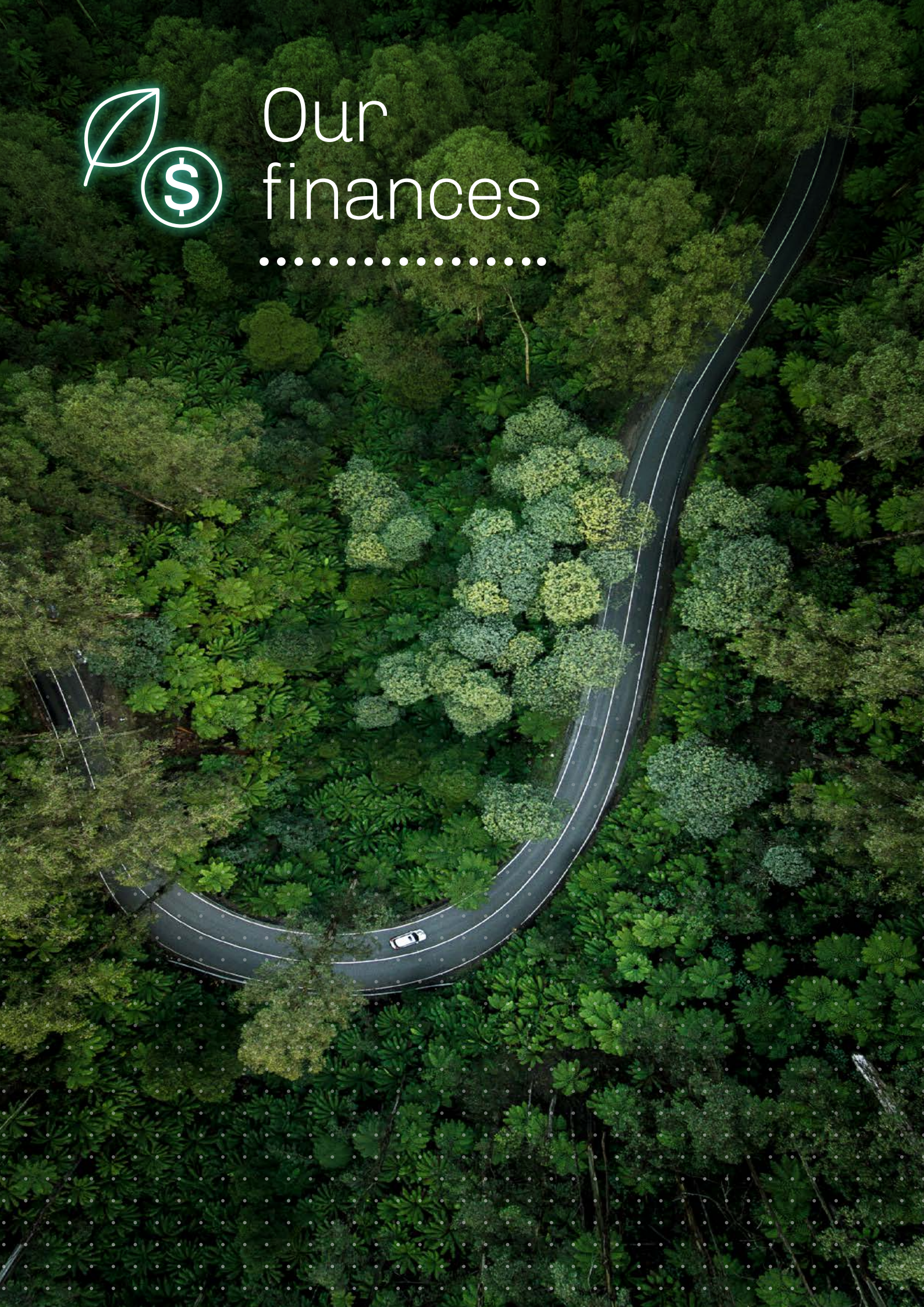




# Our finances





# Our finances

## Our financial overview

The EPA's net operating result for 2020–21 was \$3.2 million, \$3.1 million lower than the \$6.3 million positive net operating result originally estimated as part of the 2020–21 State budget process.

Our expenses and revenue have both increased over the last five years. The forecast budget for 2021–22 is significantly higher than the 2020–21 outcome due to increased project-related activity planned for the 2021–22 year.

The table shows our approved budgets over the last five years.

### Approved budgets, 2016–17 to 2020–21

Our approved budget	2016–17	2017–18	2018–19	2019–20	2020–21
Total revenue (\$ million)	156.9	162.8	174.3	261.3	219.9
Total expenses (\$ million)	158.1	169.8	177.5	255.5	213.6
Net operating result (\$ million)	-1.2	-7.0	-3.2	5.8	6.3

### Managing operational risks: funding

The EPA receives government funding as well as income derived from fees paid by the regulated community. Inadequate funding could reduce our ability to achieve our objectives. We manage this risk through:

- a robust budget submission and reporting system with frequent monitoring in place
- budget allocations linked to strategic priorities
- enhanced tracking of waste flows, to better monitor and collect fees derived from the waste levy.

### Where our money came from

The EPA receives government funding as a grant from DPIE. Revenue is also derived from other NSW agencies as well as from environmental licensing and administration fees paid by regulated industries.

Our total revenue for 2020–21 was \$216 million, a decrease of \$3.9 million on our original budget of \$219.9 million. The decrease was largely due to:

- a \$7 million reduction in grants received, due to the timing of projects
- \$5.3 million in additional revenue from licensing fees and litigation, offset by a \$2.2 million reduction in the Crown reimbursement for long-service leave, payroll tax and super adjustments.

Our total revenue was \$33.3 million (18%) higher than the \$182.7 million reported for 2019–20.

# Our finances

## EPA revenue sources, 2016–17 to 2020–21

Revenue by source – actuals	2016–17	2017–18	2018–19	2019–20	2020–21
NSW Government (\$ million)	132.7	137.5	160.6	146.4	174.5
Licensing fees and other charges (\$ million)	24.7	31.2	32.0	33.0	37.4
Acceptance by the Crown Entity of employee benefits and other liabilities (\$ million)	3.8	2.7	7.3	2.9	4.0
Other income (\$ million)	1.0	2.2	2.0	0.4	0.1
<b>Total revenue (\$ million)</b>	<b>162.2</b>	<b>173.6</b>	<b>201.9</b>	<b>182.7</b>	<b>216.0</b>

The EPA also collects revenue on behalf of the Crown from waste and environment levies and through the licensing of industries we regulate. This annual revenue is paid to the NSW Treasury. Greater detail is provided in the *Annual Financial Statement* section of this report, under note 22 – Administered assets, liabilities and income.

## How we spent our money

In 2020–21 about 44% of total expenditure was for salaries, with the rest used for grant programs and operating expenditure. We paid \$34.9 million in grants to various entities for a range of purposes. Greater detail is provided in Appendix 5.

In 2020–21 total expenditure was \$212.7 million, a decrease of \$0.9 million from our original budget of \$213.6 million. The overall decrease was mainly due to:

- \$21.4 million higher than budget 'other operating expenses', including expenditure on bushfire and flood recovery programs and additional site clean-up costs
- \$9.6 million lower than budget for grants paid
- \$11.7 million lower than budget employee-related expenses, due to delayed recruitment.

Our expenditure was \$32 million (18%) greater this year than in 2019–20 (see table below).

## EPA expenditure, 2016–17 to 2020–21

Expenditure by category – actuals	2016–17	2017–18	2018–19	2019–20	2020–21
Salaries (\$ million)	73.7	76.3	88.5	84.1	94.2
Personnel services expenses (\$ million)	-	-	-	6.7	-
Grants and subsidies (\$ million)	38.1	26.4	39.9	41.6	34.9
Other operating costs (\$ million)	54.9	61.2	63.0	44.9	80.0
Depreciation and amortisation (\$ million)	1.9	2.4	3.1	3.4	3.6
<b>Total</b>	<b>168.6</b>	<b>166.3</b>	<b>194.5</b>	<b>180.7</b>	<b>212.7</b>

# Our finances

## Our financial position

The EPA maintained a sound financial position in 2020–21.

Most of our assets and liabilities are of a financial rather than physical nature. Total EPA assets at 30 June 2021 were \$73.2 million, an increase of \$14.9 million from 30 June 2020. Cash remains one of our largest assets, being \$33.3 million at 30 June 2021. We also have \$12.8 million in receivables, mostly from waste and environment licences. Our liabilities at 30 June 2021 were \$35.7 million, an increase of \$11.7 million from last financial year.

### Solvency ratio: current position

At 30 June 2021, for every dollar of current liabilities we had \$1.48 in current assets. This solvency ratio was lower than the previous year's, although both current assets and liabilities have increased.

The current assets have increased by \$8.3 million from 2019–20, due mainly to additional cash held for projects. Current liabilities have increased by \$9.7 million, due mainly to an increase in payables relating to ongoing projects.

#### EPA current assets, liabilities and ratio, 2016–17 to 2020–21

Current assets, liabilities and ratio	2016–17	2017–18	2018–19	2019–20	2020–21
Current assets (\$ million)	19.6	28.9	34.8	37.8	46.1
Current liabilities (\$ million)	15.8	19.2	19.1	21.5	31.2
Current ratio	1.2	1.5	1.8	1.8	1.5

### Cashflow management

In 2020–21 we generated \$13.6 million from our operating activities. This was \$8.6 million higher than in the previous year, mainly due to higher grants received during 2020–21.

#### EPA receivables, sales revenue and collection of debts, 2016–17 to 2020–21

Debtor management	2016–17	2017–18	2018–19	2019–20	2020–21
Trade receivables (\$ million)	4.6	6.6	7.2	5.1	6.2
Sales revenue (\$ million)	24.7	31.2	32.0	33.0	37.4
Average days to collect debts	68.6	77.4	81.7	56.0	60.5

### Credit management

In 2020–21 the average number of days to pay creditors increased to 89.

#### EPA receivables, sales revenue and collection of debts, 2016–17 to 2020–21

Credit management	2016–17	2017–18	2018–19	2019–20	2020–21
Payable (\$ million)	7.1	9.8	9.2	9.9	19.4
Other operating cost (\$ million)	54.9	61.2	63.0	44.9	79.9
Average days to pay creditors	47.2	58.4	53.3	80.5	88.6

# Our finances

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## ■ Expenditure

### Exceptional movements in wages, salaries and allowances

There were no exceptional movements in wages, salaries or allowances in 2020–21. All increases to wages, salaries and allowances were consistent with the NSW Government wages policy.

### Investment performance

The EPA does not borrow or invest with the NSW Treasury Corporation (TCorp) and has no investment performance to report here.

### Liability management performance

The EPA has not accrued any debt greater than \$20 million.

### Land disposal

As the EPA does not own any land, there was none to dispose of in 2020–21.

### Implementation of price determination

The EPA is subject to the recommendations of the Independent Pricing and Regulatory Tribunal of NSW (IPART) under section 18(4) of the *Independent Pricing and Regulatory Tribunal Act 1992*.

### Disclosure of subsidiaries

The EPA had no subsidiaries in 2020–21.

### Major assets acquired (other than land-holdings)

There were no major retirements of property, plant and equipment (PPE) assets during the year. At 30 June 2021 the total value of the EPA's PPE assets was \$6.1 million.

### Production costs of the Annual Report

Total external production costs for the 2020–21 Annual Report were approximately \$1,800 for editing. Design costs were in-house with some elements shared with other reporting.

### Major works in progress

Over the last four years, the EPA has invested heavily in enhancing its software systems and ICT platforms to achieve synergies and efficiencies that align with the agency's proposed Digital Transformation Strategy. The EPA's main ICT program of work is the Regulatory Systems Transformation.

# Our finances

## Major works in progress

### Major works in progress at 30 June 2021

Regulatory and communication system enhancement

Cost to date \$'000	Cost overrun	Estimated date of completion
8,678	Nil	2024

## Consultants

### Consultancies of \$50,000 or more

Consultant	Category	Consultancy description	Cost
Marsden Jacob Associates	Management	Preparation of economic and financial analysis for 20-year waste strategy	\$321,456
Land Insight & Resources Pty Ltd	Environment	Consulting in relation to remediation of contaminated sites	\$75,000
GWIP TY LTD	Environment	Engagement of services in relation to the Data and Analytics Strategy and data audit	\$74,400
Weir Consulting	Organisational review	Business review	\$53,430
The Growth Activists Australia	Organisational review	Communications and engagement strategy	\$50,278
<b>Subtotal</b>	-	-	<b>\$574,564</b>

### Consultancies of less than \$50,000

Category	Number	Cost
Environmental	10	\$330,715
Management services	14	\$328,972
Organisational review	6	\$230,222
Training	2	\$35,319
Recruitment services	1	\$9,225
<b>Subtotal</b>	<b>33</b>	<b>\$934,453</b>

### Total consultancies

Size	Number	Cost
Consultancies of \$50,000 or more	5	\$574,564
Consultancies of less than \$50,000	33	\$934,453
<b>Total consultancies</b>	<b>38</b>	<b>\$1,509,017</b>

# Our finances

## **Environment Protection Authority**

### **Annual Financial Statements**

*for the year ended 30 June 2021*

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# Our finances



Tracy Mackey, CEO

## Statement by the Chief Executive Officer and Chair

Pursuant to section 7.6(4) of the *Government Sector Finance Act 2018* ('the Act'), we state that these financial statements:

- have been prepared in accordance with the Australian Accounting Standards and the applicable requirements of the Act, the Government Sector Finance Regulation 2018 and the Treasurer's directions, and
- present fairly the Environment Protection Authority's financial position, financial performance and cash flows.

A handwritten signature in black ink, appearing to read 'Tracy Mackey'.

**Tracy Mackey**

Chief Executive Officer, EPA  
October 2021

A handwritten signature in black ink, appearing to read 'Rayne de Gruchy'.

**Rayne de Gruchy AM PSM**

Chairperson of the Authority  
October 2021





## INDEPENDENT AUDITOR'S REPORT

### Environment Protection Authority

To Members of the New South Wales Parliament

#### Opinion

I have audited the accompanying financial statements of the Environment Protection Authority (the EPA), which comprise the Statement by the Chief Executive Officer and Chair, the Statement of Comprehensive Income for the year ended 30 June 2021, the Statement of Financial Position as at 30 June 2021, the Statement of Changes in Equity and the Statement of Cash Flows for the year then ended, notes comprising a Summary of Significant Accounting Policies and other explanatory information of the EPA and the consolidated entity. The consolidated entity comprises the EPA and the entity it controlled at the year's end or from time to time during the financial year.

In my opinion, the financial statements:

- have been prepared in accordance with Australian Accounting Standards and the applicable financial reporting requirements of the *Government Sector Finance Act 2018* (GSF Act), the *Government Sector Finance Regulation 2018* (GSF Regulation) and the Treasurer's Directions
- present fairly the financial position, financial performance and cash flows of the EPA and the consolidated entity.

My opinion should be read in conjunction with the rest of this report.

#### Basis for Opinion

I conducted my audit in accordance with Australian Auditing Standards. My responsibilities under the standards are described in the 'Auditor's Responsibilities for the Audit of the Financial Statements' section of my report.

I am independent of the EPA and the consolidated entity in accordance with the requirements of the:

- Australian Auditing Standards
- Accounting Professional and Ethical Standards Board's APES 110 'Code of Ethics for Professional Accountants (including Independence Standards)' (APES 110).

I have fulfilled my other ethical responsibilities in accordance with APES 110.

Parliament promotes independence by ensuring the Auditor-General and the Audit Office of New South Wales are not compromised in their roles by:

- providing that only Parliament, and not the executive government, can remove an Auditor-General
- mandating the Auditor-General as auditor of public sector agencies
- precluding the Auditor-General from providing non-audit services.

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

# Our finances

## Other Information

The EPA's annual report for the year ended 30 June 2021 includes other information in addition to the financial statements and my Independent Auditor's Report thereon. The Board is responsible for the other information. At the date of this Independent Auditor's Report, the other information I have received comprise the draft annual report.

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

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

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

I have nothing to report in this regard.

## The Board's Responsibilities for the Financial Statements

The members of the Board are responsible for the preparation and fair presentation of the financial statements in accordance with Australian Accounting Standards and the GSF Act, GSF Regulations and Treasurer's Directions. The Board's responsibility also includes such internal control as the Board determines is necessary to enable the preparation and fair presentation of the financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the Board is responsible for assessing the ability of the EPA and the consolidated entity to continue as a going concern, disclosing as applicable, matters related to going concern and using the going concern basis of accounting.

## Auditor's Responsibilities for the Audit of the Financial Statements

My objectives are to:

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

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

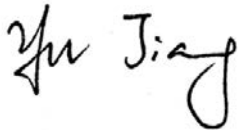
A description of my responsibilities for the audit of the financial statements is located at the Auditing and Assurance Standards Board website at: [www.auasb.gov.au/auditors\\_responsibilities/ar3.pdf](http://www.auasb.gov.au/auditors_responsibilities/ar3.pdf). The description forms part of my auditor's report.

# Our finances

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

- that the EPA or the consolidated entity carried out their activities effectively, efficiently and economically
- about the assumptions used in formulating the budget figures disclosed in the financial statements
- about the security and controls over the electronic publication of the audited financial statements on any website where they may be presented
- about any other information which may have been hyperlinked to/from the financial statements.



Reiky Jiang  
Director, Financial Audit

Delegate of the Auditor-General for New South Wales

19 October 2021  
SYDNEY



# Our finances

## Consolidated statement of comprehensive income for the year ended 30 June 2021

				Consolidated	Environment Protection Authority	
		Actual 2021 \$'000	Budget 2021 \$'000	Actual 2020 \$'000	Actual 2021 \$'000	Actual 2020 \$'000
	Notes					
<b>Continuing operations</b>						
<b>Expenses excluding losses</b>						
Employee-related expenses	2(a)	94,202	105,945	84,090	746	831
Personnel services expenses	2(a)	-	-	6,676	93,456	89,935
Other operating expenses	2(b)	79,927	58,456	44,787	79,927	44,787
Depreciation and amortisation expenses	2(c)	3,616	4,626	3,443	3,616	3,443
Grants and subsidies	2(d)	34,896	44,518	41,620	34,896	41,620
Finance costs	2(e)	97	76	55	97	55
<b>Total expenses excluding losses</b>		<b>212,738</b>	<b>213,621</b>	<b>180,671</b>	<b>212,738</b>	<b>180,671</b>
<b>Revenue</b>						
Sale of goods and services	3(a)	8,559	31,748	8,340	8,559	8,340
Retained taxes, fees and fines	3(b)	28,816	408	24,710	28,816	24,710
Grants and contributions	3(c)	174,535	181,547	146,415	174,535	146,415
Acceptance by the Crown Entity of employee benefits and other liabilities	3(d)	3,991	6,176	2,879	3,991	2,879
Other income	3(e)	76	16	387	76	387
<b>Total revenue</b>		<b>215,977</b>	<b>219,895</b>	<b>182,731</b>	<b>215,977</b>	<b>182,731</b>
<b>Operating result</b>		<b>3,239</b>	<b>6,274</b>	<b>2,060</b>	<b>3,239</b>	<b>2,060</b>
Gain/(loss) on disposal	4	(6)	-	(530)	(6)	(530)
<b>Net result from continuing operations</b>		<b>3,233</b>	<b>6,274</b>	<b>1,530</b>	<b>3,233</b>	<b>1,530</b>
<b>Other comprehensive income</b>						
Changes in revaluation surplus of property, plant and equipment		30	-	-	30	-
<b>Total other comprehensive income</b>		<b>30</b>	<b>-</b>	<b>-</b>	<b>30</b>	<b>-</b>
<b>Total comprehensive income</b>		<b>3,263</b>	<b>6,274</b>	<b>1,530</b>	<b>3,263</b>	<b>1,530</b>

The accompanying notes form part of these financial statements.

# Our finances

## Consolidated statement of financial position as at 30 June 2021

		Consolidated		Environment Protection Authority	
		Actual	Budget	Actual	Actual
		2021	2021	2020	2021
Notes		\$'000	\$'000	\$'000	\$'000
<b>Assets</b>					
<b>Current assets</b>					
Cash and cash equivalents	6	33,340	28,621	27,494	33,340
Receivables	7	12,801	5,067	10,295	12,801
Contract assets	8	-	5,228	-	-
<b>Total current assets</b>		<b>46,141</b>	<b>38,916</b>	<b>37,789</b>	<b>46,141</b>
<b>Non-current assets</b>					
Property, plant and equipment					
Land and buildings	9	4,101	4,166	4,183	4,101
Plant and equipment	9	2,034	1,645	1,946	2,034
<b>Total property, plant and equipment</b>		<b>6,135</b>	<b>5,811</b>	<b>6,129</b>	<b>6,135</b>
Right-of-use assets	10	4,452	2,166	2,415	4,452
Intangible assets	11	16,444	16,777	11,907	16,444
<b>Total non-current assets</b>		<b>27,031</b>	<b>24,754</b>	<b>20,451</b>	<b>27,031</b>
<b>Total assets</b>		<b>73,172</b>	<b>63,670</b>	<b>58,240</b>	<b>73,172</b>
<b>Liabilities</b>					
<b>Current liabilities</b>					
Contract liabilities	8	340	365	365	340
Payables	14	19,373	9,973	9,973	19,373
Borrowings	15	926	474	527	926
Provisions	16	10,549	10,677	10,677	53
Payable to the EPA Staff Agency	16	-	-	-	10,496
<b>Total current liabilities</b>		<b>31,188</b>	<b>21,489</b>	<b>21,542</b>	<b>31,188</b>
<b>Non-current liabilities</b>					
Borrowings	15	3,640	1,740	1,905	3,640
Provisions	16	870	582	582	515
Payable to the EPA Staff Agency	16	-	-	-	355
<b>Total non-current liabilities</b>		<b>4,510</b>	<b>2,322</b>	<b>2,487</b>	<b>4,510</b>
<b>Total liabilities</b>		<b>35,698</b>	<b>23,811</b>	<b>24,029</b>	<b>35,698</b>
<b>Net assets</b>		<b>37,474</b>	<b>39,859</b>	<b>34,211</b>	<b>37,474</b>
<b>Equity</b>					
Reserves		1,337	1,398	1,307	1,337
Accumulated funds		36,137	38,461	32,904	36,137
<b>Total equity</b>		<b>37,474</b>	<b>39,859</b>	<b>34,211</b>	<b>37,474</b>

The accompanying notes form part of these financial statements.

# Our finances

## Statement of changes in equity as at 30 June 2021

Consolidated and parent	Notes	Accumulated funds \$'000	Asset Revaluation Surplus \$'000	Total \$'000
<b>Balance at 1 July 2020</b>		<b>32,904</b>	<b>1,307</b>	<b>34,211</b>
Net result for the year		3,233		3,233
Other comprehensive income:				
Net change in revaluation surplus of property, plant and equipment		-	30	30
Total other comprehensive income		-	30	30
Total comprehensive income for the year		3,233	30	3,263
<b>Transactions with owners in their capacity as owners</b>				
Increase/(decrease) in net assets from equity transfers	17	-	-	-
<b>Balance at 30 June 2021</b>		<b>36,137</b>	<b>1,337</b>	<b>37,474</b>
<b>Balance at 1 July 2019</b>		<b>30,646</b>	<b>1,307</b>	<b>31,953</b>
Changes in accounting policy		-	-	-
<b>Restated balance at 1 July 2019</b>		<b>30,646</b>	<b>1,307</b>	<b>31,953</b>
Net result for the year		1,530	-	1,530
<b>Other comprehensive income:</b>				
Net change in revaluation surplus of property, plant and equipment		-	-	-
Total other comprehensive income		-	-	-
Total comprehensive income for the year		<b>1,530</b>	-	<b>1,530</b>
<b>Transactions with owners in their capacity as owners</b>				
Increase/(decrease) in net assets from equity transfers	17	728	-	728
<b>Balance at 30 June 2020</b>		<b>32,904</b>	<b>1,307</b>	<b>34,211</b>

The accompanying notes form part of these financial statements.



# Our finances

## Consolidated statement of cash flows for the year ended 30 June 2021

	Notes	Consolidated		Environment Protection Authority	
		Actual 2021 \$'000	Budget 2021 \$'000	Actual 2021 \$'000	Actual 2020 \$'000
<b>Cash flows from operating activities</b>					
<b>Payments</b>					
Employee related		(90,868)	(99,770)	(81,424)	(746)
Personnel services expenses		-	-	(6,676)	(90,122)
Grants and subsidies		(34,896)	(44,518)	(41,621)	(34,896)
Finance costs		(97)	(76)	(55)	(97)
Other*		(72,879)	(58,455)	(48,478)	(72,879)
<b>Total payments</b>		<b>(198,740)</b>	<b>(202,819)</b>	<b>(178,254)</b>	<b>(198,740)</b>
<b>Receipts</b>					
Grants and other contributions		173,189	181,547	143,453	173,189
Sale of goods and services		3,594	31,748	9,846	3,594
Retained taxes, fees and fines		28,816	-	24,710	28,816
Cash reimbursements from the Crown Entity**		1,138	-	1,636	1,138
Other		5,625	424	3,621	5,625
<b>Total receipts</b>		<b>212,362</b>	<b>213,719</b>	<b>183,266</b>	<b>212,362</b>
<b>Net cash flows from operating activities</b>	<b>21</b>	<b>13,622</b>	<b>10,900</b>	<b>5,012</b>	<b>13,622</b>
<b>Cash flows from investing activities</b>					
Purchase of intangible assets		(6,598)	(9,061)	(4,423)	(6,598)
Purchase of property, plant and equipment		(255)	(50)	(256)	(255)
<b>Net cash flows from investing activities</b>		<b>(6,853)</b>	<b>(9,111)</b>	<b>(4,679)</b>	<b>(6,853)</b>
<b>Cash flows from financing activities</b>					
Payment of principal portion of lease liabilities	10b	(923)	(662)	(497)	(923)
<b>Net cash flows from financing activities</b>		<b>(923)</b>	<b>(662)</b>	<b>(497)</b>	<b>(923)</b>
<b>Net increase/(decrease) in cash and cash equivalents</b>		<b>5,846</b>	<b>1,127</b>	<b>(164)</b>	<b>5,846</b>
Opening cash and cash equivalents		27,494	27,494	27,658	27,494
<b>Closing cash and cash equivalents</b>	<b>6</b>	<b>33,340</b>	<b>28,621</b>	<b>27,494</b>	<b>33,340</b>

\* Includes payment to Department of Planning, Industry and Environment for corporate and other specialist support.

\*\*Includes reimbursement of long-service leave.

The accompanying notes form part of these financial statements.

# Our finances

## Notes to the financial statements for the year ended 30 June 2021

### 1. Summary of significant accounting policies

#### Reporting entity

The Environment Protection Authority (the EPA), a NSW Government entity, is constituted under Section 5 of the *Protection of the Environment Administration Act 1991* as a statutory body corporate. The EPA is a not-for-profit entity (as profit is not its principal objective) and it has no cash-generating units. The EPA is consolidated as part of the NSW Total State Sector Accounts.

The EPA as a reporting entity comprises the Environment Protection Authority Staff Agency (the Staff Agency), an entity under its control. The EPA Staff Agency's objective is to provide personnel services to the EPA.

In the process of preparing the consolidated financial statements for the economic entity, consisting of the controlling and controlled entity, all inter-entity transactions and balances have been eliminated and like transactions and other events are accounted for, using uniform accounting policies.

The EPA Staff Agency is a Division of the Government Service responsible to the Minister for Energy and Environment established under the Administrative Arrangements Order 2014 (the Order), dated 29 January 2014. Under the Order, the former Office of the Environment Protection Authority became the EPA Staff Agency.

The Secretary of the Department of Planning, Industry and Environment (the Department) and the Chief Executive Officer of the EPA agreed to transfer employees of the Waste programs unit in the Department to the EPA, effective from 1 August 2020. The transfer included the employees and their related employee benefits and related on-costs to the EPA. The EPA is responsible for licensing and regulating air emissions, contaminated sites, hazardous materials (including dangerous goods), noise, pesticides, forestry activities, waste and water quality, and for state of the environment reporting.

Administered activities undertaken on behalf of the Crown Entity are consolidated in the Crown Entity Accounts.

These consolidated financial statements for the year ended 30 June 2021 have been authorised for issue by the Chief Executive Officer of the EPA.

#### Basis of preparation

The EPA is a going concern (refer to note 1 (h)) and its financial statements are general-purpose financial statements, which have been prepared on an accrual basis and in accordance with:

- applicable Australian Accounting Standards (AAS) (which include Australian Accounting Interpretations)
- the requirements of the *Government Sector Finance Act 2018* (GSF Act) and Government Sector Finance Regulation 2018
- Treasurer's Directions issued under the GSF Act.

Property plant and equipment is measured using the fair value basis. Other financial statement items are prepared in accordance with the historical cost convention except where specified otherwise.

# Our finances

Judgements, key assumptions and estimations that management has made are disclosed in the relevant notes to the financial statements.

All amounts are rounded to the nearest one thousand dollars and are expressed in Australian currency, which is the EPA's presentation and functional currency.

## Statement of compliance

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

## Administered activities

The EPA administers, but does not control, certain activities on behalf of the Crown Entity. It is accountable for the transactions relating to those administered activities but does not have the discretion to deploy the resources for the achievement of the EPA's own objectives.

Transactions and balances relating to the administered activities are not recognised as the EPA's income, expenses, assets and liabilities, but are disclosed in the accompanying schedules as 'Administered income', 'Administered expenses', 'Administered assets' and 'Administered liabilities'. Refer to Note 22.

The accrual basis of accounting and applicable accounting standards have been adopted.

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

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

- amount of GST incurred by the EPA as a purchaser that is not recoverable from the Australian Taxation Office is recognised as part of an asset's cost of acquisition or as part of an item of expense; and
- receivables and payables are stated with the amount of GST included.

Cash flows are included in the statement of cash flows on a gross basis. However, the GST components of cash flows arising from investing and financing activities that are recoverable from, or payable to, the Australian Taxation Office are classified as operating cash flows.

## Comparative information

Except when an AAS permits or requires otherwise, comparative information is disclosed in respect of the previous period for all amounts reported in the financial statements.

The EPA restated the comparative information in 2019–20 following a review in accordance with TPP 20-09. An amount of \$5.2 million was reclassified from 'contract assets' to 'current assets – receivables' to better reflect the nature of the asset. Refer to note 7. There is no impact on the total current assets, non-current assets, total liabilities, total net result and equity position for the 2019–20 financial year.

Also, a total amount of \$0.3 million representing the Payable to the EPA Staff Agency in current and non-current provisions is reclassified as restoration costs to appropriately reflect the nature of these current and non-current provisions.

The 2019–20 comparative details in note 16 relating to the disclosure of Payable to the EPA Staff Agency has been updated to reflect further analysis undertaken during the 2020–21 financial year. There is no impact on the total current and non-current liabilities, total liabilities, total net result and equity position for the 2019–20 financial year. Refer to note 16.



# Our finances

## Changes in accounting policy, including new or revised Australian Accounting Standards

(i) *Effective for the first time in FY2020–21*

### **AASB 1059 Service Concession Arrangements: Grantors**

AASB 1059 is effective for the EPA from 1 July 2020. At the same time NSW Treasury Policy and Guideline Paper TPP 06-8, *Accounting for Privately Financed Projects*, was withdrawn effective from 1 July 2020.

Service concession arrangements are contracts between an operator and a grantor, where the operator provides public services related to a service concession asset on behalf of the grantor for a specified period of time and manages at least some of those services.

Where AASB 1059 applies, the grantor recognises the service concession asset when the grantor obtains control of the asset and measures the service concession asset at current replacement cost. At the same time the grantor recognises a corresponding financial liability or unearned revenue liability or a combination of both.

The adoption of AASB 1059 has not had an impact on the financial statements of the EPA.

(ii) *Issued but not yet effective*

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

The following new Australian Accounting Standards have not been applied and are not yet effective (NSW Treasury mandate TC 20-08):

- AASB 1060 *General Purpose Financial Statements – Simplified Disclosures for For-Profit and Not-for-Profit Tier 2 Entities*
- AASB 2020-1 *Amendments to Australian Accounting Standards – Classification of Liabilities as Current or Non-current*
- AASB 2020-3 *Amendments to Australian Accounting Standards – Annual Improvements 2018–2020 and Other Amendments*
- AASB 2020-6 *Amendments to Australian Accounting Standards – Classification of Liabilities as Current or Non-current – Deferral of Effective Date*
- AASB 2020-7 *Amendments to Australian Accounting Standards – Covid-19-Related Rent Concessions: Tier 2 Disclosures*
- AASB 2020-8 *Amendments to Australian Accounting Standards – Interest Rate Benchmark Reform – Phase 2.*

These standards have been assessed for their possible impact on the financial statements, if any, in the period of their initial application. These new accounting standards have been estimated to have no material impact on the EPA's financial statements.

### **Impact of COVID-19 on Financial Reporting for 2020–21**

There is no significant impact identified or reported on EPA revenue collection due to the COVID-19 pandemic.

# Our finances

## Notes to the financial statements for the year ended 30 June 2021

### 2. Expenses excluding losses

#### Employee-related expenses and personnel services

	Consolidated		Environment Protection Authority	
	2021 \$'000	2020 \$'000	2021 \$'000	2020 \$'000
Salaries and wages (including annual leave)	78,869	70,560	668	754
Redundancy payments	4	251	-	-
Superannuation – defined benefit plans	1,070	1,104	-	-
Superannuation – defined contribution plans	6,570	5,781	45	40
Long-service leave	3,095	1,813	-	-
Workers compensation insurance	364	291	-	-
Payroll tax and fringe benefits tax	4,228	4,284	33	37
Other	2	6	-	-
Personnel services expenses*	-	6,676	93,456	89,935
	<b>94,202</b>	<b>90,766</b>	<b>94,202</b>	<b>90,766</b>

\* Represents personnel services expenses related with the services received from the Department (refer to note 16).

# Our finances

## Other operating expenses

	Consolidated		Environment Protection Authority	
	2021 \$'000	2020 \$'000	2021 \$'000	2020 \$'000
Auditor's remuneration (audit or review of the financial statements)	75	57	75	57
Communication costs	334	326	334	326
Consultants	1,509	1,664	1,509	1,664
Contractor – projects	31,272	14,166	31,272	14,166
Corporate support	17,010	17,784	17,010	17,784
Expense relating to short-term leases	179	-	179	-
Expenses capitalised	-	(17)	-	(17)
Fees and services	7,611	1,296	7,611	1,296
Fleet costs	560	520	560	520
Impairment (reversal) of assets and bad debts	4,101	(41)	4,101	(41)
Information dissemination	4,627	635	4,627	635
Insurance	283	108	283	108
Legal costs	2,284	2,061	2,284	2,061
Maintenance*	1,449	642	1,449	642
Other	1,903	105	1,903	105
Other occupancy costs	251	74	251	74
Payments to NSW Government agencies	3,174	2,537	3,174	2,537
Stores and minor assets	1,018	739	1,018	739
Training	1,576	818	1,576	818
Travel costs	711	1,313	711	1,313
	<b>79,927</b>	<b>44,787</b>	<b>79,927</b>	<b>44,787</b>

\*Reconciliation – Total maintenance expense

Maintenance expense – contracted labour and other  
(non-employee related), as above

**Total maintenance expenses included in note 2(b)**

	Consolidated		Environment Protection Authority	
	2021 \$'000	2020 \$'000	2021 \$'000	2020 \$'000
	1,449	642	1,449	642
	<b>1,449</b>	<b>642</b>	<b>1,449</b>	<b>642</b>

# Our finances

## Recognition and measurement

### Maintenance expense

Day-to-day servicing or maintenance costs are expensed as incurred, except where they relate to the replacement of a material part or component of an asset, then the costs are capitalised and depreciated. Refer to note 2(b) and note 9.

### Insurance

The EPA's insurance activities are conducted through the NSW Treasury Managed Fund Scheme of self-insurance for Government entities. The expense (premium) is determined by the fund manager based on past claims.

### Lease expense

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

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

Variable lease payments are not included in the measurement of the lease liability (i.e. variable lease payments that do not depend on an index or a rate, initially measured using the index or rate as at the commencement date). These payments are recognised in the period in which the event or condition that triggers those payments occurs.

## Depreciation and amortisation expense

	Consolidated		Environment Protection Authority	
	2021 \$'000	2020 \$'000	2021 \$'000	2020 \$'000
<b>Depreciation</b>				
Buildings and improvements	111	110	111	110
Plant and equipment	424	383	424	383
Right-of-use asset	1,020	514	1,020	514
	<b>1,555</b>	<b>1,007</b>	<b>1,555</b>	<b>1,007</b>
<b>Amortisation</b>				
Intangibles	2,061	2,436	2,061	2,436
	<b>2,061</b>	<b>2,436</b>	<b>2,061</b>	<b>2,436</b>
	<b>3,616</b>	<b>3,443</b>	<b>3,616</b>	<b>3,443</b>

For recognition and measurement policies on depreciation and amortisation refer to notes 9, 10 and 11.

# Our finances

## Grants and subsidies

	Consolidated		Environment Protection Authority	
	2021 \$'000	2020 \$'000	2021 \$'000	2020 \$'000
NSW Government	149	4,662	149	4,662
Local government	15,379	9,290	15,379	9,290
Waste less recycle more payments	9,750	9,750	9,750	9,750
Rebates	1,264	411	1,264	411
Non-government organisations	8,354	17,507	8,354	17,507
	<b>34,896</b>	<b>41,620</b>	<b>34,896</b>	<b>41,620</b>

## Recognition and measurement

Grants are generally recognised as an expense when the EPA transfers control of the contribution. The EPA is deemed to have transferred control when the grant is paid or payable.

## Finance costs

	Consolidated		Environment Protection Authority	
	2021 \$'000	2020 \$'000	2021 \$'000	2020 \$'000
Interest expense from lease liabilities	88	55	88	55
Unwinding of discount on provisions	9	-	9	-
	<b>97</b>	<b>55</b>	<b>97</b>	<b>55</b>

## Recognition and measurement

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

## 3. Revenue

### Income recognition

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



# Our finances

## Sale of goods and rendering of services from contract with customers

	Consolidated		Environment Protection Authority	
	2021	2020	2021	2020
	\$'000	\$'000	\$'000	\$'000
<b>Sale of goods</b>				
Minor fees and charges	8,559	8,340	8,559	8,340
	<b>8,559</b>	<b>8,340</b>	<b>8,559</b>	<b>8,340</b>

### Sale of goods

Revenue from sale of goods is recognised when the EPA satisfies a performance obligation by transferring the promised goods. The payments are typically due to the EPA entity upon satisfaction of its performance obligations.

### Rendering of services

Revenue from rendering of services is recognised when the EPA satisfies the performance obligation by transferring the promised services.

## Retained taxes, fees and fines

	Consolidated		Environment Protection Authority	
	2021	2020	2021	2020
	\$'000	\$'000	\$'000	\$'000
<b>Fees</b>				
Licensing administration fees	27,810	23,494	27,810	23,494
<b>Fines</b>				
Parking, court and other	1,006	1,216	1,006	1,216
	<b>28,816</b>	<b>24,710</b>	<b>28,816</b>	<b>24,710</b>

### Recognition and measurement

Revenue from retained taxes, fees and fines is recognised on receipt of returns or licenses issued.

## Grants and contributions

	Consolidated		Environment Protection Authority	
	2021	2020	2021	2020
	\$'000	\$'000	\$'000	\$'000
Other grants with sufficiently specific performance obligation	26,440	34,248	26,440	34,248
Grant without sufficiently specific performance obligation	148,095	112,167	148,095	112,167
	<b>174,535</b>	<b>146,415</b>	<b>174,535</b>	<b>146,415</b>

# Our finances

## Recognition and measurement

Grants are received by the consolidated entity to support its service delivery objectives and the funding agreements typically specify the purpose of the grants.

Revenue from grants with sufficiently specific milestones/performance obligations and agreed funding against each milestone is recognised when the EPA satisfies its performance obligation by transferring promised goods/achieving milestones.

Revenue from funding without sufficiently specific performance obligations is recognised when the EPA obtains control over the granted assets (i.e. cash received). Where the total funding amount in a contract is not allocated to distinct milestones/performance obligations and specifies purpose only, revenue is recognised when the EPA obtains control over the funds (i.e. cash received).

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

Revenue is only recognised to the extent that it is highly probable that a significant reversal will not occur. This is based on past experience and terms specified in the contract.

## Acceptance by the Crown Entity of employee benefits and other liabilities

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

	Consolidated		Environment Protection Authority	
	2021 \$'000	2020 \$'000	2021 \$'000	2020 \$'000
Superannuation – defined benefit	1,024	1,104	-	-
Long-service leave	2,916	1,718	-	-
Payroll tax – defined benefit	51	57	-	-
Contributions by the Crown Entity	-	-	3,991	2,879
	<b>3,991</b>	<b>2,879</b>	<b>3,991</b>	<b>2,879</b>

For recognition and measurement of liabilities assumed by the Crown Entity refer to note 16.

## Other income

	Consolidated		Environment Protection Authority	
	2021 \$'000	2020 \$'000	2021 \$'000	2020 \$'000
Miscellaneous revenue	76	387	76	387
	<b>76</b>	<b>387</b>	<b>76</b>	<b>387</b>

# Our finances

## Recognition and measurement

Miscellaneous revenue includes receipt of returned grants for waste and contaminated lands programs.

## Deemed appropriations

Movement of Section 4.7 GSF Act – deemed appropriations:

	2021 \$'000	2020 \$'000
Cluster Grants	-	-
Total spending authority from parliamentary appropriations, other than deemed appropriations	-	-
<b>Add:</b>		
Deemed appropriations earned during the year	14,950	-
Deemed appropriations balance brought forward from prior years	-	-
Total spending authority from parliamentary appropriations	<b>14,950</b>	-
Less: total expenditure from parliamentary appropriations	<b>(4,389)</b>	-
Variance	10,561	-
<b>Less:</b>		
The spending authority from appropriations lapsed at 30 June	-	-
Deemed appropriations balance carried forward to following year	<b>10,561</b>	-

## Recognition and measurement

Section 4.7 of the Government Sector Finance Act 2018 (GSF) defines deemed appropriation money as government money that the EPA (a GSF agency) receives or recovers (including from the Commonwealth or another entity) of a kind prescribed by the regulations that

- forms part of the Consolidated Fund; and
- is not appropriated under the authority of an Act

The deemed appropriations earned and spent during the year are funds relating to disaster recovery activities. These funds are received from Resilience NSW.

## 4. Gain/(loss) on disposal

	Consolidated		Environment Protection Authority	
	2021 \$'000	2020 \$'000	2021 \$'000	2020 \$'000
Intangible asset	-	(372)	-	(372)
Plant and equipment	(6)	(158)	(6)	(158)
<b>Net gain/(loss) on disposal</b>	<b>(6)</b>	<b>(530)</b>	<b>(6)</b>	<b>(530)</b>

# Our finances

## 5. State Outcomes delivered by the Planning, Industry and Environment cluster

### State Outcome: Resilient and sustainable environment and energy

Description: Protecting and preserving our environment to support a healthy New South Wales while securing an affordable, reliable and sustainable energy future.

The EPA delivers credible, targeted and cost-effective regulatory services for environment protection. It implements market-based programs and provides audit and enforcement programs and emergency services designed to reduce environmental impacts. It works closely with industry and local government to encourage proactive compliance with environmental regulations and implementation of waste programs.

The total operations of the EPA contribute to resilient and sustainable environment and energy. Separate State Outcome statements are not required.

## 6. Current assets – cash and cash equivalents

	Consolidated		Environment Protection Authority	
	2021 \$'000	2020 \$'000	2021 \$'000	2020 \$'000
Cash at bank and on hand	33,340	27,494	33,340	27,494
Closing cash and cash equivalents (as per statement of cash flows)	<b>33,340</b>	<b>27,494</b>	<b>33,340</b>	<b>27,494</b>

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

	Consolidated		Environment Protection Authority	
	2021 \$'000	2020 \$'000	2021 \$'000	2020 \$'000
Cash and cash equivalents (as per statement of financial position)	33,340	27,494	33,340	27,494
Closing cash and cash equivalents (as per statement of cash flows)	<b>33,340</b>	<b>27,494</b>	<b>33,340</b>	<b>27,494</b>

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

Refer to note 13 for details regarding restricted cash balances.

Refer to note 23 for details regarding credit risk, liquidity risk and market risk arising from financial instruments.

# Our finances

## 7. Current assets – receivables

	Consolidated		Environment Protection Authority	
	2021 \$'000	2020 \$'000	2021 \$'000	2020 \$'000
Trade receivables from contracts with customers	9,267	5,246	9,267	5,246
Less: allowance for expected credit losses*				
Trade receivables from contracts with customers	(4,441)	(480)	(4,441)	(480)
Accrued income	6,610	5,264	6,610	5,264
GST	1,365	265	1,365	265
	<b>12,801</b>	<b>10,295</b>	<b>12,801</b>	<b>10,295</b>

Details regarding credit risk of trade debtors that are neither past due nor impaired are disclosed in note 23.

	2021 \$'000	2020 \$'000	2021 \$'000	2020 \$'000
*Movement in the allowance for expected credit losses				
Balance at the beginning of the year	480	531	480	531
Amounts written off during the year	(140)	(21)	(140)	(21)
Increase/(decrease) in allowance recognised in net results	4,101	(30)	4,101	(30)
<b>Balance at the end of the year</b>	<b>4,441</b>	<b>480</b>	<b>4,441</b>	<b>480</b>

### Recognition and measurement

All 'regular way' purchases or sales of financial assets are recognised and derecognised on a trade date basis. Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the time frame established by regulation or convention in the marketplace.

Receivables, including trade receivables, prepayments etc. are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market.

Receivables are initially recognised at fair value plus any directly attributable transaction costs.

The EPA holds receivables with the objective of collecting the contractual cash flows and therefore measures them at amortised cost using the effective interest method.

Subsequent measurement is at amortised cost using the effective interest method, less any impairment. Changes are recognised in the net result for the year when impaired, derecognised or through the amortisation process.



# Our finances

## Impairment

The EPA recognises an allowance for expected credit losses (ECLs) for all debt financial assets not held at fair value through profit or loss. ECLs are based on the difference between the contractual cash flows and the cash flows that the EPA expects to receive, discounted at the original effective interest rate.

For trade receivables, the EPA applies a simplified approach in calculating ECLs. The EPA recognises a loss allowance based on lifetime ECLs at each reporting date. The EPA has established a provision matrix based on its historical credit loss experience for trade receivables, adjusted for forward-looking factors specific to the receivable. The provision matrix considered the impact of COVID-19 and recent natural disasters and took into account:

- increased credit risk associated with debtors as a result of poor trading conditions
- higher receivables balances (i.e. exposure at default) due to recent credit deferment policies of government and/or late payment
- lost time value of money, if contractual payment dates are extended or amounts are expected to be received later than contractually due.

## 8. Contract assets and liabilities

	2021 \$'000	2020 \$'000
Consolidated and parent		
Contract liabilities – current	340	365
Contract receivables (included in note 7)	9,267	5,246

## Recognition and measurement

Contract liabilities relate to consideration received in advance from customers for licence application fees. The balance of contract liabilities at 30 June 2021 was determined by the value and timing of the completion of performance obligations.

	2021 \$'000	2020 \$'000
Revenue recognised that was included in the contract liability balance at the beginning of the year	96	417
Revenue recognised from performance obligations satisfied in previous periods	-	-
Transaction price allocated to the remaining performance obligations from contracts with customers	340	365

# Our finances

## 9. Non-current assets – property, plant and equipment

Consolidated and parent	Buildings \$'000	Plant and equipment \$'000	Total \$'000
<b>At 1 July 2019 – fair value</b>			
Gross carrying amount	5,539	3,916	9,455
Accumulated depreciation and impairment	(1,246)	(1,991)	(3,237)
<b>Net carrying amount</b>	<b>4,293</b>	<b>1,925</b>	<b>6,218</b>
<b>Period ended 30 June 2020</b>			
Net carrying amount at start of year	4,293	1,925	6,218
Purchase of assets	-	256	256
Site restoration	-	306	306
Disposals	-	(158)	(158)
Depreciation expense – asset owned	(110)	(383)	(493)
<b>Net carrying amount at end of period</b>	<b>4,183</b>	<b>1,946</b>	<b>6,129</b>
<b>Consolidated and parent</b>	<b>Buildings \$'000</b>	<b>Plant and equipment \$'000</b>	<b>Total \$'000</b>
<b>At 1 July 2020 – fair value</b>			
Gross carrying amount	5,540	3,898	9,438
Accumulated depreciation and impairment	(1,357)	(1,952)	(3,309)
<b>Net carrying amount</b>	<b>4,183</b>	<b>1,946</b>	<b>6,129</b>
<b>Year ended 30 June 2021</b>			
Net carrying amount at start of year	4,183	1,946	6,129
Purchase of assets	-	255	255
Site restoration	(1)	263	262
Revaluation	30	-	30
Disposals	-	(6)	(6)
Depreciation expense – asset owned	(111)	(424)	(535)
<b>Net carrying amount at end of year</b>	<b>4,101</b>	<b>2,034</b>	<b>6,135</b>
<b>At 30 June 2021 – fair value</b>			
Gross carrying amount	5,580	4,362	9,942
Accumulated depreciation and impairment	(1,479)	(2,328)	(3,807)
<b>Net carrying amount</b>	<b>4,101</b>	<b>2,034</b>	<b>6,135</b>

Further details of the fair value measurements of property, plant and equipment are disclosed in note 12.

# Our finances

## Recognition and measurement

### Acquisition of property, plant and equipment

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

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

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

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

### Capitalisation thresholds

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

### Major inspection costs

When a major inspection is performed, its cost is recognised in the carrying amount of the plant and equipment as a replacement if the recognition criteria are satisfied.

### Restoration costs

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

### Depreciation of property, plant and equipment

Depreciation is provided for on a straight-line basis so as to write off the depreciable amount of each asset as it is consumed over its useful life to the EPA.

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

The following depreciation rates have been adopted:

- plant and equipment: 10–20% (2020: 10–20%)
- buildings: 2% (2020: 2%)

### Right-of-use assets acquired by lessees

AASB 16 *Leases* requires a lessee to recognise a right-of-use asset for most leases. The EPA has elected to present right-of-use assets separately in the statement of financial position.

Further information on leases is found in note 10.

### Revaluation of property, plant and equipment

Physical non-current assets are valued in accordance with the *Treasury Policy and Guidelines Paper TPP 21-09 Valuation of Physical Non-Current Assets at Fair Value*. This policy adopts fair value in accordance with AASB 13 *Fair Value Measurement* and AASB 116 *Property, Plant and Equipment*.

# Our finances

Property, plant and equipment is measured at the highest and best use by market participants that is physically possible, legally permissible and financially feasible. The highest and best use must be available at a period that is not remote and take into account the characteristics of the asset being measured, including any socio-political restrictions imposed by government. In most cases, after taking into account these considerations, the highest and best use is the existing use. In limited circumstances, the highest and best use may be a feasible alternative use, where there are no restrictions on use or where there is a feasible higher restricted alternative use.

Fair value of property, plant and equipment is based on a market participant's perspective, using valuation techniques (market approach or cost approach) that maximise relevant observable inputs and minimise unobservable inputs. Also refer to note 12 and note 23 for further information regarding fair value.

Revaluations shall be made with sufficient regularity to ensure the carrying amount of each asset in the class does not differ materially from its fair value at reporting date. The EPA conducts a comprehensive revaluation of its buildings at least once every three years. An independent comprehensive revaluation of buildings as at 31 March 2021 was undertaken by Colliers International Valuation & Advisory Services Pty Ltd. The valuer provided an update for the valuation as at 30 June 2021.

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

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

When revaluing non-current assets using the cost approach, the gross amount and the related accumulated depreciation are separately restated.

For other assets valued using other valuation techniques, any balances of accumulated depreciation at the revaluation date in respect of those assets are credited to the asset accounts to which they relate. The net asset accounts are then increased or decreased by the revaluation increments or decrements.

Revaluation increments are recognised in 'other comprehensive income' and credited directly to the asset revaluation surplus in equity. However, to the extent that an increment reverses a revaluation decrement in respect of that class of asset previously recognised as a loss in the net result, the increment is recognised immediately as a gain in the net result.

Revaluation decrements are recognised immediately as a loss in the net result, except to the extent that it offsets an existing revaluation surplus in respect of the same class of asset, in which case they are debited directly to the revaluation surplus.

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

Where an asset that has previously been revalued is disposed of, any balance remaining in the asset revaluation surplus in respect of that asset is transferred to accumulated funds.

The useful lives and methods of depreciation of property, plant and equipment are reviewed at each financial year end.

# Our finances

## **Impairment of property, plant and equipment**

As the EPA is a not-for-profit entity with no cash generating units, impairment under AASB 136 *Impairment of Assets* is unlikely to arise. Since property, plant and equipment is carried at fair value or an amount that approximates fair value, impairment can only arise in rare circumstances, such as where the costs of disposal are material.

At each reporting date, the EPA assesses whether there is an indication that an asset may be impaired. If any indication exists, or when annual impairment testing for an asset is required, the EPA estimates the asset's recoverable amount. When the carrying amount of an asset exceeds its recoverable amount, the asset is considered impaired and is written down to its recoverable amount. The amount assessed for impairment in FY2020–21 was nil (FY2019–20: nil).

Specialised assets held for continuing use of their service capacity are rarely sold and their cost of disposal is typically negligible. Their recoverable amount is expected to be materially the same as fair value, where they are regularly revalued under AASB 13.

As the EPA is a not-for-profit entity, an impairment loss is recognised in the net result to the extent the impairment loss exceeds the amount in the revaluation surplus for the class of asset.

After an impairment loss has been recognised, it is reversed only if there has been a change in the assumptions used to determine the asset's recoverable amount. The reversal is limited so that the carrying amount of the asset neither exceeds its recoverable amount nor exceeds the carrying amount that would have been determined, net of depreciation, had no impairment loss been recognised for the asset in prior years. Such reversal is recognised in the net result and is treated as a revaluation increase. However, to the extent that an impairment loss on the same class of asset was previously recognised in the net result, a reversal of that impairment loss is also recognised in the net result.

## **10. Leases**

The EPA leases various properties, equipment and motor vehicles. Lease contracts are typically made for fixed periods of two to eight years but may have extension options. Lease terms are negotiated on an individual basis and contain a wide range of different terms and conditions. The lease agreements do not impose any covenants, but leased assets may not be used as security for borrowing purposes. The EPA does not provide residual value guarantees in relation to leases.

Extension and termination options are included in a number of property and equipment leases. These terms are used to maximise operational flexibility in terms of managing contracts. The majority of extension and termination options held are exercisable only by the EPA and not by the respective lessor. In determining the lease term, management considers all facts and circumstances that create an economic incentive to exercise an extension option, or not exercise a termination option. Extension options (or periods after termination options) are only included in the lease term if the lease is reasonably certain to be extended (or not terminated). Potential future cash outflows have not been included in the lease liability because it is not reasonably certain that the leases will be extended (or not terminated). The assessment is reviewed if a significant event or a significant change in circumstances occurs which affects this assessment and that is within the control of the lessee.

AASB 16 *Leases* requires a lessee to recognise a right-of-use asset and a corresponding lease liability for most leases.

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



# Our finances

## Right-of-use assets under leases

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

	Buildings \$'000	Plant and equipment \$'000	Total \$'000
<b>Consolidated and parent</b>			
Balance at 1 July 2020	1,774	641	2,415
Additions	2,858	199	3,057
Depreciation expense	(713)	(307)	(1,020)
<b>Balance at 30 June 2021</b>	<b>3,919</b>	<b>533</b>	<b>4,452</b>

	Buildings \$'000	Plant and equipment \$'000	Total \$'000
<b>Consolidated and parent</b>			
Balance at 1 July 2019	2,062	356	2,418
Additions	-	511	511
Depreciation expense	(288)	(226)	(514)
<b>Balance at 30 June 2020</b>	<b>1,774</b>	<b>641</b>	<b>2,415</b>

## Lease liabilities

The following table presents liabilities under leases (refer to note 15):

	2021 \$'000	2020 \$'000
<b>Consolidated and parent</b>		
Balance at 1 July	2,432	2,418
Additions	3,060	511
Interest expenses	88	55
Payments	(1,014)	(552)
<b>Balance at 30 June</b>	<b>4,566</b>	<b>2,432</b>

## Right-of-use expenses under leases

The following amounts were recognised in the statement of comprehensive income during the period in respect of leases where the EPA is the lessee.

	2021 \$'000	2020 \$'000
<b>Consolidated and parent</b>		
Depreciation expense of right-of-use assets	1,020	514
Interest expense on lease liabilities	88	55
Expense relating to short-term leases	179	-
<b>Total amount recognised in the statement of comprehensive income</b>	<b>1,287</b>	<b>569</b>

The EPA had total cash outflows for leases of \$1.014 million in FY2020–21 (FY2019–20: \$0.552 million).

# Our finances

Based on the assessment of AASB 16, the EPA has been required to recognise five leased properties as the right-of-use assets during the year. Four of these five lease agreements were previously in the name of the Department, and have now been transferred to the name of the EPA. The fifth is a new property in Mascot, leased for 5 years.

## Recognition and measurement

The EPA assesses at contract inception whether a contract is, or contains, a lease: that is, if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration. The EPA recognises lease liabilities to make lease payments and right-of-use assets representing the right to use the underlying assets, except for short-term leases and leases of low-value assets.

### Right-of-use assets

The EPA recognises right-of-use assets at the commencement date of the lease (i.e. the date the underlying asset is available for use). Right-of-use assets are initially measured at the amount of initial measurement of the lease liability (refer to Lease liabilities below), adjusted by any lease payments made at or before the commencement date and lease incentives, any initial direct costs incurred, and estimated costs of dismantling and removing the asset or restoring the site.

The right-of-use assets are subsequently measured at cost. They are depreciated on a straight-line basis over the shorter of the lease term and the estimated useful lives of the assets, as follows:

- motor vehicles and other equipment 2 to 5 years
- building 3 to 8 years.

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

The right-of-use assets are also subject to impairment. The EPA assesses, at each reporting date, whether there is an indication that an asset may be impaired. If any indication exists, or when annual impairment testing for an asset is required, the EPA estimates the asset's recoverable amount. When the carrying amount of the asset exceeds its recoverable amount, the asset is considered impaired and is written down to its recoverable amount. After an impairment loss has been recognised, it is reversed only if there has been a change in the assumptions used to determine the asset's recoverable amount. The reversal is limited so that the carrying amount of the asset neither exceeds its recoverable amount nor exceeds the carrying amount that would have been determined, net of depreciation, had no impairment loss been recognised for the assets in prior years. Such reversal is recognised in the net result. The amount assessed for impairment in FY2020–21 is nil (FY2019–20: nil).

### Lease liabilities

At the commencement date of the lease, the EPA recognises lease liabilities measured at the present value of lease payments to be made over the lease term. Lease payments include:

- fixed payments (including in substance fixed payments) less any lease incentives receivable
- variable lease payments that depend on an index or a rate
- amounts expected to be paid under residual value guarantees
- exercise price of a purchase option reasonably certain to be exercised by the EPA
- payments of penalties for terminating the lease, if the lease term reflects the EPA exercising the option to terminate.

# Our finances

Variable lease payments that do not depend on an index or a rate are recognised as expenses (unless they are incurred to produce inventories) in the period in which the event or condition that triggers the payment occurs.

The lease payments are discounted using the interest rate implicit in the lease. If that rate cannot be readily determined, which is generally the case for the EPA's leases, the lessee's incremental borrowing rate is used, being the rate that the EPA would have to pay to borrow the funds necessary to obtain an asset of similar value to the right-of-use asset in a similar economic environment with similar terms, security and conditions.

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

The EPA's lease liabilities are included in borrowings (refer to note 15).

## Short-term leases and leases of low-value assets

The EPA applies the short-term lease recognition exemption to its short-term leases of machinery and equipment (i.e. those leases that have a lease term of 12 months or less from the commencement date and do not contain a purchase option). It also applies the lease of low-value assets recognition exemption to leases of office equipment that are considered to be low value. Lease payments on short-term leases and leases of low-value assets are recognised as expense on a straight-line basis over the lease term.

## 11. Intangible assets

	Software \$'000	Capital work in progress \$'000	Total \$'000
<b>Consolidated and parent</b>			
At 1 July 2019 – fair value			
Cost (gross carrying amount)	14,504	4,657	19,161
Accumulated amortisation and impairment	(8,869)	-	(8,869)
<b>Net carrying amount</b>	<b>5,635</b>	<b>4,657</b>	<b>10,292</b>
<b>Year ended 30 June 2020</b>			
Net carrying amount at start of year	5,635	4,657	10,292
Additions	1,254	3,169	4,423
Disposals	-	(372)	(372)
Transfer from work in progress	1,328	(1,328)	-
Amortisation (recognised in 'depreciation and amortisation')	(2,436)	-	(2,436)
<b>Net carrying amount at end of year</b>	<b>5,781</b>	<b>6,126</b>	<b>11,907</b>

# Our finances

	Software \$'000	Capital work in progress \$'000	Total \$'000
<b>Consolidated and parent</b>			
<b>At 1 July 2020 – fair value</b>			
Cost (gross carrying amount)	16,728	6,126	22,854
Accumulated amortisation and impairment	(10,947)	-	(10,947)
<b>Net carrying amount</b>	<b>5,781</b>	<b>6,126</b>	<b>11,907</b>
<b>Period ended 30 June 2021</b>			
Net carrying amount at start of year	5,781	6,126	11,907
Additions	1,857	4,741	6,598
Amortisation (recognised in 'depreciation and amortisation')	(2,061)	-	(2,061)
<b>Net carrying amount at end of year</b>	<b>5,577</b>	<b>10,867</b>	<b>16,444</b>
<b>At 30 June 2021 – fair value</b>			
Cost (gross carrying amount)	17,470	10,867	28,337
Accumulated amortisation and impairment	(11,893)	-	(11,893)
<b>Net carrying amount</b>	<b>5,577</b>	<b>10,867</b>	<b>16,444</b>

## Recognition and measurement

The EPA recognises intangible assets only if it is probable that future economic benefit will flow to the EPA and the cost of the asset can be measured reliably. Intangible assets are measured initially at cost. Where an asset is acquired at no or nominal cost, the cost is its fair value as at the date of acquisition. Following initial recognition, intangible assets are subsequently measured at fair value only if there is an active market. If there is no active market for the EPA's intangible assets, the assets are carried at cost less any accumulated amortisation and impairment losses.

All research costs are expensed. Development costs are only capitalised when certain criteria are met.

### Software

The useful lives of software assets are assessed to be finite.

Software assets are subsequently measured at fair value only if there is an active market. As there is no active market for the EPA's intangible software assets, the assets are carried at cost less any accumulated amortisation and impairment losses.

The EPA's software assets are amortised using the straight-line method over a period of four years.

Intangible assets are tested for impairment where an indicator of impairment exists. If the recoverable amount is less than its carrying amount, the carrying amount is reduced to the recoverable amount and the reduction is recognised as an impairment loss.

# Our finances

## 12. Fair value measurement of non-financial assets

### Fair value measurement and hierarchy

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The fair value measurement is based on the presumption that the transaction to sell the asset or transfer the liability takes place either in the principal market for the asset or liability or, in the absence of a principal market, in the most advantageous market for the asset or liability.

When measuring fair value, the valuation technique used maximises the use of relevant observable inputs and minimises the use of unobservable inputs. Under AASB 13, the EPA categorises, for disclosure purposes, the valuation techniques based on the inputs used in the valuation techniques as follows:

- Level 1 – quoted prices in active markets for identical assets/liabilities that the EPA can access at the measurement date.
- Level 2 – inputs other than quoted prices included within Level 1 that are observable, either directly or indirectly.
- Level 3 – inputs that are not based on observable market data (unobservable inputs).

The EPA recognises transfers between levels of the fair value hierarchy at the end of the reporting period during which the change has occurred.

Refer to note 23 for further disclosures regarding fair value measurements of financial assets.

### Fair value hierarchy

	Level 1 \$'000	Level 2 \$'000	Level 3 \$'000	Total \$'000
<b>Consolidated and parent 2021</b>				
Property, plant and equipment (note 9)	-	-	-	-
Buildings	-	-	4,101	4,101
<b>Total</b>	<b>-</b>	<b>-</b>	<b>4,101</b>	<b>4,101</b>
	Level 1 \$'000	Level 2 \$'000	Level 3 \$'000	Total \$'000
<b>Consolidated and parent 2021</b>				
Property, plant and equipment (note 9)	-	-	-	-
Buildings	-	-	4,183	4,183
<b>Total</b>	<b>-</b>	<b>-</b>	<b>4,183</b>	<b>4,183</b>

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

### Valuation techniques, inputs and processes

#### Highest and best use

Non-financial assets are valued on a highest and best use basis.

#### Level 3 measurements

EPA non-financial assets classed as Level 3 in the fair value hierarchy are valued using a cost approach given that their use is specialised in nature and they are not actively traded in the marketplace. Cost has been derived using actual costs plus reference to industry costing guides based on the characteristics of the relevant asset.



# Our finances

Full external valuations are conducted at least once every three years. A comprehensive revaluation of buildings as at 31 March 2021 was undertaken by Colliers International Valuation & Advisory Services Pty Ltd. The fair value of the assets is adjusted annually for material movements in relevant publicly available indexes between comprehensive valuations. The EPA engages independent, qualified valuers with appropriate experience to conduct external valuations.

Annual movements in industry costing guides or relevant indexes will result in corresponding changes to the fair value of EPA Level 3 assets.

## Reconciliation of recurring Level 3 fair value measurements

	Buildings \$'000	Total recurring Level 3 fair value \$'000
<b>Consolidated and parent 2021</b>		
Fair value as at 1 July 2020	4,183	4,183
Additions	(1)	(1)
Revaluations	30	30
Depreciation	(111)	(111)
<b>Fair value as at 30 June 2021</b>	<b>4,101</b>	<b>4,101</b>
	Buildings \$'000	Total recurring Level 3 fair value \$'000
<b>Consolidated and parent 2020</b>		
Fair value as at 1 July 2019	4,293	4,293
Depreciation	(110)	(110)
<b>Fair value as at 30 June 2020</b>	<b>4,183</b>	<b>4,183</b>

Type (Level 3)	Valuation technique	Inputs	Relationship of unobservable inputs to fair value
Buildings	Depreciated replacement cost (DRC) approach	<ul style="list-style-type: none"> <li>current construction cost estimates as published in Rawlinson's Handbook</li> <li>actual comparable construction costs</li> <li>gross floor area and total and remaining useful life</li> </ul>	The valuer has determined the fair value of buildings by assessing the replacement cost and making appropriate adjustments for age, condition and functional and technical obsolescence. So the higher the unit cost rate, the higher the fair value, and the older or poorer the condition, the lower the fair value. During the revaluation process, the valuer physically inspected the Environmental Science Facility.

# Our finances

## 13. Restricted assets

	Consolidated		Environment Protection Authority	
	2021	2020	2021	2020
	\$'000	\$'000	\$'000	\$'000
<b>Current</b>	-	-	-	-
Contributions	16,957	6,779	16,957	6,779
<b>Restricted cash</b>	<b>16,957</b>	<b>6,779</b>	<b>16,957</b>	<b>6,779</b>

The above amounts are recognised as restricted assets as there are specific legislative or contractual conditions associated with the use of these funds.

## 14. Current liabilities – payables

	Consolidated		Environment Protection Authority	
	2021	2020	2021	2020
	\$'000	\$'000	\$'000	\$'000
Accrued salaries, wages and on-costs	1,849	2,053	-	-
Creditors	17,444	7,110	17,444	7,110
Unearned revenue	80	810	80	810
Payable to the EPA Staff Agency	-	-	1,849	2,053
	<b>19,373</b>	<b>9,973</b>	<b>19,373</b>	<b>9,973</b>

Details regarding credit risk, liquidity risk and market risk, including a maturity analysis of the above payables, are disclosed in note 23.

### Recognition and measurement

Payables represent liabilities for goods and services provided to the EPA and other amounts. Short-term payables with no stated interest rate are measured at the original invoice amount where the effect of discounting is immaterial.

Payables are financial liabilities at amortised cost, initially measured at fair value, net of directly attributable transaction costs. These are subsequently measured at amortised cost using the effective interest method. Gains and losses are recognised in the net result when the liabilities are derecognised as well as through the amortisation process.

## 15. Current/non-current liabilities – borrowings

	Consolidated		Environment Protection Authority	
	2021	2020	2021	2020
	\$'000	\$'000	\$'000	\$'000
<b>Current</b>				
Lease liability	926	527	926	527
	<b>926</b>	<b>527</b>	<b>926</b>	<b>527</b>
<b>Non-current</b>				
Lease liability	3,640	1,905	3,640	1,905
	<b>3,640</b>	<b>1,905</b>	<b>3,640</b>	<b>1,905</b>

Details regarding liquidity risk, including a maturity analysis of the above payables, are disclosed in note 23.

# Our finances

## Recognition and measurement

Borrowing represents interest-bearing lease liabilities.

### Financial liabilities at amortised cost

Borrowings classified as financial liabilities at amortised cost are initially measured at fair value, net of directly attributable transaction costs. These are subsequently measured at amortised cost using the effective interest method. Gains and losses are recognised in the net result when the liabilities are derecognised as well as through the amortisation process.

## 16. Current/non-current liabilities – provisions

	Consolidated		Environment Protection Authority	
	2021 \$'000	2020 \$'000	2021 \$'000	2020 \$'000
<b>Current</b>				
Restoration costs	53	12	53	12
<b>Employee benefits and related on-costs</b>				
Annual leave <sup>1</sup>	6,003	6,231	-	-
Annual leave on-costs <sup>1</sup>	902	855	-	-
Long-service leave on-costs <sup>2</sup>	3,591	3,310	-	-
Allowances	-	269	-	-
Payable to the EPA Staff Agency	-	-	10,496	10,665
<b>Total current</b>	<b>10,549</b>	<b>10,677</b>	<b>10,549</b>	<b>10,677</b>
<b>Non-current</b>				
Restoration costs	515	294	515	294
<b>Employee benefits and related on-costs</b>				
Long-service leave on-costs <sup>2</sup>	355	288	-	-
Payable to the EPA Staff Agency	-	-	355	288
<b>Total non-current</b>	<b>870</b>	<b>582</b>	<b>870</b>	<b>582</b>
<b>Total provisions</b>	<b>11,419</b>	<b>11,259</b>	<b>11,419</b>	<b>11,259</b>
<b>Aggregate employee benefits and related on-costs</b>				
Provisions – current	10,496	10,665	-	-
Provisions – non-current	355	288	-	-
Accrued salaries, wages and on-costs (note 14)	1,849	2,053	-	-
Payable to the EPA Staff Agency	-	-	12,700	13,006
	<b>12,700</b>	<b>13,006</b>	<b>12,700</b>	<b>13,006</b>

# Our finances

1. The value of employee benefits and related on-costs expected to be paid after 12 months is \$355,212 (2020: \$322,086)
2. The EPA's liabilities for long-service leave are assumed by the Crown Entity. However, the EPA has an obligation to meet the long-service related on-costs.

## Movements in provisions (other than employee benefits)

Movements in provision for restoration costs during the financial year are set out below:

	Consolidated		Environment Protection Authority	
	2021 \$'000	2020 \$'000	2021 \$'000	2020 \$'000
Carrying amount at 1 July	306	-	306	-
Additional provisions recognised	253	306	253	306
Unwinding/change in the discount rate	9	-	9	-
Carrying amount at 30 June	568	306	568	306

## Recognition and measurement: employee benefits and related on-costs

### Salaries and wages, annual leave and sick leave

Salaries and wages (including non-monetary benefits) and paid sick leave, expected to be settled wholly within 12 months after the period employees render the service, are recognised and measured at the undiscounted amounts of the benefits.

Annual leave not expected to be settled wholly before twelve months after the end of the annual reporting period in which the employees render the related service, is to be measured at present value in accordance with AASB 119 *Employee Benefits*.

Actuarial advice obtained by Treasury has confirmed that using the nominal annual leave balance plus the annual leave entitlements accrued while taking annual leave (calculated using 7.9% of the nominal value of annual leave) can be used to approximate the present value of the annual leave liability. The EPA has assessed the actuarial advice based on its circumstances and has determined that the effect of discounting is immaterial to annual leave. All annual leave is classified as a current liability even where the EPA does not expect to settle the liability within 12 months as the EPA does not have an unconditional right to defer settlement.

Unused non-vesting sick leave does not give rise to a liability as it is not considered probable that sick leave taken in the future will be materially greater than the benefits accrued in the future.

### Long-service leave and superannuation

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

Long-service leave is measured at the present value of expected future payments to be made in respect of services provided up to the reporting date. Consideration is given to certain factors based on actuarial review, including expected future wage and salary levels, experience of employee departures and periods of service. Expected future payments are discounted using the Commonwealth Government bond rate at the reporting date.

# Our finances

The superannuation expense for the financial year is determined using the formulae specified in the Treasurer's Directions. The expense for certain superannuation schemes (i.e. Basic Benefit and First State Super) is calculated as a percentage of the employee's salary. For other superannuation schemes (i.e. State Superannuation Scheme and State Authorities Superannuation Scheme) the expense is calculated as a multiple of the employee's superannuation contributions.

## **Consequential on-costs**

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

## **Other provisions**

Provisions are recognised when: the EPA has a present legal or constructive obligation as a result of a past event; it is probable that an outflow of resources will be required to settle the obligation; and a reliable estimate can be made of the amount of the obligation. When the EPA expects some or all of a provision to be reimbursed, (for example, under an insurance contract), the reimbursement is recognised as a separate asset, but only when the reimbursement is virtually certain. The expense relating to a provision is presented net of any reimbursement in the statement of comprehensive income.

If the effect of the time value of money is material, provisions are discounted at 0.4%, which is a pre-tax rate that reflects the current market assessments of the time value of money and the risks specific to the liability. When discounting is used, the increase in the provision due to the passage of time (i.e. unwinding of discount rate) is recognised as a finance cost.

## **17. Equity**

### **Recognition and measurement**

#### **Revaluation surplus**

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

#### **Accumulated funds**

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

#### **Equity transfers**

The transfer of net assets between entities as a result of an administrative restructure, transfers of programs/functions and parts thereof between NSW public sector entities, and 'equity appropriations,' are designated or required by the Accounting Standards to be treated as contributions by owners and recognised as an adjustment to 'Accumulated funds'. This treatment is consistent with AASB 1004 *Contributions and Australian interpretation* and AASB 1038 *Contributions by Owners Made to Wholly-Owned Public Sector Entities*.

Transfers arising from an administrative restructure involving not-for-profit and for-profit government entities are recognised at the amount at which the assets and liabilities were recognised by the transferor immediately prior to the restructure. Subject to below, in most instances this will approximate fair value.

# Our finances

As at 1 August 2020, employees in Waste programs within the Department of Planning, Industry and Environment were transferred back to their original unit in EPA in accordance with an arrangement between the Secretary of the Department and the Chief Executive Officer of the EPA. Employees and their related employee benefits and on-costs were transferred to the EPA at the date of transfer. Because these employees have returned to their original unit in the EPA, all the associated costs have been treated as an employee expense and grant income.

	2021 \$'000	2020 \$'000
<b>Liabilities</b>		
Current liabilities	-	-
Provisions	-	(717)
<b>Total current liabilities</b>	-	(717)
<b>Non-current liabilities</b>		
Provisions	-	(11)
<b>Total non-current liabilities</b>	-	(11)
<b>Total liabilities</b>	-	(728)
<b>Total employee-related provisions transferred to DPIE</b>	-	(728)

## 18. Commitments for expenditure

As at 30 June 2021, the EPA has capital commitments of \$0.216 million (2020: nil capital commitments).

## 19. Contingent liabilities and contingent assets

### Contingent liabilities

#### Claims on the Treasury Managed Fund

The EPA is a member of the NSW Treasury Managed Fund (TMF) self-insurance scheme. The fund manages civil claims against the EPA in relation to issues such as negligence and public liability. As at 30 June 2021, there was one material claim on the Treasury Managed Fund.

#### Other claims

There are presently no other unresolved civil claims where legal action has been taken against the EPA seeking damages or similar.

The EPA is not aware of any significant or material contingent liability, in existence at 30 June 2021 or that has emerged subsequent to this date, which may materially impact on the financial position of the EPA as shown in the financial statements.

### Contingent assets

The EPA has no contingent assets as at 30 June 2021.

# Our finances

## 20. Budget review

The budgeted amounts are drawn from the original budgeted financial statements presented to Parliament in respect of the reporting period. Subsequent amendments to the original budget (e.g. adjustment for transfer of budget between entities) are not reflected in the budgeted amounts. Major variances between the original budgeted amounts and the actual amounts disclosed in the financial statements are explained below.

### Net result

**Actual net result of \$3.2 million against the budget of \$6.3 million, a variance of \$3.1 million**

Lower than budgeted net result was due mainly to:

- The variation of lower total expenses of \$0.9 million was due to \$11.7 million in employee-related expenses, mainly resulting from delayed recruitment during the year and \$9.6 million in lower grant and subsidies expense. This was partially offset by \$21.5 million higher than budgeted operating expenses on programs such as bushfire and flood recovery, \$8.0 million; unbudgeted clean up costs, \$6.6 million; and an impairment charge relating to debtors, \$3.9 million.
- The overall reason for the variation of lower total revenue of \$3.9 million was due mainly to \$7.0 million lower than budget for grants and contributions received. This was partially offset by \$5.2 higher retained taxes, fees and fines as well as the sales of goods and services.

### Assets and liabilities

**Actual net assets of \$37.5 million against the budget of \$39.9 million – a variance of \$2.4 million**

The total assets increased by \$9.5 million mainly due to increased cash at bank by \$4.7 million which was a result of the increased restricted cash received for the bushfire grant and increase in receivables by \$7.47 million. The total liabilities increased by \$11.9 million mainly due to increase in payables, \$9.4 million, due to flood clean up and restoration programs, education programs and the waste and circular economy programs.

### Cash flows

**Closing cash and cash equivalents \$33.3 million against a budget of \$28.6 million, a variance of \$4.7 million**

Total payments from operating activities were lower than budget by \$4.0 million due to lower employee payments, \$8.9 million, and grants and subsidies, \$9.6 million. This was partially offset by higher other operating payments, \$14.4 million. Total receipts decreased by \$1.3 million mainly due to a reduction in grants received, \$8.3 million.



# Our finances

## 21. Reconciliation of cash flows from operating activities to net result

	Consolidated		Environment Protection Authority	
	2021 \$'000	2020 \$'000	2021 \$'000	2020 \$'000
Net cash used on operating activities	13,622	5,012	13,622	5,012
Depreciation and amortisation	(3,616)	(3,443)	(3,616)	(3,443)
Gain/(loss) on disposal of asset	(6)	(530)	(6)	(530)
Increase/(decrease) in receivables	2,506	3,130	2,506	3,130
Decrease/(increase) in provisions	102	(1,458)	102	(1,458)
Decrease/(increase) in creditors	(9,400)	(816)	(9,400)	(816)
Decrease/(increase) in contract liabilities	25	(365)	25	(365)
<b>Net result</b>	<b>3,233</b>	<b>1,530</b>	<b>3,233</b>	<b>1,530</b>

## 22. Administered assets, liabilities and income

	2021 \$'000	2020 \$'000
<b>Consolidated and parent</b>		
Administered assets		
Receivables	110,573	132,616
Allowance for impairment	(24,120)	(13,907)
Cash	943	250
Remittance clearing	(943)	(250)
Accrued income	-	-
<b>Total administered assets</b>	<b>86,453</b>	<b>118,709</b>
<b>Administered liabilities</b>		
Creditors	-	-
<b>Total administered liabilities</b>	<b>-</b>	<b>-</b>
Administered income		
Pollution licences and approvals	25,957	27,885
Other fees and licences	-	2
Waste-related levies and fees	763,021	757,991
Coal wash levy	2,977	215
Waste levy rebates	(3,735)	(8,857)
Coal wash rebates	-	(364)
Fines	1,957	2,398
<b>Total administered income</b>	<b>790,177</b>	<b>779,270</b>
Impairment loss	10,213	13,907
<b>Total impairment loss</b>	<b>10,213</b>	<b>13,907</b>

The above receipts were collected by the EPA on behalf of the Consolidated Fund.

# Our finances

These are not included in the EPA's statement of financial position and statement of comprehensive income. They are brought to account as revenue in the Treasurer's Public Accounts.

## 23. Financial instruments

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

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

The EPA Board and Chief Executive Officer have overall responsibility for the establishment and oversight of risk management and reviews and agree to policies for managing each of these risks. Risk management policies are established to identify and analyse the risks faced by the EPA, set risk limits and control and monitor risks. Compliance with policies is reviewed by the Audit and Risk Committee and internal auditors on a periodic basis.

### Financial instrument categories

Financial Assets	Note	Category	Carrying Amount 30 June 2021	Carrying Amount 30 June 2020
<b>Consolidated and parent</b>			<b>\$'000</b>	<b>\$'000</b>
<b>Class:</b>				
Cash and cash equivalents	6	N/A	33,340	27,494
Receivables <sup>1</sup>	7	Receivables (at amortised cost)	11,436	10,030
<b>Financial Liabilities</b>	<b>Note</b>	<b>Category</b>	<b>Carrying Amount 30 June 2021</b>	<b>Carrying Amount 30 June 2020</b>
			<b>\$'000</b>	<b>\$'000</b>
<b>Class:</b>				
Payables <sup>2</sup>	14	Financial liabilities at amortised cost	19,293	9,163
Borrowings	15	Financial liabilities at amortised cost	4,566	2,432

1. Excludes GST receivables and prepayments (i.e. not within scope of AASB 7).

2. Excludes GST payables and unearned revenue (i.e. not within scope of AASB 7).

# Our finances

## Derecognition of financial assets and financial liabilities

A financial asset is derecognised when the contractual rights to the cash flows from the financial assets expire or the EPA transfers the financial asset:

- where the EPA has substantially transferred all the risks and rewards; or
- where the EPA has not transferred substantially all the risks and rewards and the EPA has not retained control.

Where the EPA has neither transferred nor retained substantially all the risks and rewards or transferred control, the asset continues to be recognised to the extent of the EPA's continuing involvement in the asset. In that case, the EPA also recognises an associated liability. The transferred asset and the associated liability are measured on a basis that reflects the rights and obligations that the EPA has retained.

Continuing involvement that takes the form of a guarantee over the transferred asset is measured at the lower of the original carrying amount of the asset and the maximum amount of consideration that the EPA could be required to repay.

A financial liability is derecognised when the obligation specified in the contract 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 the derecognition of the original liability and the recognition of a new liability. The difference in the respective carrying amounts is recognised in the net result.

## Financial risks

### Credit risk

Credit risk arises when there is the possibility that the counterparty will default on their contractual obligations, resulting in a financial loss to the EPA. The maximum exposure to credit risk is generally represented by the carrying amount of the financial assets (net of any allowance for impairment).

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

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

### Cash

Cash comprises cash on hand and bank balances within the NSW Treasury Banking System. Interest is earned on daily bank balances of specified restricted cash at the monthly average NSW Treasury Corporation (TCorp) 11am unofficial cash rate, adjusted for a management fee to NSW Treasury.

## Accounting policy for impairment of trade debtors

### Receivables – trade and other debtors

Collectability of trade debtors is reviewed on an ongoing basis. Procedures as established in the Treasurer's Directions are followed to recover outstanding amounts, including letters of demand.

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

To measure the expected credit losses, trade receivables have been grouped based on shared credit risk characteristics and the days past due.

# Our finances

The expected loss rates are based on historical observed loss rates. The historical loss rates are adjusted to reflect current and forward-looking information on macro-economic factors affecting the ability of the customers to settle the receivables. The EPA has identified the GDP and the unemployment rate as being the most relevant factors and accordingly adjusts the historical loss rates based on expected changes in these factors.

Trade debtors are written off when there is no reasonable expectation of recovery. Indicators that there is no reasonable expectation of recovery include a failure to make contractual payments for a period of greater than 90 days past due.

The loss allowance for trade debtors as at 30 June 2021 and 30 June 2020 was determined as follows.

Consolidated and parent 30 June 2021	Current \$'000	<30 days \$'000	30–60 days \$'000	61–90 days \$'000	>91 days \$'000	Total \$'000
Expected credit loss rate	-	-	-	-	7%	
Estimated total gross carrying amount at default	4,134	1,013	2,523	107	1,490	9,267
<b>Expected credit loss</b>	-	-	-	-	104	104

Consolidated and parent 30 June 2020	Current \$'000	<30 days \$'000	30–60 days \$'000	61–90 days \$'000	>91 days \$'000	Total \$'000
Expected credit loss rate	-	-	-	-	73.7%	
Estimated total gross carrying amount at default	3,156	994	354	91	651	5,246
<b>Expected credit loss</b>	-	-	-	-	480	480

**Notes:** the analysis is calculated based on trade debtors only (excluding accrued income and statutory receivables, as these are not within the scope of AASB 7). The total will therefore not reconcile with the receivables total in note 7.

The EPA is not materially exposed to concentrations of credit risk to a single trade debtor or group of debtors.

## Liquidity risk

Liquidity risk is the risk that the EPA will be unable to meet its payment obligations when they fall due. The EPA continuously manages risk through monitoring future cash flows and maturities planning to ensure adequate holding of high quality liquid assets. The objective is to maintain a balance between continuity of funding and flexibility through the use of overdrafts, loans and other advances.

During the current and prior year there were no defaults of loans payable. No assets have been pledged as collateral. The EPA's exposure to liquidity risk is deemed insignificant, based on data from prior periods and current assessment of risk.

# Our finances

The liabilities are recognised for amounts due to be paid in the future for goods or services received, whether or not invoiced. Amounts owing to suppliers (which are unsecured) are settled in accordance with the policy set out in NSW TC 11/12. For small business suppliers, where terms are not specified, payment is made not later than 30 days from date of receipt of a correctly rendered invoice. For other suppliers, if trade terms are not specified, payment is made no later than the end of the month following the month in which an invoice or a statement is received. For small business suppliers, where payment is not made within the specified time period, simple interest must be paid automatically unless an existing contract specifies otherwise. For payments to other suppliers, the head of an authority (or a person appointed by the head of an authority) may automatically pay the supplier simple interest.

The rate of interest applied during the year was 8.01% (2020: 9.08%).

The table below summarises the maturity profile of the EPA's financial liabilities, together with the interest rate exposure.

Consolidated and Parent		Interest Rate Exposure				Maturity Dates			\$'000
	Weighted average effective interest rate	Nominal amount <sup>1</sup>	Fixed Interest Rate	Variable Interest Rate	Non-interest bearing	< 1 yr	1–5 yrs	> 5 yrs	
<b>2021</b>									
Payables	N/A	19,293	-	-	19,293	19,293	-	-	
Borrowings	3.03%	4,566	4,566	-	-	926	3,640	-	
		23,859	4,566	-	19,293	20,219	3,640	-	
<b>2020</b>									
Payables	N/A	9,163	-	-	9,163	9,163	-	-	
Borrowings	3.19%	2,432	2,432	-	-	527	283	1,622	
		11,595	2,432	-	9,163	9,690	283	1,622	

1. The amounts disclosed are the contractual undiscounted cash flows of each class of financial liabilities based on the earliest date on which the EPA can be required to pay. The tables include both interest and principal cash flows and therefore will not reconcile to the statement of financial position.

## Market risk

Market risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices. The EPA has no exposure to foreign currency risk and does not enter into commodity contracts.

The effect on profit and equity due to a reasonably possible change in risk variables is outlined in the information below for interest rate risk and other price risk. A reasonably possible change in risk variables has been determined after taking into account the economic environment in which the EPA operates and the timeframe for the assessment (i.e. until the end of the next annual reporting period). The sensitivity analysis is based on risk exposures in existence at the statement of financial position date. The analysis is performed on the same basis as for 2021. The analysis assumes that all other variables remain constant.

# Our finances

## Interest rate risk

The EPA does not account for any fixed-rate financial instruments at fair value through profit or loss. Therefore, for these financial instruments, a change in interest rates would not affect the carrying value or interest paid/earned. A reasonably possible change of +/- 1% is used, consistent with current trends in interest rates. The basis will be reviewed annually and amended where there is a structural change in the level of interest rate volatility. The EPA's exposure to interest rate risk is set out below.

Consolidated and Parent	Carrying amount \$'000	Profit \$'000	-1% Equity \$'000	Profit \$'000	+1% Equity \$'000
<b>2021</b>					
<b>Financial assets</b>					
Cash and cash equivalents	33,340	(333)	(333)	333	333
Receivables	11,436	(114)	(114)	114	114
	6,610	(66)	(66)	66	66
<b>Financial liabilities</b>					
Payables	19,293	193	193	(193)	(193)
Borrowings	4,566	46	46	(46)	(46)
<b>2020</b>					
<b>Financial assets</b>					
Cash and cash equivalents	27,494	(275)	(275)	275	275
Receivables	10,030	(100)	(100)	100	100
	5,228	(52)	(52)	52	52
<b>Financial liabilities</b>					
Payables	9,163	92	92	(92)	(92)
Borrowings	2,432	24	24	(24)	(24)

## Fair value compared to carrying amount

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

# Our finances

## 24. Related party disclosures

The EPA's key management personnel compensation is as follows:

	Consolidated		Environment Protection Authority	
	2021	2020	2021	2020
	\$'000	\$'000	\$'000	\$'000
<b>Short-term employee benefits</b>				
Salaries*	3,111	2,900	668	754
Termination benefits	-	251	-	-
<b>Total remuneration</b>	<b>3,111</b>	<b>3,151</b>	<b>668</b>	<b>754</b>

\* Excludes payroll tax

During the period, the EPA incurred \$2.4 million (2020: \$2.4 million) for the provision of key management personnel services that are provided by the EPA Staff Agency.

During the year, the EPA entered into transactions with other agencies that are controlled/jointly controlled/significantly influenced by the NSW Government. These transactions allow the EPA to meet its objectives and in aggregate are a significant component of the EPA's operations. These transactions are primarily in the form of grants paid and received and are disclosed in notes 2(d), 3(c) and 3(d) respectively.

There are no material related party transactions between the EPA and the key management personnel, their close family members and controlled or jointly controlled entities thereof.

## 25. Events after the reporting period

There are no known events that would impact on the state of the EPA or have a material impact on the financial statements.

**End of audited financial statements.**