed in subsection 17 of the Act.

Making a request

FOI requests can be lodged online at www.foi.vic.gov.au. An application fee of \$29.60 applies. Access charges may also be payable if the document pool is large, and the search for material time consuming.

Access to documents can also be obtained through a written request to the Authority's Freedom of Information Officer, as detailed in subsection 17 of the Act.

When making an FOI request, applicants should ensure requests are in writing, and clearly identify what types of material/documents are being sought.

Requests for documents in the possession of the Authority should be addressed to:

**Attn: Freedom of Information Officer
Portable Long Service Benefits Authority
Level 1, 56-60 King Street
Bendigo VIC 3550**

Requests can also be lodged online at www.foi.vic.gov.au.

Further information

Access charges may also apply once documents have been processed and a decision on access is made, such as but not limited to photocopying, search and retrieval charges. Further information regarding Freedom of Information can be found at www.foi.vic.gov.au.

Compliance with the *Building Act 1993*

The Authority does not own or control any government buildings and consequently is exempt from notifying its compliance with the building and maintenance provisions of the *Building Act 1993*.

The Authority met all relevant compliance provisions of the *Building Act 1993 (Vic)* in our building and maintenance activities during the year.

Competitive neutrality policy

The Authority does not provide services that compete with the private sector and is therefore not subject to the requirements of the Victorian Competitive Neutrality Policy or subsequent reforms.

Compliance with the *Public Interest Disclosure Act 2012*

The *Public Interest Disclosure Act 2012* (previously known as the *Protected Disclosure Act 2012*) was amended by the *Integrity and Accountability Legislation Amendment (Public Interest Disclosures, Oversight and Independence) Act 2019* which came into operation on 1 January 2020. The Act encourages and assists people in making disclosures of improper conduct by public officers and public bodies. The Act provides protection to people who make disclosures in accordance with the Act and establishes a system for the matters disclosed to be investigated and rectifying action to be taken.

The Authority encourages its officers and members of the public to report known or suspected incidences of improper conduct and detrimental action.

Disclosures of improper conduct or detrimental action by the Authority or any of its employees and/or officers must be made directly to the Independent Broad-based Anti-corruption Commission:

**Level 1, North Tower, 459 Collins Street
Melbourne, VIC 3000
Phone: 1300 735 135
Internet: www.ibac.vic.gov.au**

Table 11: Disclosures under the *Public Interest Disclosure Act 2012*

| | 2019-20 number | 2018-19 number |
|---|-------------------|-------------------|
| The number of disclosures made by an individual to the Authority and notified to the Independent Broad-based Anti-corruption Commission | | |
| Assessable disclosures | - | - |

Compliance with the *Carers Recognition Act 2012*

To the extent applicable, the Authority has taken all practical measures to comply with obligations under the *Carers Recognition Act 2012*. These include:

- ensuring our staff have an awareness and understanding of the care relationship principles set out in the Act.
- considering the care relationships principles set out in the Act when setting policies and providing services.
- promoting the availability of flexible work arrangements and providing resources to effectively support this.
- providing support to all staff through the Employee Assistance Program.
- increasing awareness of the flexible work arrangements and special leave arrangements available to staff during the COVID-19 pandemic to support home schooling and caring responsibilities.

Compliance with the *Disability Act 2006*

The Authority acknowledges the importance of strengthening the rights of people with a disability. We are committed to creating and maintaining an accessible, inclusive environment for all people with a disability who come into contact with the Authority, whether as employees, stakeholders or members of the public.

The Department of Premier and Cabinet has developed a comprehensive Disability Action Plan 2017–20 which informs the Authority’s policies ensuring we remain responsive to the needs of people with a disability.

Office-based environmental impacts

The Authority’s two offices maximise natural light, with electronics, lightning and heating and cooling turned off each evening.

Staff are encouraged to avoid printing where possible and senior staff members have been provided with devices to assist with this initiative.

In addition, the implementation of “Follow Me” printing allows us to undertake usage reporting, apply print policies organisation-wide and solve mobile printing issues while also reducing waste, saving on average, 30% of wasted print jobs sent by mistake.

All office waste systems across both of our locations are segregated, reducing the amount of recyclable material directed to landfill.

Authority staff are strongly encouraged to adopt “green commuting” through active or public transport when undertaking business activities, particularly when travelling between our Bendigo and Melbourne locations.

Subsequent events

There are no post balance date events that materially affect the Authority's 2019-20 financial statements.

Additional information

The Authority's published reports and documents are available online at www.plsa.vic.gov.au.

Any relevant information in relation to the financial year is retained by the Accountable Officer and is available on request subject to the provisions of the *Freedom of Information Act 1982*.

Attestation for financial management compliance with Standing Direction 5.1.4

Portable Long Service Authority financial management compliance attestation statement

I **Julius Roe**, on behalf of the Responsible Body, certify that the Portable Long Service Authority has no material compliance deficiency with respect to the applicable Standing Directions under the *Financial Management Act 1994* and Instructions.



Julius Roe
Chair, Governing Board

Financial Statements

| | |
|---|----|
| Understanding the financial statements | 52 |
| Statutory certification | 53 |
| Independent Auditor's Report | 54 |
| Comprehensive operating statement | 56 |
| Balance sheet | 57 |
| Cash flow statement | 58 |
| Statement of changes in equity | 59 |
| Note 1: About this report | 60 |
| Note 2: Funding delivery of our services | 61 |
| Note 3: The cost of delivering our services | 62 |
| Note 4: Key assets available to support output delivery | 66 |
| Note 5: Other assets and liabilities | 69 |
| Note 6: Financing our operations | 71 |
| Note 7: Risks, contingencies and valuation judgements | 74 |
| Note 8: Other disclosures | 77 |
| Note 9: Scheme information | 80 |



IMAGE REQUIRED

Understanding the financial statements

Comprehensive operating statement

The comprehensive operating statement measures our performance over the year and shows if a surplus or deficit has been made in delivering our services. The statement includes all sources of income less all expenses incurred in earning that income.

For the year financial ending 30 June 2020, the net result of the Authority was \$9.3 million.

Balance sheet

The balance sheet sets out our net accumulated financial worth at the end of the financial year. It shows the assets we own as well as liabilities or claims against those assets.

Both assets and liabilities are expressed as current or non-current. Current assets or current liabilities are expected to be converted to cash receipts or outlays within the next 12 months. Non-current assets or liabilities are longer-term.

Equity is our reserves and accumulated surplus that have been reinvested in the Authority over the year.

Cash flow statement

The cash flow statement summarises our cash receipts and payments for the financial year and the net cash position at the end of the year. It differs from the comprehensive operating statement in that it excludes non-cash expenses such as the accruals taken into account in the comprehensive operating statement.

For the year ending 30 June 2020, the Authority had net cash flow from operating activities of \$40.4 million.

Statement of changes in equity

The statement of changes in equity shows the changes in equity from last year to this year.

The total overall change in equity during a financial year comprises the net result for the year.

Notes to the accounts

The notes to the accounts provide further information about how the financial statements are prepared as well as additional information and detail about specific items within them.

The notes to the accounts also describe any changes to accounting standards, policy or legislation that may affect the way the statements are prepared. Information in the notes is particularly helpful if there has been a significant change from the previous year's comparative figures.

Statutory certificate and Independent Auditor's Report

These provide the reader with a written undertaking that the financial statements fairly represent the Authority's financial position and performance for 2019-20. The Report from the Independent Auditor provides an independent view and outlines any issues of concern.


Statutory certification

We certify that the attached financial statements for the Portable Long Service Authority have been prepared in accordance with Direction 5.2 of the Standing Directions of the Assistant Treasurer under the *Financial Management Act 1994*, applicable Financial Reporting Directions, Australian Accounting Standards including interpretations, and other mandatory professional reporting requirements.

We further state that, in our opinion, the information set out in the Comprehensive Operating Statement, Balance Sheet, Cash Flow Statement, Statement of Changes in Equity and the accompanying notes, presents fairly the financial transactions during the financial year ended 30 June 2020 and the financial position of the Authority as at 30 June 2020.

At the date of signing, we are not aware of any circumstance which would render any particulars included in the financial statements to be misleading or inaccurate.

We authorise the attached financial statements for issue on 18 August 2020.



Julius Roe

Chair

Portable Long
Service Authority

18 August 2020



Joseph Yeung

Chief Executive Officer
and Registrar

Portable Long
Service Authority

18 August 2020



Peter Leersen

Chief Financial Officer

Portable Long
Service Authority

18 August 2020

Independent Auditor's Report

To the Board of the Portable Long Service Authority

| | |
|--|---|
| Opinion | <p>I have audited the financial report of the Portable Long Service Authority (the authority) which comprises the:</p> <ul style="list-style-type: none"> • balance sheet as at 30 June 2020 • comprehensive operating statement for the year then ended • statement of changes in equity for the year then ended • cash flow statement for the year then ended • notes to the financial statements, including significant accounting policies • statutory certification. <p>In my opinion the financial report presents fairly, in all material respects, the financial position of the authority as at 30 June 2020 and its financial performance and cash flows for the year then ended in accordance with the financial reporting requirements of the <i>Financial Management Act 1994</i> and applicable Australian Accounting Standards.</p> |
| Basis for opinion | <p>I have conducted my audit in accordance with the <i>Audit Act 1994</i> which incorporates the Australian Auditing Standards. I further describe my responsibilities under that Act and those standards in the <i>Auditor's Responsibilities for the Audit of the Financial Report</i> section of my report.</p> <p>My independence is established by the <i>Constitution Act 1975</i>. My staff and I are independent of the authority in accordance with the ethical requirements of the Accounting Professional and Ethical Standards Board's APES 110 <i>Code of Ethics for Professional Accountants</i> (the Code) that are relevant to my audit of the financial report in Victoria. My staff and I have also fulfilled our other ethical responsibilities in accordance with the Code.</p> <p>I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my opinion.</p> |
| Board's responsibilities for the financial report | <p>The Board of the authority is responsible for the preparation and fair presentation of the financial report in accordance with Australian Accounting Standards and the <i>Financial Management Act 1994</i>, and for such internal control as the Board determines is necessary to enable the preparation and fair presentation of a financial report that is free from material misstatement, whether due to fraud or error.</p> <p>In preparing the financial report, the Board is responsible for assessing the authority's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless it is inappropriate to do so.</p> |

Auditor's responsibilities for the audit of the financial report

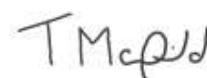
As required by the *Audit Act 1994*, my responsibility is to express an opinion on the financial report based on the audit. My objectives for the audit are to obtain reasonable assurance about whether the financial report as a whole is free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes my opinion. Reasonable assurance is a high level of assurance but is not a guarantee that an audit conducted in accordance with the Australian Auditing Standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of this financial report.

As part of an audit in accordance with the Australian Auditing Standards, I exercise professional judgement and maintain professional scepticism throughout the audit. I also:

- identify and assess the risks of material misstatement of the financial report, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for my opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the authority's internal control
- evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Board
- conclude on the appropriateness of the Board's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the authority's ability to continue as a going concern. If I conclude that a material uncertainty exists, I am required to draw attention in my auditor's report to the related disclosures in the financial report or, if such disclosures are inadequate, to modify my opinion. My conclusions are based on the audit evidence obtained up to the date of my auditor's report. However, future events or conditions may cause the authority to cease to continue as a going concern.
- evaluate the overall presentation, structure and content of the financial report, including the disclosures, and whether the financial report represents the underlying transactions and events in a manner that achieves fair presentation.

I communicate with the Board regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that I identify during my audit.

MELBOURNE
20 August 2020



Timothy Maxfield
as delegate for the Auditor-General of Victoria

Comprehensive operating statement

For the financial year ended 30 June 2020

| | Notes | 2020 (\$'000) | 2019 (\$'000) |
|---|--------------|------------------|------------------|
| Income from transactions | | | |
| Government grants | 2.2.2 | 6,236 | 1,820 |
| Contributions from employers and contractors | 2.2.1 | 55,997 | - |
| Investment income | 2.2.3 | 571 | - |
| Interest | | 33 | - |
| Net loss on financial instruments | 4.2.1 | (418) | - |
| Total income from transactions | | 62,419 | 1,820 |
| Expenses from transactions | | | |
| Employee benefits expense | 3.3.1 | 3,740 | 168 |
| Portable long service benefits expense | 3.4.1 | 47,684 | - |
| Administration expense | 3.2 | 1,444 | 133 |
| Interest expense | 6.2.2 | 15 | - |
| Depreciation | 4.1.2, 6.2.2 | 263 | - |
| Total expenses from transactions | | 53,146 | 301 |
| Net result from transactions (net operating balance) | | 9,273 | 1,519 |
| Net result | | 9,273 | 1,519 |
| Comprehensive result | | 9,273 | 1,519 |

The accompanying notes form part of these financial statements.

Balance sheet

As at 30 June 2020

| | Notes | 2020 (\$'000) | 2019 (\$'000) |
|---|-------|------------------|------------------|
| ASSETS | | | |
| Current assets | | | |
| Cash and deposits | 6.3 | 13,959 | - |
| Receivables | 5.1 | 19,487 | 1,731 |
| Investments and other financial assets | 4.2 | 11,225 | - |
| Prepayments | | 21 | - |
| Total current assets | | 44,692 | 1,731 |
| Non-current assets | | | |
| Property, plant, equipment and vehicles | 4.1 | 529 | 620 |
| Investments and other financial assets | 4.2 | 14,519 | - |
| Total non-current assets | | 15,048 | 620 |
| TOTAL ASSETS | | 59,740 | 2,351 |
| LIABILITIES | | | |
| Current liabilities | | | |
| Trade and other payables | 5.2 | 272 | 160 |
| Employee benefits | 3.3.2 | 424 | 52 |
| Accrued portable long service benefits | 3.4.2 | 3,123 | - |
| Borrowings | 6.1 | 249 | 221 |
| Total current liabilities | | 4,068 | 433 |
| Non-current liabilities | | | |
| Employee benefits | 3.3.2 | 109 | - |
| Accrued portable long service benefits | 3.4.2 | 44,561 | - |
| Borrowings | 6.1 | 210 | 399 |
| Total non-current liabilities | | 44,880 | 399 |
| TOTAL LIABILITIES | | 48,948 | 832 |
| NET ASSETS | | 10,792 | 1,519 |
| EQUITY | | | |
| Reserves | 6.5 | 1,782 | - |
| Accumulated surplus | | 9,010 | 1,519 |
| NET WORTH | | 10,792 | 1,519 |

The accompanying notes form part of these financial statements.

Cash flow statement

For the financial year ended 30 June 2020

| | Notes | 2020 (\$'000) | 2019 (\$'000) |
|--|-------|------------------|------------------|
| Cash flows from operating activities | | | |
| Receipts | | | |
| Receipts from Government | | 7,379 | 100 |
| Receipts from employers | | 37,661 | - |
| Goods and services tax received from the ATO (i) | | 126 | 4 |
| Total receipts | | 45,166 | 104 |
| Payments | | | |
| Payments to suppliers and employees | | (4,750) | (104) |
| Payments to scheme employers and workers | | (29) | - |
| Total payments | | (4,779) | (104) |
| Net cash flows from / (used in) operating activities | 6.3.1 | 40,387 | - |
| Cash flows from investing activities | | | |
| Payments for investments | | (26,162) | - |
| Proceeds from sale of investments | | 67 | - |
| Payments for property, plant and equipment | | (100) | - |
| Net cash flows from / (used in) investing activities | | (26,195) | - |
| Cash flows from financing activities | | | |
| Repayment of finance lease liabilities | 6.2.3 | (233) | - |
| Net cash flows from / (used in) financing activities | | (233) | - |
| Net increase in cash and cash equivalents | | 13,959 | - |
| Cash and cash equivalents at the beginning of the financial year | | - | - |
| Cash and cash equivalents at end of financial year | 6.3 | 13,959 | - |

The accompanying notes form part of these financial statements.

(i) Goods and Services Tax paid to the Australian Taxation Office is presented on a net basis.

Statement of changes in equity

For the financial year ended 30 June 2020

| | Notes | Reserves | Accumulated surplus | Total |
|--------------------------------|-------|----------|---------------------|----------|
| | | (\$'000) | (\$'000) | (\$'000) |
| Balance at 1 July 2018 | | - | - | - |
| Net result for the year | | - | 1,519 | 1,519 |
| Transfer to reserves | | - | - | - |
| Balance at 30 June 2019 | | - | 1,519 | 1,519 |
| Net result for the year | | - | 9,273 | 9,273 |
| Transfer to reserves | | 1,782 | (1,782) | - |
| Balance at 30 June 2020 | | 1,782 | 9,010 | 10,792 |

The accompanying notes form part of these financial statements.

Notes to the financial statements

For the financial year ended 30 June 2020

Note 1: About this report

Introduction

The Portable Long Service Benefits Authority is a government agency of the State of Victoria, established pursuant to an order by the Governor in Council under the *Long Service Benefits Portability Act 2018*.

Its principal address is:

Portable Long Service Benefits Authority
Level 1, 56-60 King Street
Bendigo VIC 3550

Structure

1.1 Basis of preparation

1.1 Basis of preparation

Compliance information

This financial report of the Portable Long Service Benefits Authority (the Authority) is a general purpose financial report that consists of a Comprehensive Operating Statement, Balance Sheet, Cash Flow Statement, Statement of Changes in Equity and notes accompanying these statements. The Authority is a not-for-profit entity for the purpose of preparing the financial statements. Where appropriate, those Australian Accounting Standards (AASs) paragraphs applicable to not-for-profit entities have been applied.

The accrual basis of accounting has been applied in preparing these financial statements, whereby assets, liabilities, equity, income and expenses are recognised in the reporting period to which they relate, regardless of when cash is received or paid. This financial report has been prepared on a going concern basis.

The Authority administers three schemes which provide portability of long service benefits for registered workers in the Community Services Industry (Community Services), Contract Cleaning Industry (Contract Cleaning) and the Security Industry (Security) in Victoria. The Authority makes payments and keeps registers of employers and workers for the covered industries in accordance with the *Long Service Benefits Portability Act 2018* (The Act).

The Authority's primary stakeholders are the employers, workers and independent contractors engaged in the Community Services, Contract Cleaning and Security Industries in Victoria. The Authority's financial statements are an aggregation of the financial statements of the administered schemes. The Authority has established separate funds for each administered scheme and funds are not cross-subsidised.

These financial statements were authorised for issue by the Governing Board of the Authority on 18 August 2020. The Authority's reporting period is from 1 July 2019 to 30 June 2020. The reporting period for last year was from 18 March 2019 to 30 June 2019.

Accounting policies

Accounting policies are selected and applied in a manner which ensures that the resulting financial information satisfies the concepts of relevance and reliability, thereby ensuring that the substance of the underlying transactions or other events is reported.

Functional and presentation currency

These financial statements are in Australian dollars and the historical cost convention is used unless a different measurement basis is specifically disclosed in the note associated with the item measured on a different basis.

Classification between current and non-current

In the determination of whether an asset or liability is current or non-current, consideration is given to the time when each asset or liability is expected to be realised or paid. The asset or liability is classified as current if it is expected to be turned over within the next 12 months, being the Authority's operational cycle.

Rounding

Unless otherwise stated, amounts in the report have been rounded to the nearest thousand dollars.

Accounting estimates

Judgements, estimates and assumptions are required to be made about financial information being presented. The significant judgements made in the preparation of these financial statements are disclosed in the notes where amounts affected by those judgements are disclosed. Estimates and associated assumptions are based on professional judgements derived from historical experience from the period and various other factors that are believed to be reasonable under the circumstances. Actual results may differ from these estimates. Revisions to accounting estimates are recognised in the period in which the estimate is revised and also in future periods that are affected by the revision.

Judgements and assumptions made by management in applying AASs that have significant effects on the financial statements and estimates relate to:

- Investment income (Note 2.2.3);
- Employee benefits expense (Note 3.3);
- Portable long service benefits expense (Note 3.4); and
- Payables (Note 5.2).

Notes to the financial statements

For the financial year ended 30 June 2020

Note 2: Funding delivery of our services

Introduction

This note presents the sources and amounts of income raised by the Authority and the accounting policies that are relevant for an understanding of the items reported in the financial statements.

Income is recognised to the extent it is probable the economic benefits will flow to the Authority and the income can be reliably measured at fair value.

Structure

| | |
|-------|---|
| 2.1 | Summary of income that funds the delivery of our services |
| 2.2 | Income from transactions |
| 2.2.1 | Contributions from employers and contractors |
| 2.2.2 | Government grants |
| 2.2.3 | Investment income |

2.1 Summary of income that funds the delivery of our services

| | Notes | 2020 (\$'000) | 2019 (\$'000) |
|--|-------|------------------|------------------|
| Contributions from employers and contractors | 2.2.1 | 55,997 | - |
| Government grants | 2.2.2 | 6,236 | 1,820 |
| Investment income | 2.2.3 | 571 | - |
| | | 62,804 | 1,820 |

Income is recognised net of goods and services tax (GST) to the extent it is probable the economic benefits will flow to the Authority and the income can be reliably measured at fair value. Where applicable, amounts disclosed as income are net of returns, allowances, duties and taxes.

2.2 Income from transactions

2.2.1 Contributions from employers and contractors

| | 2020 (\$'000) | 2019 (\$'000) |
|-----------------------------|------------------|------------------|
| Community Services industry | 38,206 | - |
| Contract Cleaning industry | 9,322 | - |
| Security industry | 8,469 | - |
| | 55,997 | - |

Income from employer and contractor contributions is recognised in the period to which the contributions relate. Employers and contractors registered with the Authority under a covered industry must submit a quarterly return and pay the Authority the levy payable for that quarter.

The levies applied to each industry are as per below:

- Community Services industry 1.65%
- Contract Cleaning industry 1.80%
- Security industry 1.80%

2.2.2 Government grants

| | 2020 (\$'000) | 2019 (\$'000) |
|---|------------------|------------------|
| Department of Premier and Cabinet | 3,541 | 301 |
| Department of Health and Human Services | 2,695 | 1,519 |
| | 6,236 | 1,820 |

Grant income arises from transactions in which a party provides goods or assets (or extinguishes a liability) to the Authority without receiving approximately equal value in return. While grants may result in the provision of some goods or services to the transferring party, they do not provide a claim to receive benefits directly of approximately equal value (and are termed 'non-reciprocal' transfers). Receipt and sacrifice of approximately equal value may occur, but only by coincidence.

2.2.3 Investment income

| | 2020 (\$'000) | 2019 (\$'000) |
|-----------------------------|------------------|------------------|
| Community Services industry | 361 | - |
| Contract Cleaning industry | 110 | - |
| Security industry | 100 | - |
| | 571 | - |

Investment income is recognised by the Authority on an accrual basis.

Notes to the financial statements

For the financial year ended 30 June 2020

Note 3: The cost of delivering our services

Introduction

This note provides information about how the Authority's funding is applied in delivering services and outputs, and the accounting policies that are relevant for an understanding of the items reported in the financial statements.

Structure

| | |
|-------|---|
| 3.1 | Expenses incurred in the delivery of our services |
| 3.2 | Administration expenses |
| 3.3 | Employee benefits expense |
| 3.3.1 | Employee benefits in the comprehensive operating statement |
| 3.3.2 | Employee benefits in the balance sheet |
| 3.4 | Portable long service benefits expense |
| 3.4.1 | Portable long service benefits in the comprehensive operating statement |
| 3.4.2 | Portable long service benefits in the balance sheet |

3.1 Expenses incurred in the delivery of our services

| | Notes | 2020 (\$'000) | 2019 (\$'000) |
|--|-------|------------------|------------------|
| Administration expenses | 3.2 | 1,444 | 133 |
| Employee benefits expense | 3.3 | 3,740 | 168 |
| Portable long service benefits expense | 3.4 | 47,684 | - |
| | | 52,868 | 301 |

Expenses are recognised net of goods and services tax (GST).

3.2 Administration expenses

| | 2020 (\$'000) | 2019 (\$'000) |
|--|------------------|------------------|
| Office expenses | 619 | 125 |
| Information technology costs | 538 | - |
| Professional services and labour contractors | 242 | - |
| Internal and external audit fees | 45 | 8 |
| | 1,444 | 133 |

Administration expenses relate to costs incurred in administering the three schemes which provide portability of long service benefits for registered workers. These costs relate to the day to day information technology, office expenses and professional services.

3.3 Employee benefits expense

3.3.1 Employee benefits in the comprehensive operating statement

Employee benefits in the Comprehensive Operating Statement are a major component of administration expenses and include all costs related to employment, including salaries and wages, superannuation, leave entitlements and WorkCover payments. The majority of employee expenses in the Comprehensive Operating Statement are salaries and wages.

| | 2020 (\$'000) | 2019 (\$'000) |
|--------------------|------------------|------------------|
| Salaries and wages | 2,971 | 109 |
| Annual leave | 295 | 22 |
| Superannuation | 264 | 8 |
| Long service leave | 210 | 29 |
| | 3,740 | 168 |

The amount recognised in the Comprehensive Operating Statement in respect of superannuation represents contributions made or due by the Authority to the relevant superannuation plans in respect to the services of the Authority's staff. Superannuation contributions are made to the plans based on the relevant rules of each plan and any relevant compulsory superannuation requirements that the Authority is required to comply with.

Notes to the financial statements

For the financial year ended 30 June 2020

Note 3: The cost of delivering our services

3.3 Employee benefits expense (continued)

3.3.2 Employee benefits in the balance sheet

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

| | 2020 | 2019 |
|---|------------|-----------|
| | (\$'000) | (\$'000) |
| <i>Current provisions:</i> | | |
| <i>Annual leave:</i> | | |
| Unconditional and expected to settle within 12 months | 186 | 17 |
| Unconditional and expected to settle after 12 months | - | 2 |
| <i>Long service leave:</i> | | |
| Unconditional and expected to settle within 12 months | 182 | - |
| Unconditional and expected to settle after 12 months | 7 | 27 |
| <i>Provisions for on-costs:</i> | | |
| Unconditional and expected to settle within 12 months | 29 | 3 |
| Unconditional and expected to settle after 12 months | 20 | 3 |
| Total current provisions for employee benefits | 424 | 52 |
| <i>Non-current provisions:</i> | | |
| Employee benefits | 98 | - |
| On-costs | 11 | - |
| Total non-current provisions for employee benefits | 109 | - |
| Total provisions for employee benefits | 533 | 52 |

Salaries and wages, annual leave and sick leave

Liabilities for salaries and wages (including non-monetary benefits, annual leave and on-costs) are recognised as part of the employee benefit provision as current liabilities, because the Authority does not have an unconditional right to defer settlement of these liabilities.

The liability for salaries and wages are recognised in the balance sheet at remuneration rates which are current at the reporting date. As the Authority expects the liabilities to be wholly settled within 12 months of reporting date, they are measured at undiscounted amounts.

The annual leave liability is classified as a current liability and measured at the undiscounted amount expected to be paid, as the Authority does not have an unconditional right to defer settlement of the liability for at least 12 months after the end of the reporting period.

No provision has been made for sick leave as all sick leave is non-vesting and it is not considered probable that the average sick leave taken in the future will be greater than the benefits accrued in the future. As sick leave is non-vesting, an expense is recognised in the Comprehensive Operating Statement as it is taken.

Employment on-costs such as payroll tax, workers compensation and superannuation are not employee benefits. They are disclosed separately as a component of the provision for employee benefits when the entitlement to which they relate has occurred.

Long service leave

Unconditional LSL is disclosed as a current liability; even where the Authority does not expect to wholly settle the liability within 12 months because it will not have the unconditional right to defer the settlement of the entitlement should an employee take leave within 12 months.

The components of this current LSL liability are measured at:

- undiscounted value – if the Authority expects to wholly settle within 12 months; or
- present value – if the Authority does not expect to wholly settle within 12 months.

Conditional LSL is disclosed as a non-current liability. There is conditional right to defer the settlement of the entitlement until the employee has completed the required years of service. This non-current LSL is measured at present value.

Any gain or loss following revaluation of the present value of non-current LSL liability is recognised as a transaction, except to the extent that a gain or loss arises due to changes in bond interest rates for which it is then recognised as an 'other economic flow' in the net result.

Notes to the financial statements

For the financial year ended 30 June 2020

Note 3: The cost of delivering our services

3.4 Portable long service benefits expense

3.4.1 Portable long service benefits in the comprehensive operating statement

Portable long service benefits in the comprehensive operating statement include all benefits, for each relevant scheme, for which a provision has been estimated for future payments to workers in each industry.

| | 2020 | 2019 |
|-----------------------------|----------|----------|
| | (\$'000) | (\$'000) |
| Community Services industry | 36,327 | - |
| Contract Cleaning industry | 6,595 | - |
| Security industry | 4,762 | - |
| | 47,684 | - |

3.4.2 Portable long service benefits in the balance sheet

Accrued portable long service benefits liability

The Authority accounts for the portable long service benefits liability under AASB 137 *Provisions, Contingent Liabilities and Contingent Assets* (AASB 137) as a provision as it is a liability of uncertain timing or amount and the Authority satisfies the below conditions:

- it has a present obligation as a result of a past event;
- it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation; and
- a reliable estimate can be made of the amount of the obligation.

The total provision for accrued long service benefits liability is estimated at the present value of all expected future payments which arise from the service of eligible workers up to the reporting date. The expected future payments are discounted based on the current market assessments of the time value of money and the risks specific to the liability. The liability is calculated by the Authority's actuary using an actuarial valuation method that takes into account assumptions of rates of departure from the industry, mortality rates, increases in wages and rates of return on investment.

Accrued portable long service benefit is classified as a current liability in the balance sheet where the Authority does not have an unconditional right to defer the settlement of the liability for at least 12 months. The remaining balance of the liability is classified as non-current in the balance sheet. In the context of a statutory scheme, this means the current liability is calculated on a conservative basis making the assumption all workers who have sufficient service to receive long service benefits leave the industry in which they are employed within the next 12 months and claim their entitlements.

| | 2020 | 2019 |
|--|----------|----------|
| | (\$'000) | (\$'000) |
| <i>Accrued portable long service benefit liability:</i> | | |
| Unconditional and expected to settle within 12 months | 3,123 | - |
| Unconditional and expected to settle after 12 months | 44,561 | - |
| Total accrued portable long service benefit liability | 47,684 | - |

Reconciliation of the provision for accrued long service benefits

| 2019-2020 | Community Services | Contract Cleaning | Security | Total |
|---|--------------------|-------------------|----------|----------|
| | (\$'000) | (\$'000) | (\$'000) | (\$'000) |
| Carrying amount as at beginning of the year | - | - | - | - |
| Provisions recognised | 26,034 | 3,740 | 3,356 | 33,130 |
| Accrued portable long service benefits | 10,293 | 2,855 | 1,406 | 14,554 |
| Carrying amount at the end of the year | 36,327 | 6,595 | 4,762 | 47,684 |

Portable long service benefits recognition and measurement

At any time after completing 7 years of recognised service, a registered active worker for the Community Services, Contract Cleaning and Security Industry is entitled to an amount of portable long service benefit equal to 1/60th of the worker's total period of recognised service less any period of long service leave taken during that period. Registered active workers in the relevant sectors are credited in the Workers Register for each hour of service worked in each service period after the worker's registration day.

The *Long Service Benefits Portability Act 2018* requires that actuarial investigations be undertaken to investigate the state and adequacy of the money and funds of the Authority at the request of the Governing Board and at least once every three years. The Authority recognises a total liability for accrued portable long service benefits based on an assessment performed by an independent actuary. The actuary estimates the liability using a cash flow projection model using a number of assumptions that are based on historical data and the current profile of the registered workers.

Notes to the financial statements

For the financial year ended 30 June 2020

Note 3: The cost of delivering our services

3.4 Portable long service benefits (continued)

3.4.2 Portable long service benefits in the balance sheet (continued)

Accrued portable long service benefit liability

A summary of the demographic actuarial assumptions made for each industry include:

| Per annum: | Community Services Industry | Contract Cleaning Industry | Security Industry |
|-----------------------------------|---|--|--|
| Industry exit rates | 180 per 1000 (age 20) to 0 per 1000 (age 55+) | 300 per 1000 (<1 YoS) to 30 per 1000 (7+ YoS) | 390 per 1000 (<1 YoS) to 39 per 1000 (7+ YoS) |
| Death rates | 0.41/0.19 per 1000 (age 20) to 2.42/1.58 per 1000 (age 50+) | | |
| Disability rates | 0.17 per 1000 (age 20) to 1.65 per 1000 (age 50) | 0.17 per 1000 (age 20) to 1.66 per 1000 (age 50) | 0.34 per 1000 (age 20) to 3.31 per 1000 (age 50) |
| Early retirement | 70 per 1000 (age 55) to 250 per 1000 (age 75) | 21 per 1000 (age 55) to 75 per 1000 (age 75) | 70 per 1000 (age 55) to 250 per 1000 (age 75) |
| Leave utilisation rates | 13% of vested benefits p.a. | 0.5 weeks (7-10 YoS) to 1 week (10+ YoS) | 0.5 weeks (7-10 YoS) to 2 weeks (10+ YoS) |
| General salary inflation rate | 3.0% p.a. | 2.5% p.a. | 2.5% p.a. |
| Promotional salary inflation rate | 8% (age 21) to 1% (age 49) | 30% (<1 YoS) to 2.5% (1-9 YoS) | 25% (<1 YoS) to 0% (9+ YoS) |

Note: YoS stands for Years of Service

For the purposes of the above valuations, the following number of workers were valued:

| Number of workers | Community Services Industry | | Contract Cleaning Industry | | Security Industry | |
|-------------------|-----------------------------|------|----------------------------|------|-------------------|------|
| | 2020 | 2019 | 2020 | 2019 | 2020 | 2019 |
| Total | 78,736 | - | 25,420 | - | 14,189 | - |

| Expected timing of settlement | Community Services Industry | | Contract Cleaning Industry | | Security Industry | |
|---|-----------------------------|------------------|----------------------------|------------------|-------------------|------------------|
| | 2020 (\$'000) | 2019 (\$'000) | 2020 (\$'000) | 2019 (\$'000) | 2020 (\$'000) | 2019 (\$'000) |
| Not later than one year | 1,912 | - | 781 | - | 430 | - |
| Later than one year and not later than five years | 18,222 | - | 2,273 | - | 3,364 | - |
| Later than five years | 16,193 | - | 3,541 | - | 968 | - |
| Total | 36,327 | - | 6,595 | - | 4,762 | - |

Commentary about the assumptions are provided below:

Exit rates

The industry exit rates reflect exits other than death, disability and early retirement. While the Act does not have separate vesting conditions for the various forms of exits, different rates for each form of exit is provided to better understand drivers of exit behaviour in the future. It is noted that disabilities after age 55 are included in the early retirement decrement.

Leave utilisation rates

The future rates assumed for the taking of portable long service benefits whilst in service are based on experience investigations and analysis of similar portable schemes on the rate at which the workers have taken their portable long service benefits. The leave taking behaviour is modelled by determining either the actual days taken or the proportion of the actual taken portable long service benefit assumption relative to the portable long service balance at the start of each period, split by years of service.

Salary inflation rates

The long term general salary inflation is set at 3.0% p.a., 2.5% p.a. and 2.5% p.a. for Community Services, Contract Cleaning and Security Industries respectively. An allowance has also been made for promotional salary increases.

Additional assumptions that are applicable to all industries are provided below:

Rates of Accrual of Service

The rate of accrual of service is 1/60th as specified in the Act.

Discount rates

The discount rate used to determine the present value of the portable long service benefits provisions is the expected return on assets. The Scheme's actuary regarded the expected return on assets is a reliable measure, according to AASB 137, of the time value of money for the portable long service benefits liabilities. The expected return on assets used as a discount rate, 5.5% p.a. is based on the long term return rate of the Authority's investments in the Balanced Fund, provided by VFMC.

Expenses

In addition to accrued portable long service benefits, an allowance for the cost of settling the accrued liabilities has also been made. A unit cost for each worker (active and inactive) with an expense inflation has been applied for each worker while they have a balance.

Notes to the financial statements

For the financial year ended 30 June 2020

Note 4: Key assets available to support output delivery

Introduction

The Authority controls property, plant and equipment and other investments entrusted to be administered for the purpose of delivering its objectives to its stakeholders in line with its mission and values.

Structure

| | |
|-------|--|
| 4.1 | Total property, plant and equipment and vehicles |
| 4.1.1 | Total right-of-use building and vehicles |
| 4.1.2 | Depreciation |
| 4.1.3 | Change in accounting policy - leases |
| 4.2 | Investments and other financial assets |
| 4.2.1 | Amounts recognised in profit and loss |

4.1 Total property, plant and equipment and vehicles

| | 2020 | 2019 |
|--|------------|------------|
| | (\$'000) | (\$'000) |
| Property, plant and equipment and vehicles at fair value | 792 | 620 |
| Less accumulated depreciation | (263) | - |
| Net carrying amount | 529 | 620 |

The following table is a subset of property, plant and equipment and vehicles right-of-use assets.

4.1.1 Total right-of-use assets: building and vehicles

| | 2020 | 2019 |
|---------------------------------------|------------|------------|
| | (\$'000) | (\$'000) |
| Buildings at fair value | 620 | 620 |
| Less accumulated depreciation | (226) | - |
| | 394 | 620 |
| Vehicles at fair value | 72 | - |
| Less accumulated depreciation | (12) | - |
| | 60 | - |
| Net carrying amount | 454 | 620 |
| Opening balance - 1 July 2019 | 620 | - |
| Additions | 72 | 620 |
| Depreciation | 238 | - |
| Closing balance - 30 June 2020 | 454 | 620 |

Initial recognition

Total property, plant and equipment and vehicles represent non-current physical assets comprising equipment and right-of-use assets used by the Authority in its operations. Items of property, plant and equipment are measured initially at cost and subsequently revalued at fair value less accumulated depreciation and impairment.

Items with a cost value in excess of \$1,500 (2018-19: \$1,000) and a useful life of more than one year are recognised as an asset. All other assets acquired are expensed. Assets acquired at no cost or for nominal consideration by the Authority are recognised at fair value at the date of acquisition.

The Authority recognises a right-of-use asset and a lease liability at the lease commencement date. The right-of-use asset is initially measured at cost which comprises the initial amount of the lease liability adjusted for:

- any lease payments made at or before the commencement date; plus
- any initial direct costs incurred; and
- an estimate of costs to dismantle and remove the underlying asset or to restore the underlying asset or the site on which it is located, less any lease incentive received.

Subsequent measurement

Property, plant and equipment as well as right-of-use assets under leases are subsequently measured at fair value less accumulated depreciation and impairment. Fair value is determined with regard to the asset's highest and best use (considering legal or physical restrictions imposed on the asset, public announcements or commitments made in relation to the intended use of the asset). In addition, for right-of-use assets the net present value of the remaining lease payments is often the appropriate proxy for fair value of relevant right-of-use assets.

The Authority depreciates the right-of-use assets on a straight line basis from the lease commencement date to the earlier of the end of the useful life of the right-of-use asset or the end of the lease term. The estimated useful life of the right-of-use assets are determined on the same basis as property, plant and equipment. The right-of-use assets are also subject to revaluation as required by *FRD 103H Non-financial physical assets*.

In addition, the right-of-use asset is periodically reduced by impairment losses, if any, and adjusted for certain remeasurements of the lease liability.

Notes to the financial statements

For the financial year ended 30 June 2020

Note 4: Key assets available to support output delivery

4.1 Total property, plant and equipment (continued)

4.1.2 Depreciation

| | 2020 | 2019 |
|-------------------------------|------------|----------|
| | (\$'000) | (\$'000) |
| Charge for the period | | |
| Buildings | 226 | - |
| Plant, equipment and vehicles | 37 | - |
| Total depreciation | 263 | - |

All property, plant and equipment and other non-financial physical assets that have finite useful lives are depreciated. Depreciation is generally calculated on a straight line basis, at rates that allocate the asset's value, less any estimated residual value, over its estimated useful life. Typical estimated useful lives for the different asset classes for current and prior years are included in the table below:

| Asset | 2019-20 | 2018-19 |
|---|--------------------|--------------------|
| | Useful Life | Useful Life |
| Buildings - leased assets | 3 years | 3 years |
| Plant, equipment and vehicles (including leased assets) | 2-3 years | 2-3 years |

The estimated useful lives, residual values and depreciation method are reviewed at the end of each annual reporting period, and adjustments made where appropriate.

Right-of use assets are generally depreciated over the shorter of the asset's useful life and the lease term. Where the Authority obtains ownership of the underlying leased asset or if the cost of the right-of-use asset reflects that the Authority will exercise a purchase option, the Authority depreciates the right-of-use asset over its useful life.

4.1.3 Change in accounting policy - leases

This note explains the impact of the adoption of AASB 16 *Leases* on the Authority's financial statements.

The Authority has applied AASB 16 with a date of initial application of 1 July 2019.

The Authority has elected to apply AASB 16 using the modified retrospective approach, as per the transitional provisions of AASB 16 for all leases for which it is a lessee.

Previously, the Authority determined at contract inception whether an arrangement is or contains a lease under AASB 117 and Interpretation 4 *Determining whether an arrangement contains a Lease*. Under AASB 16, the Authority assesses whether a contract is or contains a lease based on the definition of a lease as explained in note 6.2.

On transition to AASB 16, the Authority has elected to apply the practical expedient to grandfather the assessment of which transactions are leases. It applied AASB 16 only to contracts that were previously identified as leases.

Contracts that were not identified as leases under AASB 117 and Interpretation 4 were not reassessed for whether there is a lease. Therefore, the definition of a lease under AASB 16 was applied to contracts entered into or changed on or after 1 July 2019.

Leases classified as operating leases under AASB 117

As a lessee, the Authority previously classified leases as operating or finance leases based on its assessment of whether the lease transferred significantly all of the risks and rewards incidental to ownership of the underlying asset to the Authority. Under AASB 16, the Authority recognises right-of-use assets and lease liabilities for all leases except where exemption is available in respect of short-term and low value leases.

On adoption of AASB 16, the Authority recognised lease liabilities in relation to leases which had previously been classified as operating leases under the principles of AASB 117. These liabilities were measured at the present value of the remaining lease payments, discounted using the Authority's incremental borrowing rate as of 1 July 2019. On transition, right-of-use assets are measured at the amount equal to the lease liability, adjusted by the amount of any prepaid or accrued lease payments relating to that lease recognised in the balance sheet as at 30 June 2019.

The Authority has elected to apply the following practical expedients when applying AASB 16 to leases previously classified as operating leases under AASB 117:

- Applied a single discount rate to a portfolio of leases with similar characteristics;
- Adjusted the right-of-use assets by the amount of AASB 137 onerous contracts provision immediately before the date of initial application, as an alternative to an impairment review;
- Applied the exemption not to recognise right-of-use assets and liabilities for leases with less than 12 months of lease term;
- Excluded initial direct costs from measuring the right-of-use asset at the date of initial application; and
- Used hindsight when determining the lease term if the contract contains options to extend or terminate the lease.

For leases that were classified as finance leases under AASB 117, the carrying amount of the right-of-use asset and lease liability at 1 July 2019 are determined as the carrying amount of the lease asset and lease liability under AASB 117 immediately before that date.

Notes to the financial statements

For the financial year ended 30 June 2020

Note 4: Key assets available to support output delivery

4.1 Total property, plant and equipment (continued)

4.1.3 Change in accounting policy - leases (continued)

Impacts on financial statements

On transition to AASB 16, the Authority recognised \$620k of right-of-use assets and \$620k of lease liabilities.

When measuring lease liabilities, the Authority discounted lease payments using its incremental borrowing rate at 1 July 2019.

The weighted average rate applied is 2.12%.

| | 1-Jul-19 |
|--|------------|
| | (\$'000) |
| Total operating lease commitments disclosed at 30 June 2019 | 662 |
| Discounted using the incremental borrowing rate at 1 July 2019 | 620 |
| Finance lease liabilities as at 30 June 2019 | 620 |
| Lease liabilities recognised at 1 July 2019 | 620 |

4.2 Investments and other financial assets

| 2019-2020 | Community Services | Contract Cleaning | Security | Total |
|--|-----------------------|----------------------|--------------|---------------|
| | (\$'000) | (\$'000) | (\$'000) | (\$'000) |
| Current investments and other financial assets | | | | |
| Term deposits: | | | | |
| Australian dollar term deposits > three months | 7,549 | 1,906 | 1,770 | 11,225 |
| Total current investment and other financial assets | 7,549 | 1,906 | 1,770 | 11,225 |
| Non-current investments and other financial assets | | | | |
| Equities and managed investment schemes: | | | | |
| Australian Equities | 2,469 | 747 | 680 | 3,896 |
| International Equities | 2,469 | 747 | 680 | 3,896 |
| Australian Bonds | 2,148 | 650 | 591 | 3,389 |
| US Bonds | 844 | 255 | 232 | 1,331 |
| Australian Credit | 941 | 285 | 259 | 1,485 |
| Emerging Markets Debt | 331 | 100 | 91 | 522 |
| Total non-current investment and other financial assets | 9,202 | 2,784 | 2,533 | 14,519 |
| Total investments and other financial assets | 16,751 | 4,690 | 4,303 | 25,744 |

Investments are held as units in wholesale pooled funds managed by an independent investment manager and the underlying portfolio includes cash deposits, fixed interest investments and equity investments. Investments are measured at fair value with any adjustments to the carrying amount recorded in the Comprehensive Operating Statement. Fair value is based on quoted market prices as at the reporting date. The quoted market price used is the current bid price.

The investment trusts are managed by Victoria Funds Management Corporation (VFMC). The investment manager allocates funds in the underlying trust portfolio amongst the asset classes below:

- Australian and International fixed interest;
- Australian and International equities;
- Australian and International credit markets; and
- Australian cash.

4.2.1 Amounts recognised in profit and loss

During the year, the following losses were recognised in profit or loss:

| 2019-2020 | Community Services | Contract Cleaning | Security | Total |
|--|-----------------------|----------------------|--------------|---------------|
| | (\$'000) | (\$'000) | (\$'000) | (\$'000) |
| Change in fair value of investments | (253) | (92) | (73) | (418) |
| Total change in fair value of investments | (253) | (92) | (73) | (418) |

Notes to the financial statements

For the financial year ended 30 June 2020

Note 5: Other assets and liabilities

Introduction

This note sets out those other assets and liabilities that arise from the Authority's operations.

Structure

| | |
|-------|--|
| 5.1 | Receivables |
| 5.1.1 | Movement in provision for impaired receivables |
| 5.1.2 | Ageing analysis of contractual receivables |
| 5.2 | Payables |
| 5.2.1 | Ageing analysis of contractual payables |

5.1 Receivables

Receivables are stated inclusive of GST. The net amount of GST recoverable from, or payable to, the ATO is included as a current asset or liability in the Balance Sheet.

| | 2020 | 2019 |
|--|---------------|--------------|
| | (\$'000) | (\$'000) |
| Current receivables | | |
| <i>Contractual:</i> | | |
| Accrued investment income | 536 | - |
| <i>Statutory:</i> | | |
| Accrued revenue | 17,171 | - |
| Employer levy receivables | 1,193 | - |
| Amount owing from the Victorian Government | 432 | 1,720 |
| GST receivables | 155 | 11 |
| Total receivables | 19,487 | 1,731 |

Receivables consist of:

Contractual receivables are classified as financial instruments and categorised as 'financial assets at amortised costs'. They are initially recognised at fair value plus any directly attributable transaction costs. The Authority holds the contractual receivables with the objective to collect the contractual cash flows and therefore subsequently measured at amortised cost using the effective interest method, less any impairment.

Accrued investment income relates to the distribution of investment income from VFMC as at 30 June 2020 but received in July 2020.

Statutory receivables do not arise from contracts and are recognised and measured similarly to contractual receivables (except for impairment), but are not classified as financial instruments for disclosure purposes. The Authority applies AASB 9 for initial measurement of the statutory receivables and as a result statutory receivables are initially recognised at fair value plus any directly attributable transaction cost.

Accrued revenue relates to an estimate of employer contributions for the Apr-Jun 2020 quarterly return due 31 July 2020.

Employer levy receivables is the outstanding employer contribution invoices as at 30 June 2020.

Amounts recognised from the Victorian Government represent funding for all commitments incurred and are drawn from the Consolidated Fund as the commitments fall due.

Details about the Authority's exposure to credit risk are set out in Note 7.1.4.

5.1.1 Movement in provision for impaired receivables

As at 30 June 2020, there were no impaired receivables and provision made as recoverability of the grant invoices to the Victorian Government, accrued investment income from VFMC and employer receivables for levy contributions is high.

Nature and extent of risk arising from receivables

Refer to Note 7.1.4 for the nature and extent of risks arising from receivables.

Notes to the financial statements

For the financial year ended 30 June 2020

Note 5: Other Assets and Liabilities

5.1 Receivables (continued)

5.1.2 Ageing analysis of contractual receivables

The ageing at 30 June 2020 includes accrued investment income. Statutory receivables and provision for impaired receivables are excluded.

| | Not past due & not impaired | Past due but not impaired | | | | |
|---------------------------|-----------------------------|---------------------------|---------------|--------------------|--------------|----------|
| | | Less than 1 month | 1 to 3 months | 3 months to 1 year | 1 to 5 years | 5+ years |
| 2019-2020 | | | | | | |
| Accrued investment income | 536 | - | - | - | - | - |
| Total receivables | 536 | - | - | - | - | - |
| 2018-2019 | | | | | | |
| Accrued investment income | - | - | - | - | - | - |
| Total receivables | - | - | - | - | - | - |

Not past due and not impaired receivables relate to investment distributions from VFMC which were subsequently received in July 2020.

There are no financial assets that have had their terms renegotiated so as to prevent them from being past due or impaired, and they are stated at the carrying amounts as indicated.

5.2 Payables

Payables are stated inclusive of GST. The net amount of GST recoverable from, or payable to, the ATO is included as a current asset or liability in the Balance Sheet.

| | 2020 | 2019 |
|-------------------------|------------|------------|
| | (\$'000) | (\$'000) |
| Current payables | | |
| <i>Contractual:</i> | | |
| Accrued expenses | 272 | 160 |
| Total payables | 272 | 160 |

Payables consists of:

- contractual payables, classified as financial instruments and measured at amortised cost.

The contractual payables are unsecured and are usually paid within 30 days of recognition.

Accrued expenses are recognised when the Authority, as a result of a past event, has a present obligation that can be estimated reliably, and it is probable that a payment will be required to settle the obligation.

The amount recognised as accrued expenses is the best estimate of the consideration required to settle the present obligation at the end of the reporting period, taking into account the risks and uncertainties surrounding the obligation.

5.2.1 Ageing analysis of contractual payables

The ageing at 30 June includes accrued expenses. Statutory payables are excluded.

| | Carrying Amount | Nominal Amount | Maturity Dates | | | | |
|-----------------------|-----------------|----------------|-------------------|---------------|--------------------|--------------|----------|
| | | | Less than 1 month | 1 to 3 months | 3 months to 1 year | 1 to 5 years | 5+ years |
| 2019-2020 | | | | | | | |
| Accrued expenses | 272 | 272 | 272 | - | - | - | - |
| Total payables | 272 | 272 | 272 | - | - | - | - |
| 2018-2019 | | | | | | | |
| Accrued expenses | 160 | 160 | 160 | - | - | - | - |
| Total payables | 160 | 160 | 160 | - | - | - | - |

Notes to the financial statements

For the financial year ended 30 June 2020

Note 6: Financing our operations

Introduction

This note provides information on the balances related to the financing of the Authority, including financial commitments at year-end. The Authority's recurrent operations are generally financed from cash flows from operating activities (see Cash Flow Statement).

Structure

| | |
|-------|--|
| 6.1 | Borrowings |
| 6.2 | Leases |
| 6.2.1 | Right of use assets |
| 6.2.2 | Amounts recognised in the Comprehensive Operating Statement |
| 6.2.3 | Amounts recognised in the Cash Flow Statement |
| 6.3 | Cash flow information and balances |
| 6.3.1 | Reconciliation of net result for the period to cash flow from operating activities |
| 6.4 | Commitments for expenditure |
| 6.4.1 | Operating commitments |
| 6.5 | Reserves |

6.1 Borrowings

| | 2020 | 2019 |
|-------------------------------|------------|------------|
| | (\$'000) | (\$'000) |
| Current borrowings | | |
| Lease liabilities | 249 | 221 |
| Total current borrowings | 249 | 221 |
| Non-current borrowings | | |
| Lease liabilities | 210 | 399 |
| Total non-current borrowings | 210 | 399 |
| Total borrowings | 459 | 620 |

6.2 Leases

The Authority leases an office premise and motor vehicles. The lease contracts are typically made for fixed periods of 1-3 years. The Authority has an option to renew the office lease after three years with lease payments renegotiated to reflect market rentals.

6.2.1 Right of use assets

Right-of-use assets are presented in note 4.1.1.

6.2.2 Amounts recognised in the comprehensive operating statement

The following amounts are recognised in the comprehensive operating statement relating to leases:

| | 2020 | 2019 |
|---|------------|----------|
| | (\$'000) | (\$'000) |
| Interest expense on lease liabilities | 15 | - |
| Expenses relating to short term leases | 263 | - |
| Total amount recognised in the comprehensive operating statement | 278 | - |

6.2.3 Amounts recognised in the cash flow statement

The following amounts are recognised in the cash flow statement for the year ending 30 June 2020 relating to leases:

| | 2020 | 2019 |
|--------------------------------------|------------|----------|
| | (\$'000) | (\$'000) |
| Total cash outflow for leases | 233 | - |

For any new contracts entered into on or after 1 July 2019, the Authority considers whether a contract is, or contains a lease. A lease is defined as 'a contract, or part of a contract, that conveys the right to use an asset (the underlying asset) for a period of time in exchange for consideration'. To apply this definition the Authority assesses whether the contract meets three key evaluations which are whether:

- the contract contains an identified asset, which is either explicitly identified in the contract or implicitly specified by being identified at the time the asset is made available to the Authority and for which the supplier does not have substantive substitution rights;

Notes to the financial statements

For the financial year ended 30 June 2020

Note 6: Financing our operations

6.2 Leases (continued)

6.2.3 Amounts recognised in the cash flow statement (continued)

- the Authority has the right to obtain substantially all of the economic benefits from use of the identified asset throughout the period of use, considering its rights within the defined scope of the contract and the Authority has the right to direct the use of the identified asset throughout the period of use; and
- the Authority has the right to take decisions in respect of 'how and for what purpose' the asset is used throughout the period of use.

This policy is applied to contracts entered into, or changed, on or after 1 July 2019.

Separation of lease and non-lease components

At inception or on reassessment of a contract that contains a lease component, the lessee is required to separate out and account separately for non-lease components within a lease contract and exclude these amounts when determining the lease liability and right-of-use asset amount.

Recognition and measurement of leases as a lessee (under AASB 16 from 1 July 2019)

Lease liability - initial measurement

The lease liability is initially measured at the present value of the lease payments unpaid at the commencement date, discounted using the interest rate implicit in the lease if that rate is readily determinable or the Authority's incremental borrowing rate.

Lease payments included in the measurement of the lease liability comprise the following:

- fixed payments (including in-substance fixed payments);
- variable payments based on an index or rate, initially measured using the index or rate as at the commencement date;
- amounts expected to be payable under a residual value guarantee; and
- payments arising from purchase and termination options reasonably certain to be exercised.

Lease Liability - subsequent measurement

Subsequent to initial measurement, the liability will be reduced for payments made and increased for interest. It is remeasured to reflect any reassessment or modification, or if there are changes in-substance fixed payments.

When the lease liability is remeasured, the corresponding adjustment is reflected in the right-of-use asset, or profit and loss if the right of use asset is already reduced to zero.

Presentation of right-of-use assets and lease liabilities

The Authority presents right-of-use assets as property, plant, equipment and vehicles unless they meet the definition of investment property, in which case they are disclosed as 'investment property' in the balance sheet. Lease liabilities are presented as 'borrowings' in the balance sheet.

6.3 Cash flow information and balances

| | 2020 | 2019 |
|---|---------------|--------------|
| | (\$'000) | (\$'000) |
| Cash and deposits | | |
| Total cash and deposits disclosed in the balance sheet - Authority | 5,817 | - |
| Total cash and deposits disclosed in the balance sheet - Schemes | 8,142 | - |
| Balance as per cash flow statement | 13,959 | - |
| 6.3.1 Reconciliation of net result for the period to cash flow from operating activities | | |
| Net result for the period | 9,273 | 1,519 |
| Non-cash movements | | |
| Depreciation and amortisation | 263 | - |
| Fair value (increase)/decrease in other financial assets | 418 | - |
| Net (gain)/loss on financial instruments | (67) | - |
| | 9,887 | 1,519 |
| Movements in assets and liabilities | | |
| Decrease/(increase) in receivables | (17,756) | (1,731) |
| Decrease/(increase) in prepayments | (21) | - |
| (Decrease)/increase in payables | 112 | 160 |
| (Decrease)/increase in employee benefits | 481 | 52 |
| (Decrease)/increase in portable long service benefits | 47,684 | - |
| Net cash inflows from operating activities | 40,387 | - |

Cash flows arising from operating activities are disclosed inclusive of GST.

Notes to the financial statements

For the financial year ended 30 June 2020

Note 6: Financing our operations

6.4 Commitments for expenditure

6.4.1 Operating commitments

Commitments for future expenditure include operating commitments arising from contracts which are disclosed at their nominal value and inclusive of the GST payable. These future expenditures cease to be disclosed as commitments once the related liabilities are recognised in the Balance Sheet.

Operating commitments in nominal values including GST as at 30 June 2020 totalled \$0.958 million (\$1.436 million in 2018-19).

This amount is represented by one contract for the provision of licensed software, maintenance, support and cloud hosting managed services for a period of three years from 1 July 2019. Operating expenditure commitments under this contract are due and payable as follows:

| | 2020 | 2019 |
|--|----------|----------|
| | (\$'000) | (\$'000) |
| Operating expenditure commitments | | |
| Not later than one year | 479 | 479 |
| Later than one year and not later than five years | 479 | 957 |
| Total operating expenditure commitments | 958 | 1,436 |
| Less GST recoverable | 87 | 131 |
| Total operating expenditure commitments (excluding GST) | 871 | 1,305 |

6.5 Reserves

Valuation Assumption Risk: - The Portable Long Service Benefits Scheme commenced on 1 July 2019 and so as at balance sheet date, the Authority and its actuarial advisors have only 1 year of actual worker information available. As a result, the Authority has determined that a reserve for valuation assumption risks is appropriate within the Contract Cleaning and Security schemes. The reserve will be reviewed periodically and revised annually at each balance sheet date.

| | 2020 | 2019 |
|---|----------|----------|
| | (\$'000) | (\$'000) |
| Reserves | | |
| Balance at beginning of financial year | - | - |
| Transfer from accumulated surplus | 1,782 | - |
| Balance at end of financial year | 1,782 | - |

Notes to the financial statements

For the financial year ended 30 June 2020

Note 7: Risks, contingencies and valuation judgements

Introduction

The Authority is exposed to risks from both its activities and external factors. In addition, it is often necessary to make judgements and estimates associated with recognition and measurement of items in the financial statements. This section presents information on the Authority's financial instruments, contingent assets and liabilities.

Structure

| | |
|-------|---|
| 7.1 | Financial instruments specific disclosures |
| 7.1.1 | Categories of financial assets |
| 7.1.2 | Categories of financial liabilities |
| 7.1.3 | Financial instruments: categorisation |
| 7.1.4 | Financial risk management objectives and policies |
| 7.2 | Contingent assets and contingent liabilities |

7.1 Financial instruments specific disclosures

Introduction

Financial instruments arise out of contractual agreements that give rise to a financial asset of one entity and a financial liability or equity instrument of another entity.

The Authority currently holds a range of financial instruments that are recorded in the financial statements where the carrying amounts are a reasonable approximation of fair value, either due to their short-term nature or with the expectation that they will be paid in full by the end of the 2019-20 reporting period.

7.1.1 Categories of financial assets

Financial assets at amortised cost

Financial assets are measured at amortised costs if both of the following criteria are met and the assets are not designated as fair value through net result:

- the assets are held by the Authority to collect contractual cash flows; and
- the assets' contractual terms give rise to cash flows that are solely payments of principal and interests.

These assets are initially recognised at fair value plus any directly attributable transaction costs and subsequently measured at amortised cost using the effective interest rate method less any impairment.

The Authority recognises the following assets in this category:

- cash and deposits; and
- receivables (excluding statutory receivables).

Derecognition of financial assets

A financial asset (or, where applicable, a part of a financial asset or part of a group of similar financial assets) is derecognised when:

- the rights to receive cash flows from the asset have expired; or
- the Authority retains the right to receive cash flows from the asset, but has assumed an obligation to pay them in full without material delay to a third party under a 'pass through' arrangement; or
- the Authority has transferred its rights to receive cash flows from the asset and either:
 - has transferred substantially all the risks and rewards of the asset; or
 - has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

Where the Authority has neither transferred nor retained substantially all the risks and rewards or transferred control, the asset is recognised to the extent of the Authority's continuing involvement in the asset.

7.1.2 Categories of financial liabilities

Financial liabilities at amortised cost

Financial liabilities are initially recognised on the date they are originated. They are initially measured at fair value plus any directly attributable transaction costs. Subsequent to initial recognition, these financial instruments are measured at amortised cost with any difference between the initial recognised amount and the redemption value being recognised in the profit and loss over the period of the interest bearing liability, using the effective interest rate method. The Authority recognises the following liabilities in this category:

- accrued expenses (excluding statutory payables); and
- borrowings (including lease liabilities).

Derecognition of financial liabilities

A financial liability is derecognised when the obligation under the liability is discharged, cancelled or expires.

When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a derecognition of the original liability and the recognition of a new liability. The difference in the respective carrying amounts is recognised as an 'other economic flow' in the Comprehensive Operating Statement.

Notes to the financial statements

For the financial year ended 30 June 2020

Note 7: Risks, contingencies and valuation judgements

7.1 Financial instruments specific disclosures

7.1.3 Financial instruments: categorisation

The carrying amounts of the contractual financial assets and financial liabilities by category are disclosed below:

| | Contractual financial assets - receivables and cash (\$'000) | Contractual financial liabilities at amortised cost (\$'000) | Total (\$'000) |
|---|--|--|-------------------|
| 2019-2020 | | | |
| Contractual financial assets | | | |
| Cash and cash deposits | 13,959 | - | 13,959 |
| Receivables (excluding statutory receivables) | | | |
| Accrued investment income | 536 | - | 536 |
| Total contractual financial assets | 14,495 | - | 14,495 |
| Contractual financial liabilities | | | |
| Payables | | | |
| Accrued expenses (excluding statutory payables) | - | 272 | 272 |
| Borrowings | - | 459 | 459 |
| Total contractual financial liabilities | - | 731 | 731 |
| 2018-2019 | | | |
| Contractual financial assets | | | |
| Cash and cash deposits | - | - | - |
| Receivables (excluding statutory receivables) | | | |
| Accrued investment income | - | - | - |
| Total contractual financial assets | - | - | - |
| Contractual financial liabilities | | | |
| Payables | | | |
| Accrued expenses (excluding statutory payables) | - | 160 | 160 |
| Borrowings | - | 620 | 620 |
| Total contractual financial liabilities | - | 780 | 780 |

7.1.4 Financial risk management objectives and policies

The activities of the Authority expose it to a variety of financial risks, market risk, credit risk and liquidity risk. This note presents information about the Authority's exposure to each of these risks, and the objectives, policies and processes for measuring and managing risk.

The Governing Board of the Authority has the overall responsibility for the establishment and oversight of the risk management framework. The overall risk management program seeks to minimise potential adverse effects on the financial performance of the Authority. The Authority uses different methods to measure different types of risk to which it is exposed. These methods include sensitivity analysis in the case of interest rate, other price risks and ageing analysis for credit.

Risk management is carried out by the Authority's management under policies approved by the Governing Board. The Governing Board provides written principles for overall risk management, as well as policies covering specific areas, such as foreign exchange risk, interest rate risks, credit risk and non-derivative financial instruments, and investment of excess liquidity. The main risks that the Authority is exposed to through its financial instruments are as follows:

(a) Credit risk

Credit risk is the risk of financial loss to the Authority as a result of an employer or counterparty to a financial instrument failing to meet its contractual obligations. Credit risk arises principally from receivables.

The Authority minimises concentrations of credit risk by undertaking transactions with a large number of employers who must pay a levy for eligible workers for portable long service benefits in the Community Services, Contract Cleaning and Security Industries. The Authority is not materially exposed to any individual debtor.

There has been no material change to the Authority's credit risk profile in 2019-20.

Notes to the financial statements

For the financial year ended 30 June 2020

Note 7: Risks, contingencies and valuation judgements

7.1.4 Financial risk management objectives and policies (continued)

(b) Market risk

Market risk is the risk that changes in market prices will affect the fair value or future cash flows of the Authority's financial instruments. Market risk comprises of foreign exchange risk, interest rate risk and other price risk. The Authority has insignificant exposure to foreign exchange risk and other price risk.

Objectives, policies and processes used to manage these risks are disclosed in the paragraphs below:

(i) Interest rate risk

The Authority has minimal exposure to interest rate risk through its holding of other financial assets.

(ii) Other price risk

Price risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices, whether these changes are caused by factors specific to the individual financial instrument or its issuer; or by factors affecting all similar financial instruments traded in the market. The price risk which the Authority is exposed to is significant and results from its investments. The Authority has investments which are managed by an independent investment manager, and includes exposure to listed and unlisted equities and property, fixed interest and other securities and instruments. The Authority's investments fluctuate in value. The price fluctuations are caused by movements in the underlying investments of the portfolio.

To limit price risk, the investments are managed by VFMC who is the Authority's independent professional investment manager. VFMC target a balanced portfolio allocation of assets based on direction from the Authority's Governing Board. Actual allocations are permitted to deviate from the target allocation provided that they are within the set allocation ranges. The investment fund seeks to match the weighted average return of the target indexes of the underlying funds before taking into account fund fees and expenses.

The following table indicates the Authority's exposure to price risk, by showing the estimated impact on the profit/(loss) and equity of the Authority of a +/- 15% movement in unit price of the fund in which the schemes have invested and therefore a +/- 15% in the value of the investments. The Authority considers a +/- 15% movement in markets to be reasonably foreseeable.

| | Carrying Amount (\$'000) | -15% Price Movement Profit/Equity (\$'000) | +15% Price Movement Profit/Equity (\$'000) |
|--|--------------------------------|---|---|
| 2019-2020 | | | |
| Financial assets | | | |
| Investments and other financial assets | 25,744 | (3,862) | 3,862 |
| Total | 25,744 | (3,862) | 3,862 |

(c) Liquidity risk

Liquidity Risk is the risk that the Authority will not be able to meet its financial obligations as they fall due. The Authority's policy is to settle financial obligations within 30 days and in the event of a dispute make payments within 30 days from the date of resolution.

The Authority manages liquidity risk by maintaining adequate reserves of cash and by continuously monitoring actual cash flows against forecast cash flows of the Authority.

7.2 Contingent assets and contingent liabilities

Contingent assets and contingent liabilities are not recognised in the Balance Sheet, but are disclosed and, if quantifiable, are measured at nominal value.

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

There were no material contingent assets or liabilities at 30 June 2020 (30 June 2019, \$nil).

Notes to the financial statements

For the financial year ended 30 June 2020

Note 8: Other disclosures

Introduction

This note provides information on other disclosures that impact the Authority.

Structure

| | |
|-----|---|
| 8.1 | Responsible persons |
| 8.2 | Remuneration of executives |
| 8.3 | Related parties |
| 8.4 | Events occurring after the balance date |
| 8.5 | Auditors remuneration |
| 8.6 | Australian Accounting Standards issued that are not yet effective |

8.1 Responsible persons

In accordance with the Ministerial Directions issued by the Assistant Treasurer under the *Financial Management Act 1994*, the following disclosures are made regarding responsible persons for the reporting period.

The Minister's remuneration and allowances is set by the *Parliamentary Salaries and Superannuation Act 1968* and is reported within the Department of Parliamentary Services' Financial Report.

The following lists the responsible persons for the Authority during the year:

| Name | Title | Period of appointment | |
|------------------------|--------------------------------------|-----------------------|--------------|
| | | From | To |
| The Hon. Tim Pallas MP | Minister for Industrial Relations | 01 July 2019 | 30 June 2020 |
| Julius Roe | Director (Chair) | 01 July 2019 | 30 June 2020 |
| Claire Filson | Director (Deputy Chair) | 01 July 2019 | 30 June 2020 |
| Emma King | Director | 01 July 2019 | 30 June 2020 |
| Kate Marshall | Director | 01 July 2019 | 30 June 2020 |
| Timothy Piper | Director | 01 July 2019 | 30 June 2020 |
| Rachael Saunders | Director | 01 July 2019 | 30 June 2020 |
| Julie Warren | Director | 01 July 2019 | 30 June 2020 |
| Linda White | Director | 01 July 2019 | 30 June 2020 |
| Joseph Yeung | Director and Chief Executive Officer | 01 July 2019 | 30 June 2020 |

Remuneration

The number of Responsible Persons whose remuneration from the Authority was within the specified bands were as follows:

| Income band (\$): | 2020 | 2019 |
|-----------------------|------|------|
| | No. | No. |
| \$0 - \$9,999 | - | 7 |
| \$10,000 - \$19,999 | - | 1 |
| \$20,000 - \$29,999 | 7 | - |
| \$50,000 - \$59,000 | 1 | - |
| \$70,000 - \$79,000 | - | 1 |
| \$260,000 - \$269,999 | 1 | - |
| Total Numbers | 9 | 9 |

Remuneration received, or due and receivable, during 2019-20 by Responsible Persons including the Accountable Officer from the Authority in connection with the management of the Authority was \$498,726 (\$122,593 in 2018-19).

8.2 Remuneration of executives

The number of executive officers, other than the Minister and Accountable Officer listed in Note 8.1 and their total remuneration during the reporting period are shown in the table below. Total annualised employee equivalents provides a measure of full time equivalent executive officers over the reporting period.

Remuneration comprises employee benefits in all forms of consideration paid, payable or provided by the entity, or on behalf of the entity, in exchange for services rendered, and is disclosed in the following categories:

- Short-term employee benefits include amounts such as wages, salaries, annual leave or sick leave that are usually paid or payable on a regular basis, as well as non-monetary benefits such as allowances and free or subsidised goods or services;
- Post-employment benefits include pensions and other retirement benefits paid or payable on a discrete basis when employment has ceased; and
- Other long-term benefits include long service leave, other long-service benefit or deferred compensation.

| Remuneration of Executive Officers | 2020 | 2019 |
|--|----------|----------|
| | (\$'000) | (\$'000) |
| Short-term employee benefits | 236 | - |
| Post-employment benefits | 21 | - |
| Other long-term benefits | 4 | - |
| Total remuneration (i) | 261 | - |
| Total number of executives | 1 | - |
| Total annualised employee equivalents (ii) | 1 | - |

(i) No Executive Officers meet the definition of Key Management Personnel (KMP) of the entity under AASB 124 Related Party Disclosures and as such, are not included in the related parties note disclosure (Note 8.3).

(ii) Annualised employee equivalent is based on the time fraction worked over the reporting period.

Notes to the financial statements

For the financial year ended 30 June 2020

Note 8: Other disclosures

8.3 Related parties

The Authority is a wholly owned and controlled entity of the State of Victoria.

Related parties of the Authority include:

- All key management personnel and their close family members and personal business interests (controlled entities, joint ventures and entities they have significant influence over);
- All cabinet ministers and their close family members; and
- All departments and public sector entities that are controlled and consolidated into the whole of state consolidated financial statements.

All related party transactions have been entered into on an arm's length basis.

Significant transactions with government-related entities

During the year, the Authority had the following government-related entity transactions (exclusive of GST):

| | 2020 | 2019 |
|---|----------|----------|
| | (\$'000) | (\$'000) |
| <i>Amounts recognised as revenue in the Comprehensive Operating Statement</i> | | |
| Entity and nature of transaction | | |
| Department of Premier and Cabinet | 3,541 | 301 |
| Department of Health and Human Services | 2,695 | 1,519 |
| Total | 6,236 | 1,820 |

Amounts recognised as an expense in the Comprehensive Operating Statement

| | 2020 | 2019 |
|---|----------|----------|
| | (\$'000) | (\$'000) |
| Entity and nature of transaction | | |
| Department of Jobs, Precincts and Regions | - | 49 |
| Total | - | 49 |

The Authority has adopted AASB 16 *Leases* and now recognises right-of-use assets and lease liabilities for all leases except where exemption is availed in respect of short-term and low value leases. The occupancy agreement the Authority has with the Department of Jobs, Precincts and Regions is now classified as a lease and right-of-use asset and shown in the Balance Sheet.

Key management personnel

KMP (as defined in AASB 124 *Related Party Disclosures*) are those persons having authority and responsibility for planning, directing and controlling the activities of the Authority, directly or indirectly. KMP of the Authority includes the Portfolio Minister, all Directors and the Chief Executive Officer as listed under responsible persons in Note 8.1.

| | 2020 | 2019 |
|---|----------|----------|
| | (\$'000) | (\$'000) |
| Compensation of Key Management Personnel(i)(ii) | | |
| Short-term employee benefits | 454 | 113 |
| Post-employment benefits | 41 | 9 |
| Other long-term benefits | 4 | 1 |
| Total | 499 | 123 |

(i) The Authority did not employ any KMPs as a contractor through an external service provider during the reporting period.

(ii) The compensation detailed above excludes the salaries and benefits the Portfolio Minister receives.

Transactions with key management personnel and other related parties.

Outside of normal citizen type transactions with the Authority, there were no related party transactions that involved key management personnel and their close family members.

No provision has been required, nor any expense recognised, for impairment of receivables from related parties.

8.4 Events occurring after the balance date

There have been no matters and/or circumstances that have arisen since the end of the reporting period which significantly affect or may significantly affect the operations of the Authority, the results of those operations, or the state of affairs of the Authority in future financial years.

8.5 Auditors remuneration

Auditors remuneration for auditing the financial statements of the Authority excluding GST for 2019-20 has been set at \$15,000 (\$8,000 in 2018-19) by the Victorian Auditor-General Office. No other benefits were received or are receivable by the Victorian Auditor-General's Office.

Notes to the financial statements

For the financial year ended 30 June 2020

Note 8: Other disclosures

8.6 Australian accounting standards issued that are not yet effective

As at 30 June 2020, the following applicable standards and interpretations had been issued but were not mandatory for the financial year ending 30 June 2020. The Authority has not and does not intend to adopt these standards early.

| Standard/ Interpretation (1) | Summary | Effective date | Effective date for the entity | Estimated impact |
|---|---|-------------------|-------------------------------------|--|
| AASB 17 <i>Insurance Contracts</i> | The new Australian standard seeks to eliminate inconsistencies and weaknesses in existing practices by providing a single principle based framework to account for all types of insurance contracts, including reissuance contract that an insurer holds. It also provides requirements for presentation and disclosure to enhance comparability between entities. This standard currently does not apply to the not-for-profit public sector entities. | 1/7/21 | 1/7/21 | Based on a preliminary assessment by the Authority, there will be no significant impact. |
| AASB 2018-7 <i>Amendments to Australian Accounting Standards – Definition of Material</i> | This standard amends AASB 101 <i>Presentation of Financial Statements</i> and AASB 108 <i>Accounting Policies, Changes in Accounting Estimates and Errors</i> . The amendments refine the definition of material in AASB 10 <i>Events after the Reporting Period</i> , include some supporting requirements in AASB 101 in the definition to give it more prominence and clarify the explanation accompanying the definition of material. The amendments also clarify the definition of material and its application by improving the wording and aligning the definition across AASB standards and other publications. | 1/1/20 | 1/7/20 | Based on a preliminary assessment by the Authority, there will be no significant impact. |
| AASB 2020-1 <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. It initially applied to reporting periods beginning on or after 1 January 2022 with earlier application permitted however AASB has recently issued ED 301 <i>Classification of Liabilities as Current or Non-Current - Deferral of Effective Date</i> with the intention to defer the application by 1 year to periods beginning on or after 1 January 2023. The Authority will not early adopt the Standard. | 1/1/23 | 1/7/23 | Based on a preliminary assessment by the Authority, there will be no significant impact. |

The following accounting pronouncements are also issued but not effective for the 2019-20 reporting period. At this stage, the preliminary assessment suggests they may have insignificant impacts on public sector reporting.

- AASB 2018-6 *Amendments to Australian Accounting Standards – Definition of a Business*
- AASB 2019-1 *Amendments to Australian Accounting Standards – References to the Conceptual Framework*
- AASB 2019-3 *Amendments to Australian Accounting Standards – Interest Rate Benchmark Reform*
- AASB 2019-3 *Amendments to Australian Accounting Standards – Disclosure of the Effect of New IFRS Standards Not Yet Issued in Australia*
- AASB 2019-4 *Amendments to Australian Accounting Standards – Disclosure in Special Purpose Financial Statements of Not-for-Profit Private Sector Entities on Compliance with Recognition and Measurement Requirements*
- AASB 1060 *General Purpose Financial Statements – Simplified Disclosures for For-Profit and Not-for-Profit Tier 2 Entities (Appendix C)*

Notes to the financial statements

For the financial year ended 30 June 2020

Note 9: Scheme information

Introduction

This note provides information relating to the Comprehensive Operating Statement and Balance Sheet for each scheme that the Authority administers. These financial statements include Administration expenses which relates to the Authority's cost to administer the schemes. The Administration expense is calculated at 0.15% of Total Ordinary Pay within each scheme and was determined by KPMG at the time the Actuarial Report calculated the levy rates. When consolidated, the Administration expense is eliminated.

Structure

| | |
|------------|-----------------------------------|
| 9.1 | Community Services scheme |
| 9.1.1 | Comprehensive operating statement |
| 9.1.2 | Balance sheet |
| 9.2 | Contract Cleaning scheme |
| 9.2.1 | Comprehensive operating statement |
| 9.2.2 | Balance sheet |
| 9.3 | Security scheme |
| 9.3.1 | Comprehensive operating statement |
| 9.3.2 | Balance sheet |

9.1 Community Services scheme

9.1.1 Comprehensive operating statement

| | Notes | 2020 (\$'000) | 2019 (\$'000) |
|--|-------|------------------|------------------|
| Income from transactions | | | |
| Contributions from employers and contractors | 2.2.2 | 38,206 | - |
| Investment income | 2.2.3 | 361 | - |
| Interest | | 20 | - |
| Net loss on financial instruments | 4.2.1 | (253) | - |
| Total income from transactions | | 38,334 | - |
| Expenses from transactions | | | |
| Portable long service benefits expense | 3.4.1 | 36,327 | - |
| Administration expenses | | 2,337 | - |
| Total expenses from transactions | | 38,664 | - |
| Net result from transactions (net operating balances) | | (330) | - |
| Net result | | (330) | - |
| Comprehensive result | | (330) | - |

9.1.2 Balance sheet

ASSETS

Current assets

| | | | |
|--|-----|---------------|----------|
| Cash and deposits | 6.3 | 5,705 | - |
| Receivables | 5.1 | 13,571 | - |
| Investments and other financial assets | 4.2 | 7,549 | - |
| Total current assets | | 26,825 | - |

Non-current assets

| | | | |
|--|-----|--------------|----------|
| Investments and other financial assets | 4.2 | 9,202 | - |
| Total non-current assets | | 9,202 | - |

TOTAL ASSETS

| | | | |
|--|--|---------------|----------|
| | | 36,027 | - |
|--|--|---------------|----------|

LIABILITIES

Current liabilities

| | | | |
|--|-------|--------------|----------|
| Trade and other payables | 5.2 | 30 | - |
| Accrued portable long service benefits | 3.4.2 | 1,912 | - |
| Total current liabilities | | 1,942 | - |

Non-current liabilities

| | | | |
|--|-------|---------------|----------|
| Accrued portable long service benefits | 3.4.2 | 34,415 | - |
| Total non-current liabilities | | 34,415 | - |

TOTAL LIABILITIES

| | | | |
|--|--|---------------|----------|
| | | 36,357 | - |
|--|--|---------------|----------|

NET ASSETS

| | | | |
|--|--|---------------|----------|
| | | (330) | - |
|--|--|---------------|----------|

EQUITY

| | | | |
|---------------------|--|--------|---|
| Accumulated deficit | | (330) | - |
|---------------------|--|--------|---|

NET WORTH

| | | | |
|--|--|---------------|----------|
| | | (330) | - |
|--|--|---------------|----------|

Notes to the financial statements

For the financial year ended 30 June 2020

Note 9: Scheme information

9.2 Contract Cleaning scheme

9.2.1 Comprehensive operating statement

| | Notes | 2020 (\$'000) | 2019 (\$'000) |
|--|-------|------------------|------------------|
| Income from transactions | | | |
| Contributions from employers and contractors | 2.2.2 | 9,322 | - |
| Investment income | 2.2.3 | 110 | - |
| Interest | | 6 | - |
| Net loss on financial instruments | 4.2.1 | (92) | - |
| Total income from transactions | | 9,346 | - |
| Expenses from transactions | | | |
| Portable long service benefits expense | 3.4.1 | 6,595 | - |
| Administration expenses | | 571 | - |
| Total expenses from transactions | | 7,166 | - |
| Net result from transactions (net operating balances) | | 2,180 | - |
| Net result | | 2,180 | - |
| Comprehensive result | | 2,180 | - |

9.2.2 Balance sheet

ASSETS

Current assets

| | | | |
|--|-----|-------|---|
| Cash and deposits | 6.3 | 1,163 | - |
| Receivables | 5.1 | 2,926 | - |
| Investments and other financial assets | 4.2 | 1,906 | - |
| Total current assets | | 5,995 | - |

Non-current assets

| | | | |
|--|-----|-------|---|
| Investments and other financial assets | 4.2 | 2,784 | - |
| Total non-current assets | | 2,784 | - |

TOTAL ASSETS

8,779 -

LIABILITIES

Current liabilities

| | | | |
|--|-------|-----|---|
| Trade and other payables | 5.2 | 4 | - |
| Accrued portable long service benefits | 3.4.2 | 781 | - |
| Total current liabilities | | 785 | - |

Non-current liabilities

| | | | |
|--|-------|-------|---|
| Accrued portable long service benefits | 3.4.2 | 5,814 | - |
| Total non-current liabilities | | 5,814 | - |

TOTAL LIABILITIES

6,599 -

NET ASSETS

2,180 -

EQUITY

| | | | |
|---------------------|-----|-------|---|
| Reserves | 6.5 | 818 | - |
| Accumulated surplus | | 1,362 | - |

NET WORTH

2,180 -

Notes to the financial statements

For the financial year ended 30 June 2020

Note 9: Scheme information

9.3 Security scheme

9.3.1 Comprehensive operating statement

| | Notes | 2020 (\$'000) | 2019 (\$'000) |
|--|-------|------------------|------------------|
| Income from transactions | | | |
| Contributions from employers and contractors | 2.2.2 | 8,469 | - |
| Investment income | 2.2.3 | 100 | - |
| Interest | | 6 | - |
| Net loss on financial instruments | 4.2.1 | (73) | - |
| Total income from transactions | | 8,502 | - |
| Expenses from transactions | | | |
| Portable long service benefits expense | 3.4.1 | 4,762 | - |
| Administration expenses | | 523 | - |
| Total expenses from transactions | | 5,285 | - |
| Net result from transactions (net operating balances) | | 3,217 | - |
| Net result | | 3,217 | - |
| Comprehensive result | | 3,217 | - |

9.3.2 Balance sheet

ASSETS

Current assets

| | | | |
|--|-----|--------------|----------|
| Cash and deposits | 6.3 | 1,274 | - |
| Receivables | 5.1 | 2,403 | - |
| Investments and other financial assets | 4.2 | 1,770 | - |
| Total current assets | | 5,447 | - |

Non-current assets

| | | | |
|--|-----|--------------|----------|
| Investments and other financial assets | 4.2 | 2,533 | - |
| Total non-current assets | | 2,533 | - |

TOTAL ASSETS

7,980 -

LIABILITIES

Current liabilities

| | | | |
|--|-------|------------|----------|
| Trade and other payables | 5.2 | 1 | - |
| Accrued portable long service benefits | 3.4.2 | 430 | - |
| Total current liabilities | | 431 | - |

Non-current liabilities

| | | | |
|--|-------|--------------|----------|
| Accrued portable long service benefits | 3.4.2 | 4,332 | - |
| Total non-current liabilities | | 4,332 | - |

TOTAL LIABILITIES

4,763 -

NET ASSETS

3,217 -

EQUITY

| | | | |
|---------------------|-----|--------------|----------|
| Reserves | 6.5 | 964 | - |
| Accumulated surplus | | 2,253 | - |
| NET WORTH | | 3,217 | - |



Appendix I: Disclosure Index

| Legislation | Requirement | Page reference |
|---|---|----------------|
| Standing Directions and Financial Reporting Directions | | |
| Report of Operations | | |
| Charter and purpose | | |
| FRD 22H | Manner of establishment and the relevant Ministers | 4 |
| FRD 22H | Purpose, functions, powers and duties | 5, 7 |
| FRD 8D | Departmental objectives, indicators and outputs | 9, 19 |
| FRD 22H | Key initiatives and projects | 24-29 |
| FRD 22H | Nature and range of services provided | 7 |
| Management and structure | | |
| FRD 22H | Organisational structure | 38 |
| Financial and other information | | |
| FRD 8D | Performance against output performance measures | 19 |
| FRD 8D | Budget portfolio outcomes | 19 |
| FRD 10A | Disclosure index | 84, 85 |
| FRD 12B | Disclosure of major contracts | 47 |
| FRD 15E | Executive officer disclosures | 44 |
| FRD 22H | Employment and conduct principles | 40 |
| FRD 22H | Occupational health and safety policy | 40 |
| FRD 22H | Summary of the financial results for the year | 30 |
| FRD 22H | Significant changes in financial position during the year | 31 |
| FRD 22H | Major changes or factors affecting performance | 30 |
| FRD 22H | Subsequent events | 50 |
| FRD 22H | Application and operation of <i>Freedom of Information Act 1982</i> | 47 |
| FRD 22H | Compliance with building and maintenance provisions of <i>Building Act 1993</i> | 48 |
| FRD 22H | Statement on National Competition Policy | 48 |
| FRD 22H | Application and operation of the <i>Protected Disclosure Act 2012</i> | 48 |
| FRD 22H | Application and operation of the <i>Carers Recognition Act 2012</i> | 49 |
| FRD 22H | Details of consultancies over \$10,000 | 46 |
| FRD 22H | Details of consultancies under \$10,000 | 46 |
| FRD 22H | Disclosure of government advertising expenditure | 45 |
| FRD 22H | Disclosure of ICT expenditure | 46 |
| FRD 22H | Statement of availability of other information | 47 |
| FRD 24D | Reporting of office-based environmental impacts | 49 |
| FRD 25D | Local Jobs First | 45 |
| FRD 29C | Workforce data disclosures | 43 |
| SD 5.2 | Specific requirements under Standing Direction 5.2 | 50 |
| Compliance attestation and declaration | | |
| SD 5.4.1 | Attestation for compliance with Ministerial Standing Direction | 50 |
| SD 5.2.3 | Declaration in report of operations | 50 |

| Legislation | Requirement | Page reference |
|---|---|----------------|
| Standing Directions and Financial Reporting Directions | | |
| Financial statements | | |
| Declaration | | |
| SD 5.2.2 | Declaration in financial statements | 53 |
| Other requirements under Standing Directions 5.2 | | |
| SD 5.2.1(a) | Compliance with Australian accounting standards and other authoritative pronouncements | 53 |
| SD 5.2.1(a) | Compliance with Standing Directions | 50, 53 |
| SD 5.2.1(b) | Compliance with Model Financial Report | 53 |
| Other disclosures as required by FRDs in notes to the financial statements^(a) | | |
| FRD 9B | Departmental Disclosure of Administered Assets and Liabilities by Activity | na |
| FRD 11A | Disclosure of Ex gratia Expenses | na |
| FRD 13 | Disclosure of Parliamentary Appropriations | na |
| FRD 21C | Disclosures of Responsible Persons, Executive Officers and other Personnel (Contractors with Significant Management Responsibilities) in the Financial Report | 77, 78 |
| FRD103H | Non-Financial Physical Assets | na |
| FRD 110A | Cash Flow Statements | 58 |
| FRD 112D | Defined Benefit Superannuation Obligations | na |
| FRD 114C | Financial Instruments – general government entities and public non-financial corporations | 74, 75, 76 |

Note:

(a) References to FRDs have been removed from the Disclosure Index if the specific FRDs do not contain requirements that are in the nature of disclosure.

| Legislation | Page reference |
|--|----------------|
| <i>Freedom of Information Act 1982</i> | 47 |
| <i>Building Act 1993</i> | 48 |
| <i>Protected Disclosure Act 2012</i> | 48 |
| <i>Carers Recognition Act 2012</i> | 49 |
| <i>Disability Act 2006</i> | 49 |
| <i>Local Jobs Act 2003</i> | 45 |
| <i>Financial Management Act 1994</i> | 53 |



