

TAFE SA

Financial report
for the year
ended 30 June
2021



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**To the Chair, TAFE SA Board
TAFE SA**

Opinion

I have audited the financial report of TAFE SA for the financial year ended 30 June 2021.

In my opinion, the accompanying financial report gives a true and fair view of the financial position of TAFE SA as at 30 June 2021, its financial performance and its cash flows for the year then ended in accordance with relevant Treasurer's Instructions issued under the provisions of the *Public Finance and Audit Act 1987* and Australian Accounting Standards.

The consolidated financial report comprises:

- a Statement of Comprehensive Income for the year ended 30 June 2021
- a Statement of Financial Position as at 30 June 2021
- a Statement of Changes in Equity for the year ended 30 June 2021
- a Statement of Cash Flows for the year ended 30 June 2021
- notes, comprising significant accounting policies and other explanatory information
- a Certificate from the Chair, TAFE SA Board, the Chief Executive and the Chief Finance Officer.

Basis for opinion

I conducted the audit in accordance with the *Public Finance and Audit Act 1987* and Australian Auditing Standards. My responsibilities under those standards are further described in the 'Auditor's responsibilities for the audit of the financial report' section of my report. I am independent of the TAFE SA. The *Public Finance and Audit Act 1987* establishes the independence of the Auditor-General. In conducting the audit, the relevant ethical requirements of APES 110 *Code of Ethics for Professional Accountants (including Independence Standards)* have been met.

I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my opinion.

Basis for opinion

I conducted the audit in accordance with the *Public Finance and Audit Act 1987* and Australian Auditing Standards. My responsibilities under those standards are further described in the 'Auditor's responsibilities for the audit of the financial report' section of my report. I am independent of the TAFE SA. The *Public Finance and Audit Act 1987* establishes the independence of the Auditor-General. In conducting the audit, the relevant ethical requirements of APES 110 *Code of Ethics for Professional Accountants (including Independence Standards)* have been met.

I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my opinion.

Responsibilities of the Chief Executive and TAFE SA Board for the financial report

The Chief Executive is responsible for the preparation of the financial report that gives a true and fair view in accordance with relevant Treasurer's Instructions issued under the provisions of the *Public Finance and Audit Act 1987* and the Australian Accounting Standards, and for such internal control as management determines is necessary to enable the preparation of the financial report that gives a true and fair view and is free from material misstatement, whether due to fraud or error.

In preparing the financial report, the Chief Executive is responsible for assessing the entity's ability to continue as a going concern, taking into account any policy or funding decisions the government has made which affect the continued existence of the entity. The Chief Executive is also responsible for disclosing, as applicable, matters related to going concern and using the going concern basis of accounting, unless the assessment indicates that it is not appropriate.

The TAFE SA Board is responsible for overseeing the entity's financial reporting process.

Auditor's responsibilities for the audit of the financial report

As required by section 31(1)(b) of the *Public Finance and Audit Act 1987* and section 32 of the *Public Corporations Act 1993*, I have audited the financial report of the TAFE SA for the financial year ended 30 June 2021.

My objectives 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 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 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 TAFE SA's internal control
- evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Chief Executive
- conclude on the appropriateness of the Chief Executive'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 entity'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 the opinion. My conclusion is based on the audit evidence obtained up to the date of the auditor's report. However, future events or conditions may cause an entity 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.

My report refers only to the financial report described above and does not provide assurance over the integrity of electronic publication by the entity on any website nor does it provide an opinion on other information which may have been hyperlinked to/from the report.

I communicate with the Chief Executive and the Chair of the Board about, 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 the audit.



Andrew Richardson

Auditor-General

15 September 2021

TAFE SA

**Financial Statements
For the year ended 30 June 2021**

Certification of the Financial Statements

We certify that:

- the financial statements of TAFE SA:
 - are in accordance with the accounts and records of TAFE SA;
 - comply with relevant Treasurer's Instructions;
 - comply with relevant accounting standards; and
 - present a true and fair view of the financial position for TAFE SA at the end of the financial year and the result of its operation and cash flows for the financial year.
- Internal controls employed by TAFE SA for the financial year over its financial reporting and its preparation of the financial statements have been effective.



Joanne Denley
Chair, TAFE SA Board

13th September 2021



David Coltman
Chief Executive

13 September 2021



Michaela Welby
Chief Finance Officer

13 September 2021

TAFE SA
Statement of Comprehensive Income
for the year ended 30 June 2021

	Note	2021 \$'000	2020 \$'000
<u>Income</u>			
Grants and subsidies from Department for Innovation and Skills	2.1	231 332	246 269
Student and other fees and charges	2.3	82 634	80 906
Commonwealth-sourced grants and funding	2.2	2 580	1 217
Other grants and contributions	2.4	3 028	2 695
SA Government grants, subsidies and transfers	2.5	4 823	11 207
Resources received free of charge	2.6	2 938	2 637
Net gain from disposal of non-current assets	2.7	29	5
Other income		3 351	3 202
Total income		330 715	348 138
<u>Expenses</u>			
Employee benefits expenses	3.3	205 960	226 710
Supplies and services	4.1	61 552	77 884
Depreciation and amortisation	4.2	26 156	18 995
Grants and subsidies		76	485
Borrowing costs	4.3	13	25
Other expenses	4.4	3 787	4 988
Total expenses		297 544	329 087
Net result		33 171	19 051
Total comprehensive result		33 171	19 051

The accompanying notes form part of these financial statements. The net result and total comprehensive result are attributable to the SA Government as owner.

TAFE SA
Statement of Financial Position
as at 30 June 2021

	Note	2021 \$'000	2020 \$'000
<u>Current assets</u>			
Cash and cash equivalents	6.1	136 839	80 752
Receivables	6.2	12 657	9 959
Inventories	5.5	708	744
Contract assets	2.3	2 481	3 704
Total current assets		152 685	95 159
<u>Non-current assets</u>			
Receivables	6.2	43	68
Property, plant and equipment	5.1	611 958	628 858
Intangible assets	5.4	7 273	7 390
Total non-current assets		619 274	636 316
Total assets		771 959	731 475
<u>Current liabilities</u>			
Payables	7.1	19 809	10 955
Employee benefits liability	3.4	21 757	22 023
Financial liabilities	7.2	491	595
Provisions	7.3	954	847
Contract liabilities	2.3	3 674	4 606
Other liabilities		337	278
Total current liabilities		47 022	39 304
<u>Non-current liabilities</u>			
Payables	7.1	4 728	4 688
Employee benefits liability	3.4	39 261	39 872
Financial liabilities	7.2	120	465
Provisions	7.3	2 807	2 296
Total non-current liabilities		46 916	47 321
Total liabilities		93 938	86 625
Net assets		678 021	644 850
<u>Equity</u>			
Contributed capital		641 074	641 074
Retained earnings		35 595	2 424
Asset revaluation surplus		1 352	1 352
Total equity		678 021	644 850

The accompanying notes form part of these financial statements. The total equity is attributable to the SA Government as owner.

TAFE SA
Statement of Changes in Equity
for the year ended 30 June 2021

	Asset revaluation surplus	Retained Earnings	Contributed capital	Total equity
	\$'000	\$'000	\$'000	\$'000
Balance at 1 July 2019	1 352	(15 353)	20 452	6 451
Adjustments on initial adoption of AASB 15, 16 & 1058	-	(1 274)	-	(1 274)
Adjusted balance at 1 July 2019	1 352	(16 627)	20 452	5 177
Net result for 2019-20	-	19 051	-	19 051
Total comprehensive result for 2019-20	-	19 051	-	19 051
Contributed capital	-	-	620 622	620 622
Balance at 30 June 2020	1 352	2 424	641 074	644 850
Adjusted balance at 1 July 2020	1 352	2 424	641 074	644 850
Net result for 2020-21	-	33 171	-	33 171
Total comprehensive result for 2020- 2021	-	33 171	-	33 171
Balance at 30 June 2021	1 352	35 595	641 074	678 021

The accompanying notes form part of these financial statements. All changes in equity are attributable to the SA Government as owner.

TAFE SA
Statement of Cash Flows
for the year ended 30 June 2021

	Note	2021 \$'000	2020 \$'000
<u>Cash flows from operating activities</u>			
<u>Cash inflows</u>			
Grants and subsidies from Department for Innovation and Skills		234 060	246 515
Student and other fees and charges		84 400	86 480
Commonwealth sourced grants and funding		2 580	1 217
Other grants and contributions		3 058	4 188
SA Government grants, subsidies and transfers		4 823	10 650
GST recovered from the ATO		3 994	74 293
Other income		3 351	1 325
Cash generated from operations		336 266	424 668
<u>Cash outflows</u>			
Employee benefits		(206 022)	(231 062)
Supplies and services		(66 161)	(96 654)
Grants and subsidies		(76)	(485)
Other payments		(746)	(600)
Cash used in operations		(273 005)	(328 801)
Net cash provided by / (used in) operating activities	8.1	63 261	95 867
<u>Cash flows from investing activities</u>			
<u>Cash inflows</u>			
Proceeds from the sale of property, plant and equipment		47	16
Cash generated from investing activities		47	16
<u>Cash outflows</u>			
Purchase of property, plant and equipment		(4 436)	(692 015)
Purchase of intangibles		(2 176)	(1 430)
Cash used in investing activities		(6 612)	(693 445)
Net cash used in investing activities		(6 565)	(693 429)
<u>Cash flows from financing activities</u>			
<u>Cash inflows</u>			
Capital contributions from government		-	620 622
Cash generated from financing activities		-	620 622
<u>Cash outflows</u>			
Repayment of principal portion of leases		(609)	(800)
Cash used by financing activities		(609)	(800)
Net cash provided by financing activities		(609)	619 822
Net (decrease) / increase in cash and cash equivalents		56 087	22 260
Cash and cash equivalents at the beginning of the reporting period		80 752	58 492
Cash and cash equivalents at the end of the reporting period	6.1	136 839	80 752

The accompanying notes form part of these financial statements.

TAFE SA
Notes to and forming part of the financial statements
For the year ended 30 June 2021

1. About TAFE SA

TAFE SA is a not-for-profit statutory Corporation of the state of South Australia, established pursuant to the *TAFE SA Act 2012*.

TAFE SA has a 20% interest in the South Australian Tertiary Admissions Centre (SATAC).

TAFE SA is a member of SATAC who provides admission services to TAFE SA under a service agreement. SATAC became established as an incorporated association on 1 July 2017.

SATAC is an arrangement between the three South Australian universities, the Minister for Education and Charles Darwin University in the Northern Territory.

The interests in this associate are not considered material to TAFE SA's core activities. Consequently, as per AASB 128 *Investments in Associates and Joint Ventures*, they have not been taken up in the accounts on an equity basis.

1.1. Basis of preparation

The financial statements are general purpose financial statements prepared in compliance with:

- section 23 of the *Public Finance and Audit Act 1987*
- *Treasurer's Instructions and Accounting Policy Statements* issued by the Treasurer under the *Public Finance and Audit Act 1987*
- relevant Australian Accounting Standards.

The financial statements are prepared based on a 12 month reporting period and presented in Australian currency. The historical cost convention is used unless a different measurement basis is specifically disclosed in the note associated with the item measured.

Assets and liabilities that are to be sold, consumed or realised as part of the normal operating cycle have been classified as current assets or current liabilities. All other assets and liabilities are classified as non-current.

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

- when the GST incurred on a purchase of goods or services is not recoverable from the Australian Taxation Office, in which case the GST is recognised as part of the cost of acquisition of the asset or as part of the expense item applicable
- receivables and payables, which are stated with the amount of GST included.

TAFE SA is not required to pay a dividend or make an Income Tax Equivalent payment for the 2020-21 financial year.

TAFE SA

Notes to and forming part of the financial statements

For the year ended 30 June 2021

1.2. Objectives and functions

TAFE SA was established as a Public Corporation on 1 November 2012 by the *TAFE SA Act 2012* (the Act). TAFE SA is responsible to the Minister for Education.

The primary objectives of TAFE SA are to:

- provide technical and further education in a manner that is efficient, effective and responsive to the needs of industry, students and the general community
- undertake or facilitate research that relates to technical and further education
- provide consultancy or other services, for a fee or otherwise, in any area in which staff of TAFE SA have particular expertise developed (whether wholly or partly) in the course of, or incidental to, the provision of technical and further education
- undertake or provide for the development or use, for commercial, community or other purposes, of any intellectual property, product or process created or developed (whether wholly or partly) in the course of, or incidentally to, the provision of technical and further education
- perform any other function assigned to it by the Minister for Education.

The *Public Corporations Act 1993* applies to TAFE SA and requires a Charter and Performance Statement to be prepared for TAFE SA by the Minister for Education and Treasurer after consultation with TAFE SA.

Functions of TAFE SA

In reference to the functions set out in the *TAFE SA Act 2012* and the *TAFE SA Charter*, TAFESA's functions include:

- delivering government-funded VET services that meet the economic and social needs of South Australia
- supporting the Minister for Innovation and Skills (Purchasing Minister) to achieve policy objectives in the development of a competitive market for VET services characterised by access and choice.
- strengthening VET in school's activity in support of the government's policy objectives
- delivering higher education programs
- delivering educational programs and services to international students residing in South Australia
- developing VET commercial ventures to ensure viability and delivering a balanced budget as expressly identified in the Minister for Education approved Business and Strategic Plans.

Funding

TAFE SA is predominantly funded by the Department for Innovation and Skills (DIS).

In addition, income is generated from sales and fee for service. These include:

- student fees and charges
- fee for service – industry and enterprises
- global engagement and export
- international student recruitment.

TAFE SA
Notes to and forming part of the financial statements
For the year ended 30 June 2021

1.3. Impact of COVID-19 pandemic on TAFE SA

The COVID-19 pandemic has impacted the operations of TAFE SA and the impacts are included under the relevant disclosure notes.

In 2019-20, the TAFE SA Executive established the COVID-19 Response Program, which supported the rapid transition to non-face-to-face training delivery and related COVID-19 pandemic responses.

At the commencement of the pandemic TAFE SA transitioned approximately 95% of its programs to enable digital or online delivery, ensuring students were able to continue to access vocational training when they couldn't travel.

Student counselling and support services were transitioned to a blended model of service, including in person, online and by phone. This model has remained in place with online or phone support now being the most utilised channel for most students.

TAFE SA implemented student hubs which provided a place for students to access technology to assist with continuing their studies throughout all but the strictest lockdown periods.

In 2020-21, TAFE SA continues to be impacted by COVID-19 and response plans are activated as and when required.

The total number of international enrolments at TAFE SA decreased by 22% to 1087 compared to 1392 enrolments in 2019-20 financial year. TAFE SA had no new International Students arriving from overseas in 2020-21 due to international travel restrictions.

In 2020-21, TAFE SA reduced debt recovery activities in support of students that were experiencing financial difficulties due to COVID-19. The Provision for Expected Credit Loss is calculated using a forward-looking provision matrix and was increased in 2019-20 and 2020-21 to include the impacts of COVID-19.

In 2020-21, there are additional expenses of \$667,000 relating mainly to hygiene and cleaning activities across campuses as a result of COVID-19. However, pandemic restrictions and working from home arrangements have resulted in lower expenses for administration costs and teaching consumables.

TAFE SA

Notes to and forming part of the financial statements

For the year ended 30 June 2021

1.4. Budget performance

The budget performance table compares TAFE SA's outcomes against budget information presented to Parliament (2020-21 Budget Paper 4). The budget amounts have not been adjusted to reflect subsequent budget revisions or administrative restructures. The budget process is not subject to audit.

	Note	Original budget 2021 \$'000	Actual 2021 \$'000	Variance \$'000
Statement of Comprehensive Income				
Income				
Grants and subsidies from Department for Innovation and Skills		227 154	231 332	4 178
Student and other fees and charges		79 815	82 634	2 819
Commonwealth sourced grants and funding		2 911	2 580	(331)
Other grants and contributions		3 183	3 028	(155)
SA Government transfers		-	4 823	4 823
Resources received free of charge		-	2 938	2 938
Net gain from disposal of non-current assets		-	29	29
Other income		2 689	3 351	662
Total income		315 752	330 715	14 963
Expenses				
Employee benefits expenses		225 760	205 960	(19 800)
Supplies and services		65 040	61 552	(3 488)
Depreciation and amortisation expense		26 009	26 156	147
Grants and subsidies		104	76	(28)
Borrowing Costs		41	13	(28)
Other Expenses		5 126	3 787	(1 339)
Total expenses		322 080	297 544	(24 536)
Net result		(6 328)	33 171	39 499
Total comprehensive result		(6 328)	33 171	39 499

	Note	Original budget 2021 \$'000	Actual 2021 \$'000	Variance \$'000
Investing expenditure summary				
Total new projects		1,400	239	1 161
Total annual programs		11,027	8 721	2 306
Total Right of Use leases		950	217	733
Contributed assets		-	30	(30)
Total investing expenditure		13 377	9 207	4 170

Explanations are provided for variances where the variance exceeds the greater of 10% of the original budgeted amount and 5% of original budgeted amount for expenses. No items meet these criteria.

TAFE SA
Notes to and forming part of the financial statements
For the year ended 30 June 2021

1.5. Significant transactions with government related entities

Significant transactions with the SA Government are identifiable throughout this financial report. Noteworthy are transactions with DIS - refer Note 2.1.

2. Income

2.1. Grants and subsidies from Department for Innovation and Skills

	2021	2020
	\$'000	\$'000
Funding for delivery of VET training	212 156	231 427
Funding for VET Capital Projects	19 176	14 842
Total grants and subsidies from DIS	231 332	246 269

Grants and subsidies from the Department for Innovation and Skills are recognised on receipt as the Memorandum of Administrative Arrangement provides for the allocation of funding without any withholding of funds associated with non-achievement of performance criteria.

2.2. Commonwealth-sourced grants and funding

	2021	2020
	\$'000	\$'000
Aboriginal projects	100	434
Revitalising TAFE campuses project	2 000	-
Other specific commonwealth revenue	480	783
Total Commonwealth grants	2 580	1 217

Commonwealth sourced grants and funding are recognised on completion of agreed deliverables and in compliance with all obligations under the agreement.

TAFE SA
Notes to and forming part of the financial statements
For the year ended 30 June 2021

2.3. Student and other fees and charges

	2021	2020
	\$'000	\$'000
Sales/fee for service revenue	44 985	44 334
Student enrolment fees and charges	33 083	31 783
Other user fees and charges	4 566	4 789
Total student and other fees and charges	82 634	80 906

Contract balances

	2021	2020
	\$'000	\$'000
Contract assets	2 481	3 704
Total Contract Assets	2 481	3 704

	2021	2020
	\$'000	\$'000
Contract liabilities	3 674	4 606
Total Contract Liabilities	3 674	4 606

Student and other fees and charges are recognised when performance obligations have been satisfied.

Performance obligations for student enrolment and charges for domestic and international students as well as short courses, are provided over time and inputs are expended evenly over the performance period.

Contract assets primarily relate to TAFE SA's rights to consideration for work completed but not billed at the reporting date in relation to Adult Migrant English Program and Skills for Education and Employment. Amounts are billed in accordance with agreed upon contractual terms (i.e. periodic intervals). Contract assets are transferred to receivables when the rights become unconditional.

Contract liabilities primarily relate to student and fee charges where student courses have not commenced at reporting date and the proportion of fees relating to courses commenced but not completed at reporting date.

The remaining performance obligations in relation to contract liabilities are expected to be recognised within the next 12 months.

TAFE SA
Notes to and forming part of the financial statements
For the year ended 30 June 2021

2.4. Other grants and contributions

	2021	2020
	\$'000	\$'000
Grants and subsidies revenue	3 005	2 650
Miscellaneous contributions	23	45
Total other grants and contributions	3 028	2 695

The majority of grants and subsidies revenue is the Childcare Rebate from the Commonwealth, which is recognised when TAFE SA is entitled to the rebate. The entitlement to the revenue is based on the attendance of children in child care.

2.5. SA Government grants, subsidies and transfers

	2021	2020
	\$'000	\$'000
TVSP reimbursement from the Department of Treasury and Finance (DTF)	3 507	10 650
Rent relief	898	-
Grants from other entities within SA government	418	557
Total SA Government transfers	4 823	11 207

Revenue is recognised upon receipt.

2.6. Resources received free of charge

	2021	2020
	\$'000	\$'000
Services received free of charge from Shared Services SA	2 293	2 629
Services received free of charge from the Department of Premier and Cabinet (DPC)	615	-
Contributed assets	30	-
Donations	-	8
Total resources received free of charge	2 938	2 637

Contributions of services are recognised only when a fair value can be determined reliably, and the services would be purchased if they had not been donated.

Shared Services SA and DPC are appropriation funded for the services provided to general government agencies.

TAFE SA receives Financial Accounting, Taxation, Payroll, Accounts Payable and Accounts Receivable services from Shared Services SA free of charge, following Cabinet's approval to cease intra-government charging.

TAFE SA receives Centralised IT and Telecommunication services by ICT and Digital Government from DPC. This is the first year that the ICT and Digital Government division provided services free of charge to TAFE SA and is the result of a revised billing model across the South Australian Government. Corresponding expenses are recognised in Other expenses.

TAFE SA
Notes to and forming part of the financial statements
For the year ended 30 June 2021

2.7. Net gain from disposal of property, plant and equipment

	2021	2020
	\$'000	\$'000
Plant and equipment		
Proceeds from disposal	47	16
Less carrying amount of assets disposed	(18)	(11)
Net gain from disposal of plant and equipment	<u>29</u>	<u>5</u>
Total property, plant and equipment		
Total proceeds from disposal	47	16
Less total carrying amount of assets disposed	(18)	(11)
Total net gain from disposal of non-current assets	<u>29</u>	<u>5</u>

Gains or losses on disposal are recognised at the date control of the assets is passed from TAFE SA and determined after deducting the carrying amount of the asset from the proceeds at that time. When revalued assets are disposed, the revaluation surplus is transferred to retained earnings.

3. Board, committees and employees

3.1. Key management personnel

Key management personnel of TAFE SA include the Minister for Education, the eight former and current non-executive board members, the Chief Executive Officer and the seven former and current members of the Executive Team who have, or during the year have had, responsibility for the strategic direction and management of TAFE SA.

The compensation disclosed in this note excludes salaries and other benefits the Minister for Education receives. The Minister's remuneration and allowances are set by the *Parliamentary Remuneration Act 1990* and the Remuneration Tribunal of SA respectively and are payable from the Consolidated Account (via DTF) under section 6 the *Parliamentary Remuneration Act 1990*.

	2021	2020
	\$'000	\$'000
Compensation		
Salaries and other short term employee benefits	2 199	2 234
Post-employment benefits	207	235
Other long-term employment benefits	-	14
Termination benefits	255	112
Total compensation	<u>2 661</u>	<u>2 595</u>

Transactions with key management personnel and other related parties

There were no transactions with key management personnel and other related parties.

TAFE SA
Notes to and forming part of the financial statements
For the year ended 30 June 2021

3.2. Board and committee members

Members during the 2021 financial year were:

TAFE SA Board

Joanne Denley (Chair) Appointed 31 October 2020

Jacqueline McGill (Chair) Ceased 30 October 2020

Jennifer Cleary

Judith Curran

David Hughes

Craig Fowler

Andrew Marshall

Sam Scammell

Academic & Quality Committee

Craig Fowler (Chair)

Jennifer Cleary Appointed 1 January 2021

Judith Curran

Joanne Denley

Audit & Risk Committee

David Hughes (Chair) Appointed 1 January 2021

Joanne Denley (Chair) Ceased 31 December 2020

Andrew Marshall

Sam Scammell

Judith Curran Ceased 31 December 2020

Human Resources Committee

Joanne Denley (Chair) Appointed 31 October 2020

Jacqueline McGill (Chair) Ceased 30 October 2020

Judith Curran Appointed 1 January 2021

Sam Scammell

Finance Committee – Ceased 31 December 2020

David Hughes (Chair)

Jennifer Cleary

Craig Fowler

Jacqueline McGill

Andrew Marshall

The functions of the Finance Committee have been absorbed into the Board and the Audit & Risk Committee.

Higher Education Academic Board

Craig Fowler (Chair)

TAFE SA
Notes to and forming part of the financial statements
For the year ended 30 June 2021

3.2 Board and committee members (continued)

Board and committee remuneration

The number of members whose remuneration received or receivable falls within the following bands:

	2021	2020
\$20 000 - \$39 999	1	1
\$40 000 - \$59 999	6	6
\$60 000 - \$79 999	1	-
\$80 000 - \$99 999	-	1
Total number of members	8	8

The total remuneration received or receivable by members was \$386 000 (2020: \$404 000). Remuneration of members reflects all costs of performing board/committee member duties including sitting fees, superannuation contributions, salary sacrifice benefits, fringe benefits and related fringe benefits tax.

Unless otherwise disclosed, transactions between members are on conditions no more favourable than those that it is reasonable to expect the entity would have adopted if dealing with the related party at arms length.

3.3. Employee benefits expenses

	2021	2020
	\$'000	\$'000
Salaries and wages (including annual leave)	170 175	182 517
Employment on-costs - superannuation	16 772	17 039
Employment on-costs - other	9 364	10 093
Long service leave	2 269	2 631
Targeted voluntary separation payments	3 841	10 522
Workers compensation	1 837	1 936
Skills and experience retention leave	982	1 099
Board and committee fees	352	367
Other employee related costs	368	506
Total employee benefits expenses	205 960	226 710

Employment on-costs – superannuation

The superannuation employment on-cost charge represents TAFE SA's contributions to superannuation plans in respect of current services of current employees. DTF centrally recognises the super liability in the whole of government financial statements.

TAFE SA
Notes to and forming part of the financial statements
For the year ended 30 June 2021

3.3 Employee benefits expenses (continued)

Employee remuneration

	2021	2020
	Number	Number
The number of employees whose remuneration received or receivable falls within the following bands:		
\$154 001 to \$174 000	8	11
\$174 001 to \$194 000	6	6
\$194 001 to \$214 000	6	1
\$214 001 to \$234 000	-	1
\$234 001 to \$254 000	2	3
\$254 001 to \$274 000	3	2
\$274 001 to \$294 000	1	5
\$294 001 to \$314 000	-	7
\$314 001 to \$334 000	-	3
\$354 001 to \$374 000	1	4
\$374 001 to \$394 000	-	1
\$394 001 to \$414 000	2	-
\$414 001 to \$434 000	-	1
\$434 001 to \$454 000	1	1
Total	30	46

The total remuneration received by these employees for the year was \$6.8 million (2020: \$11.9 million).

The table includes all employees who received remuneration equal to or greater than the base executive remuneration level during the year. Remuneration of employees reflects all costs of employment including salaries and wages, payments in lieu of leave, superannuation contributions, termination payments, salary sacrifice benefits, fringe benefits and related fringe benefits tax.

The table includes 3 non-executive employees who received / accepted Targeted Voluntary Separation Package termination payments (2020: 21).

Targeted voluntary separation packages

The number of employees who accepted a Targeted Voluntary Separation Package during the reporting period was 47 (2020: 112).

	2021	2020
	\$'000	\$'000
Amount paid to separated employees:		
Targeted Voluntary Separation Packages	3 841	10 522
Leave paid to separated employees	952	3 727
Recovery from DTF	(3 507)	(10 650)
Net cost to TAFE SA	1 286	3 599

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For the year ended 30 June 2021

3.4. Employee benefits liability

	2021	2020
	\$'000	\$'000
Current		
Annual leave	6 839	7 695
Accrued salaries and wages	6 512	5 569
Non-attendance days	4 338	4 311
Long service leave	2 132	2 616
Skills and experience retention leave	1 936	1 832
Total current employee benefits	21 757	22 023
Non-current		
Long service leave	39 261	39 872
Total non-current employee benefits	39 261	39 872
Total employee benefits	61 018	61 895

Employee benefits accrue as a result of services provided up to the reporting date that remain unpaid. Long-term employee benefits are measured at present value and short-term employee benefits are measured at nominal amounts.

Salaries, wages, annual leave, skills and experience retention leave (SERL), non-attendance days and sick leave.

The liability for salaries and wages is measured as the amount unpaid at the reporting date at remuneration rates current at reporting date.

The annual leave liability and the SERL liability in full is expected to be payable within 12 months and is measured at the undiscounted amount expected to be paid. Non-attendance days are accrued annually for employees engaged under the TAFE SA Act but are non-cumulative.

No provision has been made for sick leave as all sick leave is non-vesting and the average sick leave taken in future years by employees is estimated to be less than the annual entitlement for sick leave.

Long service leave

The liability for long service leave is measured as the present value of expected future payments to be made in respect of services provided by employees up to the end of the reporting period using the projected unit credit method. Details about the measurement of long service leave liability is provided as note 11.1.

TAFE SA
Notes to and forming part of the financial statements
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4. Expenses

Employee benefits expenses are disclosed in note 3.3.

4.1. Supplies and services

	2021	2020
	\$'000	\$'000
General administration and consumables	21 543	22 630
Fees - contracted services	9 537	10 683
Books, materials and copyright	7 994	8 485
Minor works, maintenance and equipment	10 705	7 976
Information technology and communication	7 781	8 377
Accommodation	1 271	1 453
Vehicle and travelling expenses	562	733
Short term leases	-	13 851
Funding to external vocational education and training providers	182	323
Consultants	488	284
Legal costs	269	143
Other	1 220	2 946
Total supplies and services	61 552	77 884

Short-term leases

In 2019-20, the land and buildings relating to the TAFE SA campuses and office accommodation were transferred from DIS and Renewal SA to TAFE SA on 31 October 2019 and 1 November 2019 respectively. TAFE SA leased campuses and offices on a short-term basis prior to this transfer. The related expense is disclosed as a short-term lease.

Consultants

The number of consultancies and dollar amount paid/payable (included in supplies and services expense) to consultants that fell within the following bands:

	2021	2021	2020	2020
	No.	\$'000	No.	\$'000
Below \$10 000	5	14	2	13
Above \$10 000	7	474	8	271
Total paid / payable to the consultants engaged	12	488	10	284

TAFE SA
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4.2. Depreciation and amortisation

	2021	2020
	\$'000	\$'000
Depreciation		
Buildings	21 073	13 965
Right-of-use buildings	5	20
Plant and equipment	1 644	1 628
Right-of-use plant and equipment	608	788
Library collection	82	84
Total depreciation	<u>23 412</u>	<u>16 485</u>
Amortisation		
Intangible assets	2 744	2 510
Total amortisation	<u>2 744</u>	<u>2 510</u>
Total depreciation and amortisation	<u>26 156</u>	<u>18 995</u>

All non-current assets, not held for sale with a limited useful life, are systematically depreciated / amortised over their useful lives in a manner that reflects the consumption of their service potential.

Useful life

Depreciation and amortisation are calculated on a straight-line basis. Property, plant and equipment and intangible assets depreciation and amortisation are calculated over the estimated useful life of the following classes of assets as follows:

Class of asset	Useful life (years)
Buildings	11 - 43
Plant and equipment	1 - 40
Library collections	3 - 15
Right-of-use assets	Lease term
Intangibles	5 - 10

The amortisation period and the amortisation method for intangible assets is reviewed on an annual basis.

Review of accounting estimates

Assets' residual values, useful lives and amortisation methods are reviewed and adjusted, if appropriate, on an annual basis. Changes in the expected life or the expected pattern of consumption of future economic benefits embodied in the asset are accounted for prospectively by changing the time period or method, as appropriate.

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4.3. Borrowing costs

TAFE SA has lease liabilities of \$611,000 which have been measured via discounting lease payments using either the interest rate implicit in the lease (where it is readily determined) or Treasury's incremental borrowing rate. There were no defaults or breaches on any of the above liabilities throughout the year.

The borrowing costs associated with these liabilities was \$13,000. Refer to Note 7.2.

4.4. Other expenses

	2021	2020
	\$'000	\$'000
Other*	3 453	3 111
Impairment loss on receivables	334	1 877
Total other expenses	3 787	4 988

*Audit fees paid / payable to the Auditor-General's Department relating to work performed under the *Public Finance and Audit Act* were \$253 900 (2020: \$254 200). No other services were provided by the Auditor-General's Department.

*Resources provided free of charge that were expensed at fair value were \$2,908,000 (2020: \$2,637,000), and were expensed at fair value. Refer to Note 2.6.

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Notes to and forming part of the financial statements
For the year ended 30 June 2021

5. Non-financial assets

5.1. Property, plant and equipment by asset class

Property, plant and equipment comprises owned and right-of-use (leased) tangible assets. The assets presented below do not meet the definition of investment property.

	2021 \$'000	2020 \$'000
<u>Land and buildings</u>		
Land at fair value	136 060	136 060
Buildings at fair value	496 856	495 160
Accumulated depreciation at the end of the period	<u>(35 836)</u>	<u>(14 763)</u>
Total land and buildings	<u>597 080</u>	<u>616 457</u>
<u>Plant and equipment</u>		
Plant and equipment at cost (deemed fair value)	30 744	29 848
Accumulated depreciation at the end of the period	<u>(20 620)</u>	<u>(19 490)</u>
Total plant and equipment	<u>10 124</u>	<u>10 358</u>
<u>Library collection</u>		
Library collection at fair value	16 548	16 493
Accumulated depreciation	<u>(15 837)</u>	<u>(15 755)</u>
Total library collection	<u>711</u>	<u>738</u>
<u>Right-of-use plant and equipment</u>		
Right-of-use plant and equipment at cost	1 473	1 604
Accumulated depreciation at the end of the period	<u>(871)</u>	<u>(607)</u>
Total right-of-use plant and equipment	<u>602</u>	<u>997</u>
<u>Right-of-use buildings</u>		
Right-of-use buildings at cost	-	75
Accumulated depreciation at the end of the period	<u>-</u>	<u>(20)</u>
Total right-of-use buildings	<u>-</u>	<u>55</u>
<u>Work in progress</u>		
Capital work in progress at cost	<u>3 441</u>	<u>253</u>
Total work in progress	<u>3 441</u>	<u>253</u>
Total property, plant and equipment	<u>611 958</u>	<u>628 858</u>

TAFE SA
Notes to and forming part of the financial statements
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5.2. Property, plant and equipment owned by TAFE SA

Property, plant and equipment owned by TAFE SA with a value equal to or in excess of \$10 000 is capitalised, otherwise it is expensed. Property plant and equipment owned by TAFE SA is recorded at fair value. Detail about TAFE SA's approach to fair value is set out in note 11.2.

Plant and equipment includes \$8.5 million of fully depreciated plant and equipment still in use.

Reconciliation of property, plant and equipment owned by TAFE SA during 2020-21

	2021	Land \$'000	Buildings \$'000	Leasehold improvements \$'000	Plant and equipment \$'000	Library Collection \$'000	Work in progress \$'000	Total \$'000
Carrying amount at 1 July 2020		136 060	480 397	-	10 358	738	253	627 806
Additions		-	267	-	903	55	5 112	6 337
Disposals		-	-	-	(18)	-	-	(18)
Contributed assets		-	-	-	30	-	-	30
Capitalisation		-	1 429	-	495	-	(1 924)	-
Depreciation		-	(21 073)	-	(1 644)	(82)	-	(22 799)
Carrying amount at 30 June 2021		136 060	461 020	-	10 124	711	3 441	611 356

Reconciliation of property, plant and equipment owned by TAFE SA during 2019-20

	2020	Land \$'000	Buildings \$'000	Leasehold improvements \$'000	Plant and equipment \$'000	Library Collection \$'000	Work in progress \$'000	Total \$'000
Carrying amount at 1 July 2019		-	-	3 775	10 856	758	254	15 643
Additions		136 060	478 531	-	1 141	64	12 055	627 851
Disposals		-	-	-	(11)	-	-	(11)
Transfers between asset classes		-	3 775	(3 775)	-	-	-	-
Capitalisation		-	12 056	-	-	-	(12 056)	-
Depreciation		-	(13 965)	-	(1 628)	(84)	-	(15 677)
Carrying amount at 30 June 2020		136 060	480 397	-	10 358	738	253	627 806

TAFE SA
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5.3. Property, plant and equipment leased by TAFE SA

Property, plant and equipment leased by TAFE SA as lessee is measured at cost. There are no indicators of impairment. Additions to leased property, plant and equipment during 2020-21 were \$217 000 (2019-20 \$705 000).

Short-term leases of 12 months or less and low value leases where the underlying asset value is less than \$15 000 are not recognised as right-of-use assets. The associated lease payments are recognised as an expense and are disclosed in note 4.1.

TAFE SA has a limited number of leases:

- 103 motor vehicle leases with the South Australian Government Financing Authority (SAFA). Motor vehicle leases are non-cancellable, with rental payments monthly in arrears. Motor vehicle lease terms can range from 3 years (60,000km) up to 5 years (100,000km). No contingent rental provisions exist within the lease agreements and no options exist to renew the leases at the end of their term.
- The five-year building lease agreement for office accommodation at Naracoorte ceased on 30 September 2020.

5.4. Intangible assets

	2021	2020
	\$'000	\$'000
Computer software		
Internally developed computer software	10 489	7 474
Accumulated amortisation	(5 055)	(3 931)
Total software licences	<u>5 434</u>	<u>3 543</u>
Externally developed computer software		
Purchased computer software	15 480	15 480
Accumulated amortisation	(14 297)	(12 677)
Total externally developed computer software	<u>1 183</u>	<u>2 803</u>
Computer software - work in progress	656	1 044
Total intangibles	<u><u>7 273</u></u>	<u><u>7 390</u></u>

Intangible assets are initially measured at cost and are tested for indications of impairment at each reporting date. Following initial recognition, intangible assets are carried at cost less any accumulated amortisation and any accumulated impairment losses.

The acquisition of internal development of software is capitalised only when the expenditure meets the definition and recognition criteria and when the amount of expenditure is greater than or equal to \$10 000.

The internally developed computer software predominantly relates to TAFE SA's Student Information System (SIS) with a remaining useful life of (5-10 years).

TAFE SA
Notes to and forming part of the financial statements
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5.4 Intangible assets (continued)

Reconciliation of intangible assets 2020-21

	2021	Intangibles \$'000	Intangibles work in progress \$'000	Total \$'000
Carrying amount at the beginning of the period		6 346	1 044	7 390
Additions		-	2 627	2 627
Capitalisations		3 015	(3 015)	-
Amortisation		(2 744)	-	(2 744)
Carrying amount at the end of the period		<u>6 617</u>	<u>656</u>	<u>7 273</u>

Reconciliation of intangible assets 2019-20

	2020	Intangibles \$'000	Intangibles work in progress \$'000	Total \$'000
Carrying amount at the beginning of the period		7 337	1 716	9 053
Additions		-	1 430	1 430
Capitalisations		1 519	(1 519)	-
Write off		-	(583)	(583)
Amortisation		(2 510)	-	(2 510)
Carrying amount at the end of the period		<u>6 346</u>	<u>1 044</u>	<u>7 390</u>

5.5. Inventories

	2021 \$'000	2020 \$'000
Current - held for sale		
Materials at cost	95	92
Current - held for distribution at no or nominal amount		
Material at cost	613	652
Total current inventories	<u>708</u>	<u>744</u>
Total inventories	<u>708</u>	<u>744</u>

Inventories held for distribution at no or nominal consideration are measured at cost and adjusted when applicable for any loss of service potential. Inventories held for sale are measured at the lower of cost or their net realisable value.

Cost is assigned to low volume inventory items on a specific identification of cost basis.

Cost of all other inventory is measured on the basis of the first-in, first-out method. Net realisable value is determined using the estimated sales proceeds less costs incurred in marketing, selling and distribution to customers.

TAFE SA
Notes to and forming part of the financial statements
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6. Financial assets

6.1. Cash and cash equivalents

	2021	2020
	\$'000	\$'000
Deposits with the Treasurer	136 839	80 746
Imprest account / cash on hand	-	6
Total cash and cash equivalents	136 839	80 752

Deposits with the Treasurer

The financial activities of TAFE SA are primarily conducted through a Special Deposit Account with DTF pursuant to section 8 of the *Public Finance and Audit Act 1987*. The Special Deposit Account is used for funds provided by the *Subsidised Training* program from DIS, Commonwealth grants and revenues from fees and charges.

6.2. Receivables

	2021	2020
	\$'000	\$'000
<u>Current</u>		
Trade receivables		
From government entities	239	294
From non-government entities	9 437	9 638
Less ECL impairment loss on receivables	(3 056)	(2 721)
Total trade receivables	6 620	7 211
GST input tax recoverable	2 512	925
Prepayments	3 516	1 809
Workers' compensation recoveries	9	14
Total current receivables	12 657	9 959
<u>Non-current</u>		
Workers compensation recoveries	43	66
Other receivables	-	2
Total non-current receivables	43	68
Total receivables	12 700	10 027

Trade receivables arise in the normal course of selling goods and services to other government agencies and to the public. Trade receivables are normally settled within 30 days after the issue of an invoice or the goods / services have been provided under a contractual arrangement. Receivables, prepayments and accrued revenues are non-interest bearing. Receivables are held with the objective of collecting the contractual cash flows and they are measured at amortised cost.

The net amount of GST payable to the ATO is included as part of receivables.

Other than as recognised in the impairment loss on receivables, it is not anticipated that counterparties will fail to discharge their obligations. The carrying amount of receivables approximates net fair value due to being receivable on demand. There is no concentration of credit risk.

Refer to note 11.3 for further information on risk management.

TAFE SA
Notes to and forming part of the financial statements
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6.2. Receivables (continued)

Impairment loss on receivables

	2021	2020
	\$'000	\$'000
Carrying amount at the beginning of the period	2 721	1 366
Increase / (decrease) in the allowance recognised in Profit or loss	508	1 877
Amounts written off	(173)	(522)
Carrying amount at end of the period	3 056	2 721

All of the above impairment losses are from receivables arising from contracts with customers.

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7. Liabilities

7.1. Payables

	2021	2020
	\$'000	\$'000
Current		
Accrued expenses	14 865	6 001
Employment on-costs	3 956	3 988
Trade payables	966	929
Paid parental leave scheme payable	10	22
Other	12	15
Total current payables	19 809	10 955
Non-current		
Employment on-costs	4 648	4 608
Creditors	80	80
Total non-current payables	4 728	4 688
Total payables	24 537	15 643

Payables measured at nominal amounts. Payables and accruals are raised for all amounts owing but unpaid. Sundry payables are normally settled within 30 days from the date the invoice is first received. All payables are non-interest bearing. The carrying amount of payables represents fair value due to their short-term nature.

Employment on-costs

Employment on-costs include payroll tax, Return to Work SA levies and superannuation contributions and are settled when the respective employee benefits they relate to is discharged.

TAFE SA contributes to several State Government and externally managed superannuation schemes. These contributions are treated as an expense when they occur. There is no liability for payments to beneficiaries as they have been assumed by the respective superannuation schemes. The only liability outstanding at reporting date relates to any contributions due but not yet paid to the South Australian Superannuation Board and externally managed superannuation schemes.

As a result of an actuarial assessment performed by DTF, the portion of long service leave taken as leave has changed from the 2020 rate (64%) to 65% and the average factor for the calculation of employer superannuation on-costs changed from the 2020 rate (9.8%) to 10.1%. These rates are used in the employment on-cost calculation. The net financial effect of the changes in current financial year is immaterial.

Paid parental leave scheme

Paid parental leave scheme payable represents amounts which TAFE SA has received from the Commonwealth Government to forward onto eligible employees via TAFE SA's standard payroll processes. That is, TAFE SA is acting as a conduit through which the payment to eligible employees is made on behalf of the Family Assistance Office.

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7.2. Financial liabilities

	2021	2020
	\$'000	\$'000
Current		
Lease liabilities current	491	595
Total current financial liabilities	<u>491</u>	<u>595</u>
Non-current		
Lease liabilities non-current	120	465
Total non-current financial liabilities	<u>120</u>	<u>465</u>
Total financial liabilities	<u><u>611</u></u>	<u><u>1 060</u></u>

TAFE SA has lease liabilities of \$611,000 which have been measured via discounting lease payments using either the interest rate implicit in the lease (where it is readily determined) or Treasury's incremental borrowing rate. There were no defaults or breaches on any of the above liabilities throughout the year.

The borrowing costs associated with these liabilities was \$13,000. Refer to Note 4.3.

All material cash outflows are reflected in the lease liabilities disclosed above.

Refer to Note 11.3 for information on risk management.

TAFE SA
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7.3. Provisions

	2021	2020
	\$'000	\$'000
Current		
Provision for workers compensation	954	847
Total current provisions	<u>954</u>	<u>847</u>
Non-current		
Provision for workers compensation	2 807	2 296
Total non-current provisions	<u>2 807</u>	<u>2 296</u>
Total provisions	<u><u>3 761</u></u>	<u><u>3 143</u></u>
	2021	2020
	\$'000	\$'000
Carrying amount at the beginning of the period	3 143	2 746
Increase / (Decrease) in provisions recognised	<u>618</u>	<u>397</u>
Carrying amount at the end of the period	<u><u>3 761</u></u>	<u><u>3 143</u></u>

TAFE SA as a self-insurer is responsible for the payment of workers compensation claims and the implementation and funding of preventative programs.

The liability has been reported to reflect unsettled workers compensation claims. The workers compensation provision is based on an actuarial assessment of the outstanding liability as at 30 June 2021 provided by a consulting actuary engaged through the Office of the Commissioner for Public Sector Employment. The liability was calculated in accordance with AASB 137 as the present value of the expenditure expected to be required to settle obligations incurred as at 30 June. No risk margin is included in the estimate.

There is a significant degree of uncertainty associated with estimating future claim and expense payments. The liability is impacted by agency claim experience relative to other agencies, average claim sizes and other economic and actuarial assumptions.

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8. Other disclosures

8.1. Cash flow

Cash flows are included in the Statement of Cash Flows on a gross basis and the GST component of cash flows arising from investing and financing activities, which is recoverable from, or payable to, the ATO is classified as part of operating cash flows.

	2021 \$'000	2020 \$'000
Reconciliation of cash and cash equivalents at the end of the reporting period		
Cash and cash equivalents disclosed in the Statement of Financial Position	136 839	80 752
Balance as per the Statement of Cash Flows	<u>136 839</u>	<u>80 752</u>
Reconciliation of net cash provided by operating activities to net cost of providing services		
Net cash provided by operating activities	63 261	95 867
GST paid on the purchase of property, plant and equipment	-	(62 306)
Add / (less) non-cash items		
Depreciation and amortisation	(26 156)	(18 995)
Net gain/(loss) from disposal of non-current and other assets	29	5
Resources received free of charge	2 908	2 629
Other expenses	(2 908)	(3 210)
Contributed assets	30	-
Movement in assets and liabilities		
Increase / (decrease) in receivables	2 673	(11 732)
(Decrease) in inventories	(36)	(75)
(Decrease) / increase in contract asset	(1 223)	3 704
(Increase) / decrease in payables	(6 539)	10 906
Decrease in employee benefits liability	877	4 584
(Increase) / decrease in other liabilities	(59)	135
Decrease in provisions	(618)	(397)
Decrease / (Increase) in contract liabilities	932	(2 064)
Net result	<u>33 171</u>	<u>19 051</u>

The cash outflows for leases is \$609,000 (2020: \$1.2 Million).

9. Changes in accounting policy

There were no changes in accounting policies during the year. Refer to Note 1.1 (basis of preparation).

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10. Outlook

10.1. Unrecognised contractual commitments

Commitments include capital, operating and outsourcing commitments arising from contractual or statutory sources and are disclosed at their nominal value.

Unrecognised contractual commitments are disclosed net of the amount of GST recoverable from or payable to the Australian Taxation Office (ATO). If GST is not payable to, or recoverable from, the ATO the commitments are disclosed on a gross basis.

Capital commitments

	2021	2020
	\$'000	\$'000
Within one year	1 145	406
Later than one year but not later than five years	-	18
Total capital commitments	1 145	424

The increase in committed expenditure relates to upgrading infrastructure at campuses

Other commitments

	2021	2020
	\$'000	\$'000
Within one year	9 491	13 777
Later than one year but not later than five years	2 350	13 009
Total other commitments	11 841	26 786

TAFE SA's other commitments relate to cleaning contracts, security contracts and other procurement commitments.

10.2. Contingent assets and liabilities

The estimated cost of rectification / remediation training of Aviation Engineering Maintenance students who have been impacted by the Civil Aviation Safety Authority audit assessed in 2018-19 is \$1.0 million. The claims are being settled directly between TAFE SA, SAicorp as the insurer and the respective claimants, but none of these claims progressed during 2020-21. It is anticipated that the current claims value is a lesser amount.

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10.3. Impact of standards and statements not yet effective

TAFE SA has assessed the impact of the new and amended Australian Accounting Standards and Interpretations not yet implemented and changes to the Accounting Policy Statements issued by the Treasurer. There are no Accounting Policy Statements that are not yet in effect.

Amending Standard AASB 2021-2 *Amendments to Australian Accounting Standards - Disclosure of Accounting Policies and Definition of Accounting Estimates* will apply from 1 July 2023. Although applicable to TAFE SA, this amending standard is not expected to have an impact on TAFE SA's general purpose financial statements. TAFE SA will update its policies, procedures and work instructions, where required, to reflect the additional clarification requirements.

Amending Standard AASB 2020-1 *Amendments to Australian Accounting Standards – Classification of Liabilities as Current or Non-current* will apply from 1 July 2023. TAFE SA continues to assess liabilities e.g. LSL and whether or not TAFE SA has a substantive right to defer settlement. Where applicable these liabilities will be classified as current.

10.4. COVID-19 pandemic outlook for TAFE SA

The COVID-19 pandemic will continue to impact the operations of TAFE SA in 2020-21. The impact is predominantly related to the economic impact of COVID-19 locally and globally, as well as the continued border controls.

Expenses

TAFE SA anticipate a continued extraordinary cost associated with maintenance of social distancing measures and appropriate levels of hygiene and sanitation. However, these costs may be more than offset by the reduced travel and other related costs as a consequence of increased digitised delivery.

Doubtful debt provisioning, and bad debt write-offs may be higher over the following financial years due to the inability for students to quickly recover from the individual financial impacts of COVID-19. The bad debt write-offs may also be higher should there be an increase in the closure of businesses that support TAFE SA industry partnerships and apprenticeship programs.

Revenue

TAFE SA recognise a continued risk associated with revenue sources due to continued restrictions including:

- closed borders both at state and international level
- reduced demand for trained staff, meaning that training is valued less in some industry sectors (hospitality and tourism)
- reduced availability of placements in industry restricting enrolment numbers
- resulting economic downturn reducing capacity for industry partnerships and apprenticeship support, mitigated by a greater potential for community to engage in retraining during periods of high unemployment.

TAFE SA continue to focus on alternate delivery methods to increase access and choice for students and industry and ensure the capacity to continue to deliver quality training with adherence to COVID-19 restrictions.

10.5. Events after the reporting period

There are no identified events after the reporting period.

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11. Measurement and risk

11.1. Long service leave liability - measurement

AASB 119 *Employee Benefits* contains the calculation methodology for long service leave liability.

The actuarial assessment performed by DTF has provided a basis for the measurement of long service leave and is based on actuarial assumptions on expected future salary and wage levels, experience of employee departures and periods of service. These assumptions are based on employee data over the education sector across government.

AASB 119 requires the use of the yield on long term Commonwealth Government bonds as the discount rate in the measurement of the long service leave liability. The yield on long term Commonwealth Government bonds changed to 1.00% from 0.50% in 2020.

The actuarial assessment performed by DTF did not change the salary inflation rate (2020: 2.5%) for long service leave liability and (2020: 2%) for annual leave, non-attendance days, and skills, experience and retention leave liability.

The net financial effect of the changes to actuarial assumptions in the current financial year is a decrease in the long service leave liability of \$1.5 million. The impact on future periods is impracticable to estimate as the long service leave liability is calculated using a number of demographic and financial assumptions – including the long-term discount rate.

Long service leave entitlements for hourly paid instructors (HPIs) have been excluded from these statements due to the complexities and impracticability of retrieving accurate information in a timely manner from the CHRIS21 payroll system. Long service leave entitlement data for HPIs is only updated in CHRIS21 once actual leave requests have been manually verified against Human Resource records on a case by case basis. The empirical evidence of HPI employees taking long service leave entitlements indicates that the HPI long service leave balance is immaterial.

Current long service leave reflects the portion of leave expected to be settled within the next 12 months based on the average long service leave taken annually over the previous 2 years.

11.2. Fair value

AASB 13 *Fair Value Measurement* defines fair value as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants, in the principal or most advantageous market, at the measurement date.

Initial recognition

Non-current tangible assets are initially recorded at cost or at the value of any liabilities assumed, plus any incidental cost involved with the acquisition.

Where assets are acquired at no value, or minimal value, they are recorded at fair value in the Statement of Financial Position. However, if the assets are acquired at no or nominal value as part of a restructure of administrative arrangements, then the assets are recognised at book value (that is the amount recorded by the transferor public authority immediately prior to the restructure).

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11.2. Fair value (continued)

Revaluation

Property, plant and equipment, other than right of use assets, are subsequently measured at fair value after allowing for accumulated depreciation.

All non-current tangible assets are valued at fair value and revaluation of non-current assets or group of assets is only performed when its fair value at the time of acquisition is greater than \$1.5 million and estimated useful life is greater than three years.

If at any time management considers that the carrying amount of an asset materially differs from its fair value, then the asset will be revalued regardless of when the last valuation took place.

Any accumulated depreciation as at the revaluation date is eliminated against the gross carrying amounts of the assets and the net amounts are restated to the revalued amounts of the asset.

Fair value hierarchy

TAFE SA classifies fair value measurement using the following fair value hierarchy that reflects the significance of the inputs used in making the measurements, based on the data and assumptions used in the most recent revaluation:

- Level 1 – traded in active markets and is based on unadjusted quoted prices in active markets for identical assets or liabilities that the entity can access at measurement date
- Level 2 – not traded in an active market and are derived from inputs (inputs other than quoted prices included within level 1) that are observable for the asset, either directly or indirectly
- Level 3 – not traded in an active market and are derived from unobservable inputs.

TAFE SA's policy is to recognise transfers into and out of fair value hierarchy levels as at the end of the reporting period.

During 2020 and 2021, TAFE SA had no valuations categorised into level 1; there were no transfers of assets between level 1 and 2 fair value hierarchy levels and there were no changes in valuation technique.

TAFE SA held all assets as recurring and level 3.

Plant and equipment

All items of plant and equipment had a fair value at the time of acquisition less than \$1.5 million and had an estimated useful life less than three years. Plant and equipment has not been revalued in accordance with APS 116.D. The carrying value of these items is deemed to approximate fair value.

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11.3. Financial instruments

Financial risk management

Risk management is managed by TAFE SA's corporate services. TAFE SA's risk management policies are in accordance with the *Risk Management Policy Statement* issued by the Premier and Treasurer and the principles established in the Australian Standard *Risk Management Principles and Guidelines*.

TAFE SA's exposure to financial risk (liquidity risk, credit risk and market risk) is low due to the nature of the financial instruments held.

Liquidity risk

TAFE SA is funded principally from DIS. TAFE SA works with DTF to determine the cash flows associated with its government approved program of work and to ensure funding is provided through SA Government budgetary processes to meet the expected cash flows.

Refer to note 7.1 and 7.2 for further information.

The *Public Corporations Act 1993* applies to TAFE SA and in accordance with paragraph 28. (1) of this Act, the liabilities of a public corporation are guaranteed by the Treasurer.

Credit risk

TAFE SA has policies and procedures in place to ensure that transactions occur with customers with appropriate credit history.

No collateral is held as security and no credit enhancements relate to financial assets held by TAFE SA.

Impairment of financial assets

Loss allowances for receivables are measured at an amount equal to lifetime expected credit loss using the simplified approach in AASB 9. TAFE SA uses an allowance matrix to measure the expected credit loss of receivables from non-government debtors which comprise a large number of small balances.

The loss allowance matrix has factored in the potential impact of COVID-19 in receivables with a forward looking adjustment which has decreased the impairment of receivables.

To measure the expected credit losses, receivables are grouped based on shared risks characteristics and the days past due. When estimating expected credit loss, TAFE SA considers reasonable and supportable information that is relevant and available without undue cost or effort. This includes both quantitative and qualitative information and analysis, based on TAFE SA's historical experience and informed credit assessment, including forward-looking information.

The maximum period considered when estimating expected credit losses is the maximum contractual period over which TAFE SA is exposed to credit risk.

The expected credit loss of government debtors is considered to be nil based on the external credit ratings and nature of the counterparties.

Loss rates are calculated based on the probability of receivables progressing through stages to write off based on the common risk characteristics of the transactions and debtors.

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11.3. Financial instruments (continued)

The following table provides information about the exposure to credit risk and expected credit loss for non-government debtors.

	Debtor gross carrying amount*	Loss	Lifetime expected losses
	\$'000	%	\$'000
Current (not past due)	1 355	27.2%	368
1 to 30 days past due	1 915	25.8%	494
31 to 60 days past due	1 026	34.6%	354
61 to 90 days past due	605	42.3%	256
More than 90 days past due	3 253	48.7%	1 584
Loss Allowance	8 154		3 056

*Five year average to 30 June 2021.

Loss rates are based on actual history of credit loss, these rates have been adjusted to reflect differences between previous economic conditions, current conditions and TAFE SA's view of the forecast economic conditions over the expected life of the receivables.

Impairment losses are presented as net impairment losses within the net result, subsequent recoveries of amounts previously written off are credited against the same line item.

Receivables are written off when there is no reasonable expectation of recovery. All non-corporate clients with outstanding debts receive three overdue reminders (corporate two overdue reminders) prior to being transferred to the debt collection agency. All debts returned by the debt collection agency as either 'uneconomical to collect' or where no activity has occurred after 180 days, are written off by TAFE SA. In 2020-21, TAFE SA reduced debt recovery activities in support of students that were experiencing financial difficulties due to COVID-19. Debt recovery activities resumed from 1 July 2021.

TAFE SA considers that its cash and cash equivalents have low credit risk based on the external credit ratings of the counterparties and therefore the expected credit loss is nil.

All of TAFE SA's debt investments at amortised cost are considered to have low credit risk and the consideration of expected credit loss was limited to 12 months expected losses. The expected credit loss is nil.

Market risk

TAFE SA does not trade in foreign currency, nor enter into transactions for speculative purposes, nor for hedging. TAFE SA does not undertake any hedging in relation to interest or foreign currency risk and manages its risk as per the government's risk management strategy articulated in TI 23 *Management of Foreign Currency Exposures*.

There is no exposure to interest rate risk as TAFE SA does not have interest bearing liabilities.

Categorisation of financial instruments

Details of the significant accounting policies and methods adopted including the criteria for recognition, the basis of measurement, and the basis on which income and expenses are recognised with respect to each class of financial asset, financial liability and equity instrument are disclosed in the respective financial asset / financial liability note. Financial assets and financial liabilities are measured at amortised cost. Amounts relating to statutory receivables and payables (e.g. Commonwealth taxes, Auditor-General's Department audit fees etc) and prepayments are excluded as they are not financial assets or liabilities. Receivables and Payables at amortised cost are \$6.6 million and \$16 million respectively.

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11.3. Financial instruments (continued)

Classification of financial instruments

TAFE SA measures all financial instruments at amortised cost.

Category of financial asset and financial liability as at 30 June 2021	Note	Carrying amount / fair value \$'000	2021 Contractual maturities within 1 year \$'000
Financial assets			
Cash and cash equivalent			
Cash and cash equivalent	6.1	136 839	136 839
Financial assets at amortised cost			
Receivables ⁽¹⁾⁽²⁾		6 629	6 629
Total financial assets		143 468	143 468
Financial Liabilities			
Financial liabilities at amortised cost			
Payables ⁽¹⁾		16 009	16 009
Lease liabilities	7.2	611	491
Total financial liabilities		16 620	16 500

Category of financial asset and financial liability as at 30 June 2020	Note	Carrying amount / fair value \$'000	2020 Contractual maturities within 1 year \$'000
Financial assets			
Cash and cash equivalent			
Cash and cash equivalent	6.1	80 752	80 752
Financial assets at amortised cost			
Receivables ⁽¹⁾⁽²⁾		7 227	7 227
Total financial assets		87 979	87 979
Financial Liabilities			
Financial liabilities at amortised cost			
Payables ⁽¹⁾		6 961	6 961
Lease liabilities	7.2	1 060	595
Total financial liabilities		8 021	7 556

Receivables and Payables

⁽¹⁾ The receivables and payable amounts disclosed here exclude amounts relating to statutory receivables and payables (for example Commonwealth, State and Local Government taxes, fees and charges; Auditor- General's Department audit fees). In government, certain rights to receive or pay cash may not be contractual and therefore in these situations, the requirements will not apply. Where rights and obligations have their source legislation such as levies, tax and equivalents, they would be excluded from the disclosure. The standard defines contract as enforceable by law. All amounts recorded are carried at amortised cost.

⁽²⁾ The receivables amount disclosed here excludes prepayments as they are not financial assets. Prepayments are presented in note 6.2.