

Teacher Housing Authority of NSW

Annual Report 2017-18

- Financial statements for the year ended 30 June 2018
- Statutory information

The Hon Victor Dominello, MP
Minister for Finance, Services and Property
GPO Box 5341
SYDNEY NSW 2001

Dear Minister,

Teacher Housing Authority of NSW Annual Report 2017/18

I am pleased to submit the Annual Report for Teacher Housing Authority of NSW, for the year ended 30 June 2018, for presentation to Parliament.

This report has been prepared in accordance with the *Annual Reports (Statutory Bodies) Act 1984*, the *Public Finance and Audit Act 1983* and regulations under those Acts.

Yours sincerely,

Brett Newman
Chairperson, THA

Gregory Phipson
Director, Housing Services
Property NSW

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1. Charter

The Teacher Housing Authority of New South Wales (THA) is a statutory corporation constituted under the *Teacher Housing Authority Act 1975* (THA Act).

Under the Act, the principal object of the THA is to provide and maintain suitable and adequate housing accommodation for teachers. The THA also:

- initiates, promotes, commissions and undertakes surveys and investigations into the housing needs of teachers
- undertakes, promotes and encourages research into the design, construction and maintenance of housing suitable for teachers
- plans the provision of a comprehensive and coordinated housing service for teachers throughout rural and remote NSW
- provides, conducts, operates and maintains a housing service for teachers; and
- advises and makes reports and recommendations to the Minister in respect of matters relating to the housing of teachers.

2. Aims and objectives

The aims and objectives of the THA are to provide:

- a responsive, dependable, empathetic and competent service
- a high standard of housing stock
- a relevant and efficient organisation covering all aspects of tenancy service and asset management; and
- an organisation that engages its workforce, creates a culture of continuous improvement, with appropriate resourcing and informed decision making.

3. Access

Teacher Housing Authority of NSW
66 Harrington Street, Sydney NSW 2000
PO Box N408, Grosvenor Place NSW 1220
T: 02 8276 8000

housingservices@property.nsw.gov.au

<https://www.property.nsw.gov.au/housing-services>

Core business hours are 8:30am – 5:00pm Monday to Friday.

4. Management and structure

In 2015/16, Government Property NSW, THA and Waste Assets Management Corporation consolidated with Sydney Harbour Foreshore Authority to form the Property and Advisory Group.

The functions of THA have been consolidated within the Housing Services team of Property NSW. However, the THA, as an entity, retains its statutory role.

Under the THA Act, THA Board members are responsible for determining THA policies and ensuring its activities are carried out properly and efficiently.

Property NSW's Director, Housing Services, controls and manages THA activities.

Method and term of appointment of THA Board Members

The seven members of the THA Board are appointed in accordance with Section 7 of the *Teacher Housing Authority Act 1975*. Four are appointed by the Governor, and three are ex officio. Of the four members appointed by the Governor:

- one is nominated by the Minister for Family and Community Services (and is Deputy Chairperson);
- one is nominated by the Secretary, Department of Education (DE), being an officer of that department serving in the western or north-western region of the State;
- one is nominated by the Managing Director of the NSW TAFE Commission, being a senior financial manager of that Commission; and
- one is nominated by the Minister for Education on the recommendation of the NSW Teachers' Federation.

Of the three ex-officio members:

- one is the nominee of the Secretary of the Department of Finance, Services and Innovation (DFSI), being an officer of that department (and is Chairperson);
- one is appointed by the Secretary, DE; and
- one is the Director of Housing Services.

Members may be appointed for a term of up to five years and may be reappointed after the completion of a five-year term under Section 10(1) of the *Teacher Housing Authority Act 1975*.

THA Board Members

Brett Newman

MBA, LLM, LLB, BEc

**Deputy Secretary, Property and Advisory Group
Chief Executive Officer, Property NSW**

Chairperson (August 2013-current). Nominee of the Secretary of the Department of Finance, Services and Innovation.

Mark Byrne

MM, MBA

Director Resource Planning, Land and Housing Corporation, Department of Family and Community Services

Deputy Chairperson (January 2007-August 2018). Nominee of the Minister for Family and Community Services (Minister for Housing).

Richard Wiseman

BA Arts, DipEd

Organiser, Riverina Area, Teachers Federation of NSW

Member (May 2017-current). Nominee of the Minister for Education, on the request of the NSW Teachers' Federation.

Kelly Edmunds

BA, DipEd, Med

Director, Recruitment and Employment, Department of Education

Member (September 2016-current). Nominee of the Secretary of the Department of Education.

Denis Armstrong

BA Education, DipEd

Director, Public Schools (Macquarie Network), Department of Education

Member (October 2009-Feb 2013; August 2016-current). Nominee of the Secretary of the Department of Education.

James Mills

B Econ.

Senior Finance Business Partner – West Region TAFE NSW

Member (November 2017-current). Nominee of the Managing Director of TAFE NSW.

Greg Phipson

AAPI

Director, Housing Services, Property NSW

Executive Member (February 2017-current)

Authority meetings

The THA Board met on four occasions during 2017/18. Members' attendances were as follows:

Board member	Eligible to Attend	Attended
Brett Newman	4	4
Mark Byrne	4	3
Dennis Armstrong	4	3
Kelly Edmunds	4	4
Richard Wiseman	4	4
Greg Phipson	4	4
James Mills	3	3

Organisation structure

THA's functions are carried out by the Housing Services team, part of Property NSW.

5. Summary review of operations

As at 30 June 2018, the THA portfolio consisted of 1,278 properties, including 105 residences under management (owned by DE). During the year, the average occupancy rate was 81.7 per cent.

The teacher utilisation rate, a more accurate efficiency indicator, marginally decreased from 74.4 per cent to 73.4 per cent.

Where a property is vacant due to a lack of teacher demand, extracted for development or refurbishment, or intentionally left vacant as it is earmarked for disposal, the THA (through its managing agents) leases it to a private tenant.

THA completed refurbishment of 34 residences for a total cost of \$2.8 million in 2017/18.

Nine properties, deemed surplus to needs, were sold during the year, contributing \$1.185 million towards the supply of new teacher housing.

A total of \$3.3 million was spent in 2017/18 on refurbishments of existing properties, asset condition assessment program and Hazmat audits.

6. Management and activities

The THA continues to support DE by providing teachers with quality housing services in 200 rural and remote communities where the private rental market is unable to meet their accommodation needs.

THA provides assistance through:

- initiating, promoting and commissioning investigations into the housing needs of teachers;
- undertaking design, construction and maintenance of housing suitable for teachers;
- providing a comprehensive and coordinated housing service for teachers including tenancy and lease management in rural and remote NSW; and

- advising and making recommendations to the Minister in respect of matters relating to teacher housing.

Major achievements in 2017/18 include:

- construction of three new flexible housing projects in Trundle, Walgett and Broken Hill;
- the sale of nine surplus residences, contributing \$1.185 million towards future capital projects;
- \$2.8 million in major works on 34 residences to improve the quality of accommodation;
- establishment and implementation of a customer service improvement plan including a commitment to visit all THA represented towns in the 2018 calendar year;
- completion of the THA asset condition assessment of all residences; and
- review of THA local agent agreements and replacement of non-performing agents.

The Housing Services team also manages housing on behalf of the NSW Police Force, with 685 properties under management as at 30 June 2018.

7. Human resources

Employment Statistics (# of FTE)

Division	2015 ^{1,2}	2016 ^{1,2}	2017 ^{1,2}	2018 ^{1,2}
Senior Executive	-	-	1.0	1.0
Senior Officer	1.0	1.0	-	-
Ongoing	14.3	15.0	11.0	12.0
Temporary	2.1	1.0	1.0	2.0
Total	17.4	17.0	13.0	15.0

¹ Full time equivalent staff (excludes chairpersons, casuals, contractor/agency staff, statutory appointments, trustees, council committee members, staff on secondment to other agencies and staff on long term leave without pay).

² Statistics are based on Workforce Profile census data as at 18 June 2015, 30 June 2016, 29 June 2017 and 28 June 2018.

	2017 ^{3,4,5}				2018 ^{3,4,5}			
Senior Executive Band	Female	Male	Total	% Representation by Women	Female	Male	Total	% Representation by Women
Band 4 (Secretary)	0	0	0	0%	0	0	0	0%
Band 3 (Deputy Secretary)	0	0	0	0%	0	0	0	0%
Band 2 (Executive Director)	0	0	0	0%	0	0	0	0%
Band 1 (Director)	0	1	1	0%	0	1	1	0%
Total	0	1	1	0%	0	1	1	0%

	2017 ⁶		2018 ⁶	
Senior Executive Band	Range \$	Average Remuneration \$	Range \$	Average Remuneration \$
Band 4 (Secretary)	452,250 - 522,500	0	463,551 - 535,550	0
Band 3 (Deputy Secretary)	320,901 - 452,250	0	328,901 - 463,550	0
Band 2 (Executive Director)	255,051 - 320,900	0	261,451 - 328,900	0
Band 1 (Director)	178,850 - 255,050	216,503	183,300 - 261,450	221,916

Employee related costs

Employee related costs 2018	Amount
Executive	\$217,733
Non-Executive	\$1,331,883
Total	\$1,549,616
Ratio Senior Executive	14.1%

In 2018, 14.1 per cent of employee related expenditure was for senior executives, compared with 2017 which was 6.9% per cent.

³ Senior Executive statistics exclude casuals, contractor/agency staff, statutory appointments, staff on secondment to other agencies and staff on long term leave without pay.

⁴ Statistics are based on Workforce Profile census data as at 29 June 2017 and 28 June 2018.

⁵ All employees reported in 2017 and 2018 are appointed under the Government Sector Employment Act. Salary band based on current assignment including those on a temporary above level assignment for more than two months.

⁶ Salary ranges effective at the Workforce Profile census dates of 29 June 2017 and 28 June 2018.

8. Workforce Diversity

Trends in the Representation of Workforce Diversity Groups				
Workforce Diversity Group	Benchmark	2016 ^{7,8}	2017 ^{7,8}	2018 ⁷
Women ⁹	50%	73.7%	57.1%	60.0%
Aboriginal People and/or Torres Strait Islander People ¹⁰	3.3%	0.0%	0.0%	0.0%
People whose First Language Spoken as a Child was not English ¹¹	23.2%	52.5%	35.7%	26.7%
People with a Disability ¹²	5.6%	0.0%	0.0%	0.0%
People with a Disability Requiring Work-Related Adjustment ¹²	N/A	0.0%	0.0%	0.0%

Trends in the Distribution of Workforce Diversity Groups				
Workforce Diversity Group	Benchmark ^{13,14}	2016	2017	2018
Women	100	N/A	N/A	N/A
Aboriginal People and/or Torres Strait Islander People	100	N/A	N/A	N/A
People whose First Language Spoken as a Child was not English	100	N/A	N/A	N/A
People with a Disability	100	N/A	N/A	N/A
People with a Disability Requiring Work-Related Adjustment	100	N/A	N/A	N/A

⁷ Statistics are based on Workforce Profile census data as at 30 June 2016, 29 June 2017 and 28 June 2018.

⁸ Workforce diversity statistics for 2016 and 2017 reflect the current composition of the department and may vary from those reported in previous annual reports.

⁹ The benchmark of 50% for representation of women across the sector is intended to reflect the gender composition of the NSW community.

¹⁰ The NSW Public Sector Aboriginal Employment Strategy 2014 – 17 introduced an aspirational target of 1.8% by 2021 for each of the sector's salary bands. If the aspirational target of 1.8% is achieved in salary bands not currently at or above 1.8%, the cumulative representation of Aboriginal employees in the sector is expected to reach 3.3%.

¹¹ A benchmark from the Australian Bureau of Statistics (ABS) Census of Population and Housing has been included for People whose First Language Spoken as a Child was not English. The ABS Census does not provide information about first language, but does provide information about country of birth. The benchmark of 23.2% is the percentage of the NSW general population born in a country where English is not the predominant language.

¹² In December 2017, the NSW Government announced the target of doubling the representation of people with disability in the NSW public sector from an estimated 2.7% to 5.6% by 2027. More information can be found at: Jobs for People with Disability: A plan for the NSW public sector. The benchmark for 'People with Disability Requiring Work-Related Adjustment' was not updated.

¹³ A Distribution Index score of 100 indicates that the distribution of members of the Workforce Diversity group across salary bands is equivalent to that of the rest of the workforce. A score less than 100 means that members of the Workforce Diversity group tend to be more concentrated at lower salary bands than is the case for other staff. The more pronounced this tendency is, the lower the score will be. In some cases, the index may be more than 100, indicating that members of the Workforce Diversity group tend to be more concentrated at higher salary bands than is the case for other staff.

¹⁴ The Distribution Index is not calculated when the number of employees in the Workforce Diversity group is less than 20 or when the number of other employees is less than 20.

9. Disability inclusion action plans

As part of DFSI, the THA supports the department's Disability Inclusion Action Plan 2015-18. The plan sets out how DFSI will work towards:

- the development of positive community attitudes and behaviours towards people with a disability;
- the creation of more liveable communities for people with a disability;
- the achievement of a higher rate of meaningful employment participation by people with a disability through inclusive employment practices; and
- more equitable access to mainstream services for people with a disability through better systems and processes.

10. Consumer response

Extent and main features of complaints

THA introduced a Customer Satisfaction (CSAT) Survey in 2018, in addition to its existing quarterly Net Promoter Score Survey.

CSAT Survey:

In May 2018, Housing Services sent out 930 surveys to all teacher tenants. The depth of the survey questions related to levels of satisfaction with the managing agent, the property and service delivery of THA. There were 281 respondents, giving a response rate of 30%. THA received a satisfaction score of 61 from the possible 100. The issues below have been observed by the survey:

- There are a high number of respondents who believe it takes too long to have maintenance issues rectified.
- occupants have raised issues of inspections with little to no notice or prior approval
- managing agents are located out of town
- response to email and phone calls by THA takes too long
- heating and cooling system issues, however the number of issues has significantly reduced from prior year.
- occupants have raised areas of improvement such as worn carpets, worn furniture, painting, security and gardens

NPS Survey

The Net Promoter Score (NPS) has been used to measure customer satisfaction since 2015 and is completed at each quarter. The NPS survey only targets new tenants for the quarter.

The NPS provides an index, ranging from -100 to +100 that measures the willingness of customers to recommend a product or service to others. It is used as a proxy for gauging overall customer satisfaction.

Responses are segmented into: Detractors (1-6); Neutrals (7-8); and Promoters (9-10). Neutrals are excluded, and the overall score is determined by the percent of Promoters minus the percent of Detractors. As such, the score will always be between -100 and +100.

Item	Jul-Sep 2017	Oct-Dec 2017	Jan-Mar 2018	Apr-Jun 2018
Surveys sent	49	40	175	76
Responses/response rates	28 (57%)	17 (43%)	78 (45%)	30 (39%)
Margin of error (at 95% interval)	15.2	19.5	9.4	16.6
Detractors (1-6)	7 (25%)	5 (29%)	28 (36%)	14 (47%)
Passives (7-8)	9 (32%)	6 (35%)	24 (31%)	5 (17%)
Promoters (9-10)	12 (42%)	6 (36%)	26 (33%)	11 (37%)
Comments received	8 (27%)	6 (35%)	38 (49%)	15 (50%)
Net Promoter Score (Promoters minus Detractors)	+14	+6	-3	-10

Some of the issues drawn out by the survey are:

- response times to tenant queries need improvement
- rent payment process needs improvement
- quality/standard of furnishing needs improvement
- quality of services from our agents are ranges from poor to excellent
- maintenance/condition of assets is average.

Services improved/changed in response to surveys

THA formalised its Customer Improvement Plan in February 2018. The following are the plan's commitment:

- a portal on the Property NSW website, that shows teachers what the town looks like and the accommodation that is available.
- review of heating and cooling systems
- reduction in the repair and maintenance response times and the implementation of a streamlined, responsive escalation channel
- more customer face to face contact and regular customer surveys

In addition to the plan, we will adjust THA's staff processes and KPIs to reflect a commitment to short response times. THA will also review managing agents' performance and develop new guidelines for standard and quality of furniture provided by THA.

11. Payment of accounts

The table below highlights Teacher Housing Authority's account payment performance for 2017/18.

TEACHER HOUSING AUTHORITY OF NSW ACCOUNT PAYMENT PERFORMANCE AS 2017-18

ACCOUNT PAYMENT PERFORMANCE Teacher Housing Authority of NSW - ALL PAYMENTS AS AT 2017-18	FULL YEAR				
	1ST QTR	2ND QTR	3RD QTR	4TH QTR	TOTAL
ALL SUPPLIERS					
Value of Invoices Paid (\$'000)					
Paid Before Due	\$5,696,483	\$2,967,556	\$5,885,227	\$6,520,451	\$21,069,717
<30 Days Overdue	\$44,578	\$4,368	\$0	\$0	\$48,946
>30<60 Days Overdue	\$0	\$150,105	\$198,605	\$2,525	\$351,235
>60<90 Days Overdue	\$2,202	\$0	\$700	\$0	\$2,902
>90 Days Overdue	\$0	\$8,839	\$0	\$7,925	\$16,764
Total Value of Invoices Paid (\$'000)	\$5,743,263	\$3,130,869	\$6,084,532	\$6,530,901	\$21,489,565
% Paid on Time - By Value	99%	95%	97%	100%	98%
Number of Invoice Paid					
Paid Before Due Date	2,123	1,018	1,034	1,043	5,218
Paid Past Due Date	52	507	1,046	1,070	2,675
Total Number of Invoices Paid	2,175	1,525	2,080	2,113	7,893
% Paid on Time - By Number	98%	67%	50%	49%	66%
Interest Paid					
Number of Payments for Interest on:					
Overdue Invoices	-	-	-	-	-
Interest Paid on Over due Invoices	-	-	-	-	-
SMALL BUSINESS SUPPLIERS					
Value of Invoices Paid (\$'000)					
Paid Before Due Date					
<30 Days Overdue					
>30<60 Days Overdue					
>60<90 Days Overdue					
>90 Days Overdue					
Total Value of Invoices Paid (\$'000)	-	-	-	-	-
Total Value Paid on Time (%)	99%	95%	97%	100%	98%
Number of Invoices Paid					
Paid Before Due Date					
Paid Past Due Date					
Total Number of Invoices Paid	-	-	-	-	-
% Paid on Time - By Number	0%	0%	0%	0%	0%
Interest Paid					
Number of Payments for Interest on:					
Overdue Invoices	-	-	-	-	-
Interest Paid on Over due Invoices	-	-	-	-	-

During the migration to SAP, vendors were invited to complete/renew a small business declaration. As no vendors submitted a declaration, the number of invoices at 30 June 2018 for small business is \$0.

Property NSW continues to review its outsourced service provider against the Service Level Agreement.

12. Risk management and insurance activities

Risk Management

The Teacher Housing Authority (THA) constantly monitors its environment to assess the risks in its operations, and uses its resources to manage these risks. THA's approach to risk management seeks to balance risk, cost and growth for the benefits of its stakeholders, through:

- Adopting the DFSI Risk and Resilience Framework to manage strategic and business risks, which is consistent with THA's objectives and responsibilities to its stakeholders
- Development of a Risk Management guideline to support the implementation of the DFSI Framework
- Assessing the impact of proposed changes to laws, regulations and industry codes
- Reporting risks to the Audit and Risk Committee, relevant Boards, Executive Committee and senior leadership team.

The DFSI Risk and Resilience Framework has been developed in alignment with:

- NSW Treasury Policy Paper (TPP- 15-03): *Internal Audit and Risk Management Policy for NSW Public Sector*
- Australian/New Zealand Risk Management Standard (AS/NZS ISO31000): *Risk Management Principles and Guidelines*

Key achievements during 2017/18:

- Better integration of risk management with strategic and business planning processes
- Developed risk management system
- Developed standard risk reporting
- Successfully conducted Business Continuity walkthrough exercise
- Completed annual compliance attestation

Insurance Arrangements and Activities

The THA had insurance arrangements in place for all its assets and major risk. Insurable risk cover was primarily provided through participation in the NSW Treasury Managed Fund (TMF), a NSW Government self-insurance scheme. Insurable risk exposures covered through the TMF includes:

- Workers compensation
- Legal including liability classes like public liability, products liability, professional indemnity, directors and officer liability
- Property including buildings, plant, equipment, and consequential loss
- Motor vehicle
- Other miscellaneous losses, such as the cost of employee dishonesty, personal accident and protection for overseas travel.

The main exposures that are not included are:

- illegal activities

- wear and tear, and inherent vice (Note: *Inherent Vice is an exclusion found in most property insurance policies eliminating coverage if there is a hidden defect in a good or property which causes or contributes to its deterioration, damage, or wastage*)
- pollution (not being sudden and accidental pollution)

Number of claims and net incurred cost

Insurance claims and net incurred cost for THA for financial year 2016-17 and 2017-18 are shown in the table below:

	Number of Claims		Net incurred cost (\$)	
	2016-17	2017-18	2016-17	2017-18
Workers Comp	-	-	-	-
Property	27	31	\$183,811	\$1,136,384
Liability	1	-	\$5,000	-
Motor vehicle	-	-	-	-
Miscellaneous	-	-	-	-
Total	28	31	\$188,811	\$1,136,384

Property and Advisory Group Audit and Risk Committee (ARC)

THA, as part of Property and Advisory Group (PAG), had an ARC in place during 2017-18 financial year. The ARC provides independent assistance to the following participating entities by monitoring, reviewing and providing advice about their governance processes, risk management and control framework, and their external accountability requirements:

- Property NSW
- Teacher Housing Authority
- Waste Assets Management Corporation
- Place Management NSW
- Luna Park Reserve Trust

The above participating entities have entered into a collaborative shared arrangement and have established a shared Audit and Risk Committee in compliance with:

- NSW Treasury Policy Paper (TPP15-03): *Internal Audit and Risk Management Policy for NSW Public Sector*
- NSW Treasury Policy Paper (TPP16-02): *Guidance on Shared Arrangements and Subcommittees for Audit and Risk Committees.*

The committee met five times during the 2017-18 financial year.

DFSI, while not a participating entity, has a special role in providing audit, risk and secretariat services to the committee and the participating entities. This shared arrangement aims to maintain an appropriate level of internal oversight for all participating entities in assurance and independent advice, while minimising the associated administration, financial costs and resources.

Membership

The Chair and members of the Audit and Risk Committee are:

- Carol Holley, Independent Chair, from 2 December 2015 to 1 December 2020
- Dianne Hill, Independent Member, from 1 February 2016 to 31 January 2019
- Mark O'Sullivan, Independent Member, from 25 January 2016 to 24 January 2018
- Nirmal Hansra, Independent Member, from 20 December 2017 to 19 December 2020

13. Internal Audit and Risk Management Attestation Statement for 2017-18 Financial Year

Internal Audit and Risk Management Attestation Statement for the 2017-2018 Financial Year for the Teacher Housing Authority

I, Brett Newman, Chairperson, am of the opinion that the Teacher Housing Authority has internal audit and risk management processes in operation that are compliant with the eight (8) core requirements set out in the *Internal Audit and Risk Management Policy for the NSW Public Sector*, specifically:

Core Requirements	For each requirement, please specify whether compliant, non-compliant, or in transition
Risk Management Framework	
1.1 The agency head is ultimately responsible and accountable for risk management in the agency	Compliant
1.2 A risk management framework that is appropriate to the agency has been established and maintained and the framework is consistent with AS/NZS ISO 31000:2009	Compliant
Internal Audit Function	
2.1 An internal audit function has been established and maintained	Compliant
2.2 The operation of the internal audit function is consistent with the International Standards for the Professional Practice of Internal Auditing	Compliant
2.3 The agency has an Internal Audit Charter that is consistent with the content of the 'model charter'	Compliant
Audit and Risk Committee	
3.1 An independent Audit and Risk Committee with appropriate expertise has been established	Compliant
3.2 The Audit and Risk Committee is an advisory committee providing assistance to the agency head on the agency's governance processes, risk management and control frameworks, and its external accountability obligations	Compliant
3.3 The Audit and Risk Committee has a Charter that is consistent with the content of the 'model charter'	Compliant

Membership

The chair and members of the Audit and Risk Committee are:

- Carol Holley, Independent Chair, from 2 December 2015 to 1 December 2020;
- Dianne Hill, Independent Member, from 1 February 2016 to 31 January 2019;
- Nirmal Hansra, Independent Member, from 20 December 2017 to 19 December 2020.

This Audit and Risk Committee has been established under a Treasury approved shared arrangement with the following departments/statutory bodies:

- Luna Park Reserve Trust
- Property NSW
- Teacher Housing Authority
- Waste Assets Management Corporation
- Place Management NSW



Brett Newman
Chairperson
Teacher Housing Authority

Date: 20/9/18

Agency Contact Officer
Andrew Pilbeam
Chief Audit Executive, 9219 3077
andrew.pilbeam@finance.nsw.gov.au

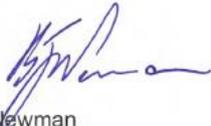
14. Digital information security policy attestation

Digital Information Security Annual Attestation Statement for the 2017-2018 Financial Year for Teacher Housing Authority

I, Brett Newman, am of the opinion that Teacher Housing Authority had an Information Security Management System in place during the 2017-2018 financial year that is consistent with the Core Requirements set out in the NSW Government Digital Information Security Policy.

The controls in place to mitigate identified risks to the digital information and digital information systems of Teacher Housing Authority are adequate with exception to control deficiencies identified in one of the ICT shared services providers. The service provider has taken some remediation actions to address the control deficiencies and will consult with impacted agencies on action plan to address the remaining deficiencies.

There is no agency under the control of Teacher Housing Authority which is required to develop an independent ISMS in accordance with the NSW Government Digital Information Security Policy.



Brett Newman
Chair
Teacher Housing Authority

15. Multicultural Policies and Services Program

As part of PAG, the THA has multicultural policies and service programs guided by DFSI's Diversity and Inclusion Strategy, Aboriginal Workforce Strategy, Disability Inclusion Action Plan and the Government Sector Employment Act 2013, which prioritises diversity in the workforce.

At an agency level, PAG promotes multiculturalism and diversity through a range of initiatives, including but not limited to:

- supporting NAIDOC Week through a series of events and initiatives, including a public ceremony featuring members of the Metropolitan Aboriginal Land Council.
- promoting diversity initiatives, including 'Wear it Purple Day', to support the LGBTQI+ community.
- hosting a detailed calendar of community festivals in Darling Harbour, celebrating multiculturalism.
- the establishment of a Diversity Working Group within Property and Advisory Group, with an initial focus on women in leadership, and improving PAG's performance against key metrics including Indigenous, English as a second language and ability employee representation.

In addition, the PAG revised Corporate Plan includes a new KPI that women represent at least 35 per cent of the leadership team, an interim milestone to achieving DFSI's target of 50 per cent of women in leadership roles.

16. Work Health and Safety (WHS)

In 2017/18, THA continued to take a proactive approach in managing the safety of all employees, other workers, tenants and visitors to its properties, sites and activations.

With the amalgamation of business groups within the Department of Finance, Services and Innovation (DFSI), a cluster-wide safety management system is being developed to ensure a consistent approach to the reporting and management of safety incidents and activities.

Specific PAG WHS activities undertaken in 2017/18 include:

- development of a PAG incident management software system
- initiated roll-out of the Integrum incident management system to several business units
- roll out of a group incident management procedure
- developed an audit tool and auditing process for Teacher Housing Authority including support around correspondence and WHS advice on request to managing real estate agents
- participated in the Harrington Street Operational Readiness Working Group. This was followed by WHS advice and support during the practical re-settlement of personnel at 66 Harrington Street
- assisting the coordination of health and wellbeing initiatives such as the flu vaccination program and provision of a lactation / faith room separate to our first aid room at Harrington St.

WHS incidents – Teacher Housing Authority

There were no WHS incidents reported during the period 2017/18.

There were no SafeWork NSW notifiable incidents or dangerous occurrences affecting staff.

WHS induction and training

PAG staff members were required to complete two WHS mandatory courses:

- Introduction to Health and Safety, and
- WHS Due Diligence for managers.

As of 30 June 2018, there was 100 per cent course completion by eligible workers across the group.

WHS consultation

The WHS Consultative Committee has continued to be active in consultation on WHS issues. Notably providing important feedback to on the proposed group-wide DFSI WHS framework.

The PAG WHS Committee reviewed, updated and approved a number of Safe Operating Procedures coinciding with the roll out of the Integrum Incident Management software system and the development of an integrated Property NSW Work Health and Safety Management System.

17. Budgets

Performance against budget

Teacher Housing Authority (THA) continues to deliver accommodation to teachers in rural areas within tight capital and operating expenditure budgets. THA finished the year with an unfavourable variance to budget of \$1.4 million, which was primarily due to higher than expected interagency corporate costs.

Excluding non-cash depreciation, the operating shortfall of the business is supported by a cash grant from DE.

Budget overview

THA's total budgeted revenue of \$17.4 million in 2018/19 is made up of:

- rental income of \$10.4m generated from a property portfolio of over 1,200 residences;
- a grant from the DoE for \$0.6m towards the maintenance of DoE owned residences; and
- a government contribution of \$6.1m delivered via the DoE; and interest of \$0.1.

THA is forecasting to have a net result of a \$5 million deficit. This is due to THA plans to carry out air-cooling systems upgrades, as well as increased support costs.

	2016/17 actual \$'000	2017/18 actual \$'000	2017/18 budget \$'000	2017/18 variance \$'000	2018/19 budget \$'000
Teacher Housing Authority					
Expenses	20,113	21,189	20,139	(1,050)	22,352
Revenues	17,358	17,104	17,218	(114)	17,319
Other gains/(losses)	(229)	(209)	70	(279)	42
Net operating result - surplus/(deficit)	(2,984)	(4,294)	(2,850)	(1,444)	(4,991)

18. Additional matters for inclusion

Privacy and Personal Information Protection Act 1998 (PIIP Act)

The *Privacy and Personal Information Protection (PIIP) Act 1998* contains 12 information protection principles regulating the collection, use and disclosure of personal information by NSW public sector agencies. These principles ensure that agencies collect personal information for lawful purposes, and that such information is protected from misuse and unauthorised release.

NSW Government agencies are required to prepare and implement a privacy management plan in accordance with section 33(1) of the *Privacy and Personal Information Protection Act 1998*.

Additional information about how Property NSW, under which THA has been consolidated, manages its obligations under the PIIP Act is available at <https://www.property.nsw.gov.au/government-property-nsw-privacy-statement>.

Accessing this report

This report can be accessed at <https://www.property.nsw.gov.au/about-us>

19. Numbers and remuneration of senior executives

See Human Resources above.

20. Credit card certification

In accordance with Treasurer's Direction 205.01, credit card usage at the Teacher Housing Authority during the reporting period was in accordance with relevant Government policy, Premier's Memoranda and Treasurer's Directions.

21. Government information (Public Access) Act 2009

The *Government Information (Public Access) Act 2009* (GIPA Act) requires NSW Government agencies to make mandatory disclosures of information, encourages proactive releases of information and provides mechanisms for individuals to apply to access government information.

More information on how to access department information is available at <https://www.finance.nsw.gov.au/accessing-ofs-information/how-can-i-access-ofs-information>.

Statistical information relating to formal applications under the GIPA Act is provided in the DFSI Annual Report Government Information (Public Access) statistics.

Review of proactive release program

Under section 7(3) of the GIPA Act, agencies must review their proactive release of government information program at least once every 12 months.

The THA complies with this Act by proactively releasing information via the Property NSW website

<https://www.property.nsw.gov.au/housing-services>

22. Public Interest Disclosures

As staff members are employees of DFSI, THA has adopted and adhered to the DFSI Fraud and Corruption Internal Reporting Policy. All staff members are advised of this policy by means of the Code of Conduct and intranet access.

There were no public interest disclosures made by THA officials for the period 1 July 2017 to 30 June 2018.

23. Exemptions and nil reports

Reporting requirement	Reason for exemption
Consultants	The Teacher Housing Authority did not engage consultants during 2017/18.
Legal changes	There were no changes to the THA's legislation during 2017/18.
Economic or other factors	There were no economic factors affecting THA's operational objectives.
Research and development	No research and development conducted during 2017/18.
Funds granted to non-government community organisations	The THA does not grant funds to non-government community organisations
Disclosure of controlled entities	The THA does not control any entities of the kind referred to in section 39 (1A) of the <i>Public Finance and Audit Act 1983</i> .
Disclosure of subsidiaries	The THA does not control or hold shares in any subsidiaries within the meaning of <i>the Corporations Act 2001</i> .
Implementation of price determination	The THA was not subject to an IPART determination or recommendation.
Land disposal	No properties with a value greater than \$5 million were disposed of by the Authority during 2017/18. The THA keeps a register of government contracts. All contracts greater than \$150,000 are released on the site https://tenders.nsw.gov.au/ .

Promotion	No Board or staff member travelled overseas on official business during 2017/18.
Investment Performance	All THA investment powers are in accordance with Part 1 of Schedule 4 of <i>the Public Authorities (Financial Arrangements) Act 1987</i> . However, all cash reserves are held in Treasury Banking System (TBS) bank accounts.
Liability management performance	Not applicable, as the THA does not have a level of debt greater than \$20 million.
Agreements with Multicultural NSW	The THA does not have any agreements with Multicultural NSW.
Requirements arising from employment arrangements	N/A

Teacher Housing Authority of NSW

Annual Report 2017-18

- Financial statements for the year ended 30 June 2018



INDEPENDENT AUDITOR'S REPORT

Teacher Housing Authority

To Members of the New South Wales Parliament

Opinion

I have audited the accompanying financial statements of Teacher Housing Authority (the Authority), which comprise the Statement of Comprehensive Income for the year ended 30 June 2018, the Statement of Financial Position as at 30 June 2018, the Statement of Changes in Equity and the Statement of Cash Flows for the year then ended, notes comprising a Statement of Significant Accounting Policies and other explanatory information.

In my opinion, the financial statements:

- give a true and fair view of the financial position of the Authority as at 30 June 2018 and of its financial performance and its cash flows for the year then ended in accordance with Australian Accounting Standards
- are in accordance with section 41B of the *Public Finance and Audit Act 1983* (PF&A Act) and the Public Finance and Audit Regulation 2015.

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

Basis for Opinion

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

I am independent of the Authority in accordance with the requirements of the:

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

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

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

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

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

Other Information

Other information comprises the information included in the Authority's annual report for the year ended 30 June 2018, other than the financial statements and my Independent Auditor's Report thereon. The members of the Board of the Authority are responsible for the other information. At the date of this Independent Auditor's Report, the other information I have received comprises the Statement by Members of the Board.

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 Responsibility 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 PF&A Act, and for such internal control as the members of the Board determine is necessary to enable the preparation and fair presentation of the financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the members of the Board are responsible for assessing the Authority's ability to continue as a going concern, disclosing as applicable, matters related to going concern and using the going concern basis of accounting except where the Authority will be dissolved by an Act of Parliament or otherwise cease operations.

Auditor's Responsibilities for the Audit of the Financial Statements

My objectives are to:

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

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

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

My opinion does *not* provide assurance:

- that the Authority carried out its activities effectively, efficiently and economically
- 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.



Weini Liao
Director, Financial Audit Services

26 September 2018
SYDNEY

Teacher Housing Authority of NSW

Financial Statements

For the Year Ended 30 June 2018

Statement by Members

Pursuant to Section 41C of the *Public Finance and Audit Act 1983*, we declare on behalf of the Teacher Housing Authority of NSW, that in our opinion:

- (a) The accompanying financial statements exhibit a true and fair view of the Authority's financial performance for the financial year ended 30 June 2018 and financial position as at 30 June 2018; and
- (b) The financial statements comply with applicable Australian Accounting Standards (which include Australian Accounting Interpretations), the *Public Finance and Audit Act 1983*, the *Public Finance and Audit Regulation 2015* and, the Financial Reporting Directions mandated by Treasurer

Further, we are not aware of any circumstances which would render any particulars included in the financial statements to be misleading or inaccurate.



Brett Newman
Chair

Date: 26/9/18



Gregory Phipson
Director, Housing Services

Date: 26/9/2018

TEACHER HOUSING AUTHORITY OF NSW
Start of Audited Financial Statements
Statement of Comprehensive Income
For the Year Ended 30 June 2018

	Note	Actual 2018 \$'000	Actual 2017 \$'000
Revenue			
Sale of Goods and Services	B1(a)	10,291	10,431
Investment Revenue	B1(b)	187	142
Grants and Contributions	B1(c)	-	6,615
Service Payment	B1(d)	6,626	-
Other Revenue	B1(e)	-	170
Total Revenue		17,104	17,358
Expenses Excluding Losses			
Operating Expenses:			
Property Maintenance	B2(a)	7,649	7,160
Property Rates	B2(b)	2,423	2,240
Personnel Services Expenses	B2(c)	-	1,419
Other Operating Expenses	B2(d)	5,795	3,921
Depreciation Expense	B2(e)	5,322	5,373
Total Expenses Excluding Losses		21,189	20,113
Gain/(Loss) on Disposal of Non-Current Assets	B3(a)	(209)	(229)
Net Result		(4,294)	(2,984)
Other Comprehensive Income			
Items that will not be Reclassified to the Net Result:			
Net Increase/(Decrease) in Property, Plant and Equipment Revaluation Surplus	C4(b)	9,364	1,498
Total Other Comprehensive Income		9,364	1,498
TOTAL COMPREHENSIVE INCOME		5,070	(1,486)

[The accompanying notes form part of these financial statements]

TEACHER HOUSING AUTHORITY OF NSW

Statement of Financial Position

As At 30 June 2018

	Note	Actual 2018 \$'000	Actual 2017 \$'000
ASSETS			
Current Assets			
Cash and Cash Equivalents	C1	9,456	11,061
Receivables	C2	487	499
Non-Current Assets Held For Sale	C3	1,421	2,886
Total Current Assets		11,364	14,446
Non-Current Assets			
Property, Plant and Equipment	C4	163,528	155,141
Total Non-Current Assets		163,528	155,141
TOTAL ASSETS		174,892	169,587
LIABILITIES			
Current Liabilities			
Payables	D1(a)	2,639	2,404
Total Current Liabilities		2,639	2,404
TOTAL LIABILITIES		2,639	2,404
NET ASSETS		172,253	167,183
EQUITY			
Accumulated Funds	E1(a)	70,609	73,580
Asset Revaluation Reserve	E1(b)	101,644	93,603
TOTAL EQUITY		172,253	167,183

[The accompanying notes form part of these financial statements]

TEACHER HOUSING AUTHORITY OF NSW

Statement of Changes in Equity

For the Year Ended 30 June 2018

	Note	2018			2017		
		Accumulated	Asset	Total	Accumulated	Asset	Total
		Funds	Revaluation	Equity	Funds	Revaluation	Equity
		Reserve			Reserve		
		2018	2018	2018	2017	2017	2017
		\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
Opening Balance		73,580	93,603	167,183	73,043	95,626	168,669
Net Result for the Year		(4,294)	-	(4,294)	(2,984)	-	(2,984)
Other Comprehensive Income:							
Net Increase/(Decrease) in Property, Plant and Equipment Revaluation Surplus	C3(b)	-	9,364	9,364	-	1,498	1,498
Transfer from Asset Revaluation Reserve on Disposal of Property, Plant and Equipment	C3(b)	1,323	(1,323)	-	3,521	(3,521)	-
Total Other Comprehensive Income		1,323	8,041	9,364	3,521	(2,023)	1,498
Total Comprehensive Income for the Year		(2,971)	8,041	5,070	537	(2,023)	(1,486)
Closing Balance		<u>70,609</u>	<u>101,644</u>	<u>172,253</u>	<u>73,580</u>	<u>93,603</u>	<u>167,183</u>

[The accompanying notes form part of these financial statements]

TEACHER HOUSING AUTHORITY OF NSW

Statement of Cash Flows

For the Year Ended 30 June 2018

	Note	Actual 2018 \$'000	Actual 2017 \$'000
CASH FLOWS FROM OPERATING ACTIVITIES			
Payments			
Property and Administration		(15,585)	(12,591)
Personnel Services Expense		-	(1,419)
Total Payments		(15,585)	(14,010)
Receipts			
Rental Income		10,083	10,432
Investment Income		187	142
Other Income		-	170
Service payment		6,626	
Grants and Contributions			6,615
Total Receipts		16,896	17,359
NET CASH FLOWS FROM OPERATING ACTIVITIES	C1(c)	1,311	3,349
CASH FLOWS FROM INVESTING ACTIVITIES			
Proceeds from Disposal of Non-Current Assets		1,092	4,119
Purchases of Property, Plant and Equipment		(4,183)	(2,349)
NET CASH FLOWS FROM INVESTING ACTIVITIES		(3,091)	1,770
NET (DECREASE)/INCREASE IN CASH AND CASH EQUIVALENTS		(1,780)	5,119
Opening Cash and Cash Equivalents		11,061	5,942
CLOSING CASH AND CASH EQUIVALENTS	C1(a)	9,281	11,061

[The accompanying notes form part of these financial statements]

TEACHER HOUSING AUTHORITY OF NSW

Section A: Entity Information and Basis of Preparation

Notes to and Forming Part of the Financial Statements for the Year Ended 30 June 2018

A1. REPORTING ENTITY

The Teacher Housing Authority of NSW (the Authority) was established under the *Teacher Housing Authority Act 1975* (THA Act). The Authority's principal objective is to provide and maintain suitable and adequate housing accommodation for NSW teachers. The provision of housing accommodation is one of several incentives which assist the Department of Education in attracting and retaining teachers in parts of NSW where the private rental market is considered to be inadequate to suit their needs.

The Authority has assessed its profit status for the financial year ended 30 June 2018 and determined its status as not-for-profit for financial reporting purposes, as profit is not its principle objective. The Authority is consolidated as part of the NSW Total State Sector Accounts.

The Authority commenced operations in 1975 and is domiciled in Australia. Its principal business address is Foreshore House, 66 Harrington St, The Rocks, Sydney NSW 2000.

These financial statements have been authorised for issue by the Authority's Board on 26 September 2018.

A2. BASIS OF PREPARATION AND SIGNIFICANT ACCOUNTING POLICIES

(a) Basis of Preparation

The Authority's financial statements are general-purpose financial statements which have been prepared in accordance with:

- (i) applicable Australian Accounting Standards (which include Australian Accounting Interpretations);
- (ii) the requirements of the *Public Finance and Audit Act 1983* and *Public Finance and Audit Regulation 2015*; and
- (iii) Financial Reporting Directions mandated by the Treasurer.

Property, Plant and Equipment, Non-Current Assets Held for Sale and Other Non-Current Assets are measured at fair value. Other financial statement items are prepared in accordance with the historical cost convention except where specified otherwise.

The accrual basis of accounting has been adopted in the preparation of the financial statements, except for cash flow information.

In the application of the Authority's accounting policies, management is required to make judgements, estimates and assumptions about carrying values of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimates are recognised, or in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods. Judgements, key assumptions and estimations made by management are disclosed in the relevant notes to the financial statements.

All amounts are rounded to the nearest one thousand dollars (\$'000) and are expressed in Australian currency.

(b) Statement of Compliance

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

TEACHER HOUSING AUTHORITY OF NSW

Section A: Entity Information and Basis of Preparation

Notes to and Forming Part of the Financial Statements for the Year Ended 30 June 2018

(c) Going Concern Basis

The Authority's financial statements are general-purpose financial statements which have been prepared on a "going concern" basis.

At 30 June 2018, the Authority's current assets exceeded its current liabilities by \$9m (\$12.1m as at 30 June 2017). Management and the Board understand the going concern assumption is appropriate as its revenue streams are fixed and variable costs, such as future property maintenance and the capital expenditure program, can be reduced or deferred, if required.

Rental and investment income is sufficient to fund a portion of the Authority's operating and capital costs. However, the Authority is dependent on continued subsidisation from the State Government to fund the balance of these costs. See Note B1(c) for details of contributions received.

The continuous funding from the DoE in the form of a service payment supports the going concern basis of the preparation of the financial statements. The service payment is combination of the NSW Treasury contribution and the annual DoE contribution. This funding model is governed by an MoU with the DoE.

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

The Authority is classified as a full input-taxed entity as all core-business revenues are generated from input-taxed supplies. Accordingly, all expenses, assets, payables and commitment amounts relating to these supplies are recognised inclusive of GST. Cash flows are included in the Statement of Cash Flows on a gross basis.

(e) Comparative Information

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

(f) 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.

A number of the Authority's accounting policies and disclosures require the measurement of fair values, for both financial and non-financial assets and liabilities. When measuring fair value, the valuation technique used maximises the use of relevant observable inputs and minimises the use of unobservable inputs. Under AASB 13, the Authority 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 Authority 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 Authority recognises transfers between levels of the fair value hierarchy at the end the reporting period during which the change has occurred. Refer to Notes C4 and F2 for further disclosures regarding fair value measurements of financial and non-financial assets.

TEACHER HOUSING AUTHORITY OF NSW

Section A: Entity Information and Basis of Preparation

Notes to and Forming Part of the Financial Statements for the Year Ended 30 June 2018

(g) Changes in Accounting Policy including New or Revised Australian Accounting Standards

(i) Effective for the First Time in 2017-18

The accounting policies applied in 2017-18 are consistent with those of the previous financial year except as a result of the following revised Australian Accounting Standards that have been applied for the first time in 2017-18:

- AASB 2016-2 Amendments to Australian Accounting Standards – Disclosure Initiative: Amendments to AASB 107 Statement of Cash Flows.
- AASB 2016-4 Amendments to Australian Accounting Standards – Recoverable Amount of Non-Cash-Generating Specialised Assets of Not-for-Profit Entities.
- AASB 2016-7 Amendments to Australian Accounting Standards – Deferral of AASB 15 for Not-for-Profit Entities.
- AASB 2017-2 Amendments to Australian Accounting Standards – Further Annual Improvements 2014-2016 Cycle.

The adoption of the above revised Australian Accounting Standards has not had any significant impact on the Authority.

(ii) Issued but Not Yet Effective

NSW public sector entities are not permitted to early adopt new Australian Accounting Standards, unless Treasury determines otherwise. There are a number of recently issued or amended Australian Accounting Standards which are not yet effective and have not been adopted for the reporting period ending 30 June 2018.

The following new Australian Accounting Standards, excluding standards not considered applicable or material to the Authority have not been applied and are not yet effective. The possible impact of these standards in the period of initial application includes:

- AASB 16 "Leases" has application from annual reporting periods on or after 1 January 2019. This standard generally requires a lessee to recognise right-of-use asset and lease liability at a lease's commencement date except for short term and low value asset leases. The requirements for lessor accounting have been carried forward from AASB 117 largely unchanged. As the Authority is not a lessee in its leasing arrangements, the change is not expected to materially impact the financial statements.
- AASB 15 "Revenue from Contracts with Customers", including the amendments AASB 2014-5, AASB 2015-8 and AASB 2016-3 has application from annual reporting periods on or after 1 January 2019. The Authority believes this standard may impact on the timing recognition of certain revenues given the core principle of the new standard requires revenue to be recognised when the goods or services are transferred to the customer at the transaction price (as opposed to stage of completion of the transaction). The model features a contract-based five step analysis of transactions to determine whether, how much and when revenue is recognised.
- AASB 1058 "Income of Not-for-profit Entities" and AASB 2016-8 Amendments to Australian Accounting Standards – Australian Implementation Guidance for Not-for-Profit Entities has application from annual reporting periods on or after 1 January 2019. The introduction of AASB 1058 results in the amendment of AASB 1004 "Contributions" with many of its requirements being revised and relocated to AASB 1058. The Authority is yet to undertake a detailed assessment of the impact of AASB 1058 however management believe the initial adoption may defer the recognition of income in some circumstances.

The impact of the following standards in the period of initial application is not expected to be significant.

Standard	Applicable to Annual Reporting Periods Beginning on or After
AASB 9 Financial Instruments	1 January 2018
AASB 2016-6 Amendments to Australian Accounting Standards - Applying AASB 9	

TEACHER HOUSING AUTHORITY OF NSW

Section B: Financial Performance

Notes to and Forming Part of the Financial Statements for the Year Ended 30 June 2018

B1. REVENUE

Recognition and Measurement - Revenue

Revenue is measured at the fair value of the consideration or contribution received or receivable. Additional comments regarding the accounting policies for the recognition and measurement of revenue is discussed within each revenue category below.

(a) Sale of Goods and Services	2018	2017
	\$'000	\$'000
Gross Rental Income	10,291	10,431
	10,291	10,431

Rental income is recognised in accordance with AASB 118 "Revenue" on an accrual basis in accordance with the substance of the relevant agreement. The Authority's tenants are charged full market rental in accordance with government policy.

(b) Investment Revenue	2018	2017
	\$'000	\$'000
Interest Revenue	187	142
	187	142

- (i) Interest revenue is recognised using the effective interest method as set out in AASB 139 "Financial Instruments: Recognition and Measurement". The Authority's interest revenue is earned on the Authority's account daily bank balance at the monthly average NSW Treasury Corporation 11am unofficial cash rate, adjusted for a management fee to NSW Treasury.

(c) Grants and Contributions	2018	2017
	\$'000	\$'000
Department of Education Properties Grant (ii)	-	600
State Government Contribution (iii)	-	6,015
	-	6,615

- (i) Contributions from other bodies (including grants and donations) are generally recognised as revenue when the Authority obtains control over the assets comprising the contributions. Control over contributions is normally obtained upon the receipt of cash.
- (ii) The fixed amount of Department of Education (DoE) Properties Grant is received from the Department of Education for upgra refurbishment works on managed residences owned by the DoE.
- (iii) Under changed funding arrangements in 2017-18, the Authority now receives service payment from the DoE under a Memorandum of Understanding for services provided. The Authority no longer receive the State Government Contrib from the Department of Finance, Services and Innovation.

(d) Service Payment	2018	2017
	\$'000	\$'000
Annual DoE Contribution	600	
NSW Treasury Contribution	6,026	
	6,626	-

- (i) Under changed funding arrangements in 2017-18, the Authority now receives service payment from the DoE under a Memorandum of Understanding for services provided. The Authority no longer receive the State Government Contribution from the Department of Finance, Services and Innovation. In accordance with the Teacher Housing Act 1975, the Authority is not required to return any excess funds collected under the MoU.

TEACHER HOUSING AUTHORITY OF NSW

Section B: Financial Performance

Notes to and Forming Part of the Financial Statements for the Year Ended 30 June 2018

(e) Other Revenue

	<u>2018</u>	<u>2017</u>
	<u>\$'000</u>	<u>\$'000</u>
Labour Recovery - PNSW Project		88
Insurance Claim	-	82
	<u>-</u>	<u>170</u>

TEACHER HOUSING AUTHORITY OF NSW

Section B: Financial Performance

Notes to and Forming Part of the Financial Statements for the Year Ended 30 June 2018

B2. EXPENSES EXCLUDING LOSSES

(a) Property Maintenance	2018	2017
	\$'000	\$'000
Property Refurbishment	3,309	3,162
General Maintenance	1,475	1,247
Ground/Yard Maintenance	885	987
Furnishings, Fixtures and Fittings	573	470
Plumbing	558	615
Air Conditioners & Fans	398	162
Air Cooling Installation and Maintenance	226	301
Electrical	212	195
Fire Protection	13	21
Total Property Maintenance	7,649	7,160

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

(b) Property Rates	2018	2017
	\$'000	\$'000
Annual Rates	1,644	1,593
Water Rates	779	583
Other	-	64
Total Property Rates	2,423	2,240

(c) Personnel Services	2018	2017
	\$'000	\$'000
Salaries and Wages	-	843
Recreation Leave	-	88
Long Service Leave	-	24
Superannuation	-	87
Contractors	-	377
Total Personnel Services Expense	-	1,419

As per its Act, the Authority is unable to employ staff. However, to enable it to exercise its functions, the Authority can obtain personnel services from Government agencies that are able to engage staff under Part 4 of the *Government Sector Employment Act 2013*. The Authority has no employee liabilities or provisions.

Up to 27 January 2017, personnel services were provided by the Department of Finance, Services & Innovation (DFSI). From 28 January 2017, all administrative and operational services (including personnel services) to enable the Authority to exercise its functions, were transferred to Property NSW (PNSW) under formal agreement. Services provided by Property NSW to the Authority from this date are recognised as an administration charge within Other Operating Expenses under Shared Service Fees (Note B2(d)).

TEACHER HOUSING AUTHORITY OF NSW

Section B: Financial Performance

Notes to and Forming Part of the Financial Statements for the Year Ended 30 June 2018

(d) Other Operating Expenses	2018	2017
	\$'000	\$'000
Audit Fees	59	75
Office Lease Expense	-	78
Insurance (i)	316	337
Property Valuations	126	130
Property Management Fees	845	863
Computer Systems Development	-	374
Contractors	501	-
Travel Expenses	74	85
Shared Service Fees (ii)	3,071	1,822
Other General Administration	803	157
Total Other Operating Expenses	5,795	3,921

(i) The Authority's insurance activities are conducted through the NSW Treasury Managed Fund Scheme of self-insurance for Government agencies. The expense (premium) is determined by the Fund Manager based on past claims experience.

(ii) Shared Service Fees include fees charged by GovConnectNSW for shared transactional services, by DFSI for corporate services provided under the DFSI Corporate Operating Model arrangements and by Property NSW for all administrative and operational services (including personnel services) to enable the Authority to exercise its functions.

The increase in Shared Service Fees in 2017-18 is due mainly to the transfer of all administrative and operational services (including staff) to Property NSW under formal agreement. This arrangement has also resulted in the elimination of the Authority's Personnel Services Expense in 2017-18 (Note B2(c)).

(d) Depreciation Expense	2018	2017
	\$'000	\$'000
Depreciation of:		
Buildings	5,322	5,372
Office Furniture and Equipment	-	1
Total Depreciation Expense	5,322	5,373

Recognition and Measurement - Depreciation of Property, Plant and Equipment

Depreciation is provided for on a straight-line basis for all depreciable non-current assets so as to write off the depreciable amount of each asset as it is consumed over its useful life to the Authority. Estimates of remaining useful lives are made on a regular basis for all assets, with annual reassessments for major items.

The starting useful lives of the Authority's items of property, plant and equipment are based on the following:

Asset Class	2018	2017
	Years	Years
Buildings	20-50	20-50
Office Furniture and Equipment	5	5
Office Furniture and Equipment - Computer Equipment	3	3

In accordance with AASB 5 "Non-current Assets Held for Sale and Discontinued Operations", any assets held for sale are not depreciated. Land is also not depreciated as land is not a depreciable asset.

TEACHER HOUSING AUTHORITY OF NSW

Section B: Financial Performance

Notes to and Forming Part of the Financial Statements for the Year Ended 30 June 2018

B3. GAINS AND LOSSES

(a) Gain/(Loss) on Disposal of Non-Current Assets	2018 \$'000	2017 \$'000
Net Proceeds from Disposal of Non-Current Assets	1,092	4,119
Written Down Value (Note C3(b))	(1,301)	(4,348)
Total Net Gain/(Loss) on Disposal of Non-Current Assets	(209)	(229)

TEACHER HOUSING AUTHORITY OF NSW

Section C: Assets

Notes to and Forming Part of the Financial Statements for the Year Ended 30 June 2018

C1. CASH AND CASH EQUIVALENTS

(a) Cash and Cash Equivalents - Dissection	2018
	\$'000
Cash and Cash Equivalents - Current	
Cash on Hand	-
Cash at Bank	9,456
Total Cash and Cash Equivalents	9,456

For the purposes of the Statement of Cash Flows, Cash and Cash Equivalents include Cash at Bank and Cash on Hand. Cash comprises cash on hand and bank balances within the NSW Treasury Banking System.

Interest Rate Risk

The effect on the Net Result and Equity due to a reasonably possible change in risk variable is outlined in the below, for interest rate risk and other price risk. A reasonably possible change in risk variable has been determined taking into account the economic environment in which the Authority operates and the time frame for the asset (until the end of the next annual reporting period). The sensitivity analysis is based on risk exposures in existence as at 30 June 2018. The analysis is performed on the same basis as in 2017. The analysis assumes that all other variables remain constant.

Exposure to interest rate risk arises primarily through the Authority's Cash and Cash Equivalents. The Authority does not account for any fixed rate financial instruments at fair value through profit or loss or as available-for sale. For these financial instruments, a change in interest rates would not affect profit or loss or equity. A reasonably possible change of $\pm 1\%$ has been used, consistent with current trends in interest rates (based on official RBA interest rate volatility over the last five years). The basis will be reviewed annually and amended where there is a structural change in the level of interest rate volatility. The Authority's exposure to interest rate risk is set out below.

Interest Rate Risk - 2018	Carrying Amount	-1%		+1%
	\$'000	Profit	Equity	Profit
		\$'000	\$'000	\$'000
Financial Assets				
Cash and Cash Equivalents	9,456	(95)	(95)	95
Interest Rate Risk - 2017				
	Carrying Amount	-1%		+1%
	\$'000	Profit	Equity	Profit
		\$'000	\$'000	\$'000
Financial Assets				
Cash and Cash Equivalents	11,061	(111)	(111)	111

(b) Reconciliation of Cash Flows from Operating Activities to Net Result	2018
	\$'000
Net Cash Flow From Operating Activities	1,311
Non Cash (Revenues)/Expenses:	
Depreciation	(5,322)
Loss/(Gain) on Disposal of Non Current Assets	(209)
Changes in Operating Assets and Liabilities:	
Increase/(Decrease) in Payables and Other Liabilities	(235)
Decrease/(Increase) in Receivables	161
Net Result	(4,294)

TEACHER HOUSING AUTHORITY OF NSW

Section C: Assets

Notes to and Forming Part of the Financial Statements for the Year Ended 30 June 2018

C2. RECEIVABLES

(a) Receivables - Dissection	2018
	\$'000
Current	
Rental Debtors	256
Less: Impairment Allowance (b)	(84)
Tenancy Liaison Service Agent Advances	313
Prepayments	2
Other Debtors	-
Total Current Receivables	487
(b) Impairment Allowance	2018
	\$'000
Movement	
Carrying Amount at 1 July	69
Increase/(Decrease) in Allowance	15
Carrying Amount at 30 June	84

All possible action was taken to recover these debts before authority was obtained for write-off action.

(c) Recognition and Measurement - Receivables

Receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in a market. These financial assets are recognised initially at fair value, usually based on the transaction cost or fee. Subsequent measurement is at amortised cost using the effective interest method, less an allowance for any of receivables. Any changes are recognised in the Net Result when impaired, derecognised or through the amortisation process.

When there is objective evidence that the amounts due will not be collected, the Authority recognises an allowance for impairment. The amount of the allowance is the difference between the receivable's carrying amount and the amount expected to be received. When an impairment is recognised, the loss is recorded in the Net Result for the year. If there is objective evidence of recovering a previously impaired receivable, the reversal of impairment losses is recognised through the net result for the year.

Short-term receivables with no stated interest rate are measured at the original invoice amount where the effect of discounting is immaterial. Such receivables, which generally have 30-day terms, are recognised and carried at the invoice amount less an allowance for any uncollectible amounts.

The Authority is not materially exposed to concentrations of credit risk to a single trade debtor or group of debtors. On past experience, debtors which are not past due totalling \$nil as at 30 June 2018 (\$nil as at 30 June 2017) and debtors not more than 3 months past due of \$255k (\$135k as at 30 June 2017) are not considered impaired as these represent 59% of the total trade debtors. The Authority debtors represent a large number of individual tenants whose particular credit rating will vary and are unknown to the Authority. There are no debtors which are currently past due or impaired whose terms have been renegotiated.

The only financial assets that are past due or impaired are Sales of Goods and Services in the Receivables section of the Statement of Financial Position.

TEACHER HOUSING AUTHORITY OF NSW

Section C: Assets

Notes to and Forming Part of the Financial Statements for the Year Ended 30 June 2018

Credit Risk - 2018	Overdue			
	<1 Mth \$'000	>1 <2 Mths \$'000	>2 <3 Mths \$'000	>3 Mths \$'000
Financial Assets				
Receivables:				
Past Due But Not Impaired	190	34	-	-
Considered Impaired	-	-	31	205
Total Credit Risk	190	34	31	205
Credit Risk - 2017	Overdue			
	<1 Mth \$'000	>1 <2 Mths \$'000	>2 <3 Mths \$'000	>3 Mths \$'000
Financial Assets				
Receivables:				
Past Due But Not Impaired	-	-	135	-
Considered Impaired	-	-	57	12
Total Credit Risk	-	-	192	12

1. Each row in the above table reports "gross receivables".

2. The ageing analysis excludes statutory receivables, as these are not within the scope of AASB 7 and exclude receivables that are not past due and not impaired. Therefore, the Total Credit Risk line will not reconcile to receivables total recognised in the Statement of Financial Position.

C3. NON-CURRENT ASSETS HELD FOR SALE

(a) Non-Current Assets Held for Sale - Dissection	2018
	\$'000
Current	
Land and Buildings	1,421
Total Non-Current Assets Held for Sale	1,421
(b) Reconciliation of Opening and Closing Carrying Amounts	2018
	\$'000
Non-Current Assets Held for Sale	
Carrying Amount at 1 July	2,886
Reclassification from/(to) Property, Plant and Equip - Land and Buildings (Note C4(b))	(551)
Disposals (Note B3(a))	(889)
Revaluation	(25)
Carrying Amount at 30 June	1,421

Most of the properties are held for sale for longer than 12 months. This is in line with the average times such are held for sale in regional and remote areas.

(c) Recognition and Measurement - Non-Current Assets Held for Sale

The Authority has certain non-current assets classified as held for sale, where their carrying amount will be reclassified through a sale transaction, not through continuing use. Non-Current Assets Held for Sale are recognised at the lower of carrying amount and fair value less costs to sell. These assets are not depreciated while they are held for sale.

TEACHER HOUSING AUTHORITY OF NSW

Section C: Assets

Notes to and Forming Part of the Financial Statements for the Year Ended 30 June 2018

C4. PROPERTY, PLANT AND EQUIPMENT

(a) Property, Plant and Equipment - Dissection	2018
	\$'000
Non-Current	
Land and Buildings	
At Fair Value	163,528
Less Accumulated Depreciation (iii)	-
Carrying Amount at 30 June	163,528
Office Furniture & Equipment	-
Total Property, Plant and Equipment at 30 June	163,528
Total at Fair Value	163,528
Total Accumulated Depreciation (iii)	-
Total Property, Plant and Equipment at 30 June	163,528
(b) Reconciliation of Opening and Closing Carrying Amounts	2018
	\$'000
Land and Buildings	
Carrying Amount at 1 July	155,141
Work-in-Progress	1,469
Additions	2,743
Disposals (Note B3(a))	(418)
Reclassification from/(to) Non-Current Asset Held for Sale (Note C3(b))	551
Net Revaluation Reserve Increment/(Decrement) (Note E1(b))	9,364
Depreciation Expense (Note B2(d))	(5,322)
Carrying Amount at 30 June	163,528
Office Furniture & Equipment	
Carrying Amount at 1 July	-
Disposals	-
Depreciation Expense (Note B2(d))	-
Carrying Amount at 30 June	-

(c) Recognition and Measurement - Property, Plant and Equipment

(i) Acquisitions of Assets

Acquisition of assets is recognised when the risks and rewards of the asset have passed to the buyer. On pro this usually coincides with when the legal title passes to the buyer, which is upon settlement of a contract.

The cost method of accounting is used for the initial recording of all acquisitions of assets controlled by the Au Cost is the amount of cash or cash equivalents paid or the fair value of the other consideration given to acqui at the time of its acquisition or construction or, where applicable, the amount attributed to that asset when ini recognised in accordance with the requirements of other Australian Accounting Standards.

Assets acquired at no cost, or for nominal consideration, are initially recognised at their fair value at the date of acquisition. Fair value is the price that would be received to sell an asset in an orderly transaction between market participants at the measurement date.

Where payment for an asset is deferred beyond normal credit terms, its cost is the cash price equivalent (ie. the payment amount is effectively discounted at an asset-specific rate).

TEACHER HOUSING AUTHORITY OF NSW

Section C: Assets

Notes to and Forming Part of the Financial Statements for the Year Ended 30 June 2018

(ii) Capitalisation Thresholds

Plant and equipment, and intangible assets costing \$10,000 and above individually are capitalised.

(iii) Revaluation of Property, Plant and Equipment

Physical non-current assets are valued in accordance with the 'Valuation of Physical Non-Current Assets at F Policy and Guidelines Paper (TPP 14-01). This policy adopts fair value in accordance with AASB 13 "Fair Value Measurement", AASB 116 "Property, Plant and Equipment".

Property, plant and equipment is measured at the highest and best use by market participants that is physically legally permissible and financially feasible. The highest and best use must be available at a period that is not 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 or where there is a feasible higher restricted alternative use.

Fair value of property, plant and equipment is based on a market participants' perspective, using valuation techniques (market approach, cost approach, income approach) that maximise relevant observable inputs and minimise unobservable inputs. The Authority revalues each class of property, plant and equipment on annual basis to ensure that the amount of each asset in the class does not differ materially from its fair value at reporting date.

Non-specialised assets with short useful lives are measured at depreciated historical cost, as an approximation.

When revaluing assets, 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.

A comprehensive revaluation of the Authority's land and buildings was last undertaken in 2017-18. Since 2011-12 the Authority has adopted the "Use of Sampling in Asset Valuation" method to determine the fair value of its land and buildings. This method is outlined in Appendix B of TPP14-01 "Accounting Policy: Valuation of Physical Non-Current Assets" issued by Treasury in February 2014. The net change in the value of assets was an increase of approximately 2.5%.

In 2017-18, the Authority engaged NSW Valuation Services (a division of the Department of Finance, Service Innovation) to conduct the revaluation of its Land and Buildings. The Authority also engaged an independent firm to review the NSW Valuation Services process and valuation results.

The effective valuation date adopted in 2017-18 for the Authority's Land and Buildings revaluations is 30 June 2017 (30 March 2017 in 2016-17). This change in date accounts for the reduction in accumulated depreciation to nil as at 30 June 2018 (\$5.1m as at 30 June 2017).

The value of Work-in-Progress included in the fair value of Land and Buildings was \$3.5m as at 30 June 2018 (\$3.5m as at 30 June 2017).

Revaluation increments are credited directly to revaluation reserve, except that, to the extent that an increment exceeds the revaluation reserve, the excess is recognised as revenue in the net result. Revaluation decrements in respect of that class of asset previously recognised as an expense in the net result, is recognised immediately as revenue in the net result.

Revaluation decrements are recognised immediately as expenses in the net result, except that, to the extent that a debit balance exists in the revaluation reserve in respect of the same class of assets, they are debited directly to the revaluation reserve.

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 revaluation reserve in respect of that asset is transferred to accumulated funds.

TEACHER HOUSING AUTHORITY OF NSW

Section C: Assets

Notes to and Forming Part of the Financial Statements for the Year Ended 30 June 2018

(iv) Impairment of Property, Plant and Equipment

As a not-for-profit entity with no cash generating units, impairment under AASB 136 "Impairment of Assets" is not applicable. As property, plant and equipment is carried at fair value, impairment can only arise in the rare circumstances where the costs of disposal are material. Specifically, impairment is unlikely for not-for-profit entities given that the Authority modifies the recoverable amount test for non-cash generating assets of not-for-profit entities to the higher of fair value less costs of disposal and depreciated replacement cost, where depreciated replacement cost is also fair value.

The Authority assesses, at each reporting date, whether there is an indication that an asset may be impaired. If such an indication exists, or when annual impairment testing for an asset is required, the Authority 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.

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

(v) 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 carrying amount of the respective asset if the recognition criteria for a provision are met.

(vi) Disposals

The Authority's assets are disposed when they are:

- At the end of their economic lives and it is unfeasible to upgrade them;
- In locations where the private rental market adequately provides rental properties;
- In locations where there is insufficient teacher demand and assets in that location are underutilised; or
- A combination of the above.

(vii) Leased Assets

A distinction is made between finance leases which effectively transfer from the lessor to the lessee substantially all the risks and benefits incidental to ownership of the leased assets, and operating leases under which the lessor retains all such risks and benefits. Operating lease payments are charged to the Statement of Comprehensive Income over the periods in which they are incurred.

TEACHER HOUSING AUTHORITY OF NSW

Section C: Assets

Notes to and Forming Part of the Financial Statements for the Year Ended 30 June 2018

C5. FAIR VALUE MEASUREMENT OF NON-FINANCIAL ASSETS

The following table shows the levels within the hierarchy of non-financial assets measured at fair value on a non-recurring basis (Refer to Notes A2(f), C3 and C4):

(a) Fair Value Hierarchy

2018	Level 1	Level 2	Level 3
	\$'000	\$'000	\$'000
Property, Plant and Equipment			
Land and Buildings	-	163,528	-
Non-Current Assets Held for Sale	-	1,421	-
	-	164,949	-
2017	Level 1	Level 2	Level 3
	\$'000	\$'000	\$'000
Property, Plant and Equipment			
Land and Buildings	-	155,141	-
Non-Current Assets Held for Sale	-	2,886	-
	-	158,027	-

(b) Valuation Techniques, Input and Processes

For each class of property, plant and equipment, a description of the valuation technique applied and the inputs used in the fair value measurement is disclosed in the table below. For the valuation processes refer note C4(c)(iii).

Class	Valuation Technique	Key Inputs
Land and Buildings	The Authority uses a mass valuation process (Appendix B of TPP14-01) to value its portfolio annually. A benchmark sample of 20% of portfolio is valued using the Market Approach valuation technique. The technique uses prices and other relevant information generated by market transactions involving identical or comparable (ie similar) assets. The changes in values in the benchmark sample is extrapolated to the entire portfolio.	<ul style="list-style-type: none"> • Location of property • Type of residence • Age of property • Construction material

TEACHER HOUSING AUTHORITY OF NSW

Section D: Liabilities

Notes to and Forming Part of the Financial Statements for the Year Ended 30 June 2018

D1. PAYABLES

(a) Payables	2018 \$'000	2017 \$'000
Current		
Other Creditors and Accruals	2,639	2,401
GST	-	3
Total Current Payables	2,639	2,404

Recognition and Measurement - Payables

Payables are recognised for amounts due to be paid in the future for goods or services received, whether or not invoiced. Payables represent liabilities for goods and services provided to the entity and other amounts. Payables are recognised initially at fair value, usually based on the transaction cost or face value. Subsequent measurement is at amortised cost using the effective interest method. Short-term payables with no stated interest rate are measured at the original invoice amount where the effect of discounting is immaterial.

The Authority's payables are all non-interest bearing. Payable items which are out of the scope of AASB 7 "Financial Instruments: Disclosures" have been excluded from the carrying amount shown in the Statement of Financial Position.

Liquidity Risk

Liquidity risk is the risk that the Authority will be unable to meet its payment obligations when they fall due. The Authority 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 years, there were no defaults or breaches on any loans payable. No assets have been pledged as collateral. The Authority's exposure to liquidity risk is deemed insignificant based on prior period data and current assessment of risk.

Maturity Profile

All of the Authority's payables and accruals have a maturity of less than 12 months. Amounts owing to suppliers (which are unsecured) are settled in accordance with the policy set out in NSW Treasury Circular TC11-12. 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 Authority may automatically pay the supplier simple interest. The Authority was not required to make any interest payment in this respect during the current or prior years.

TEACHER HOUSING AUTHORITY OF NSW

Section E: Equity

Notes to and Forming Part of the Financial Statements for the Year Ended 30 June 2018

E1. EQUITY

(a) Accumulated Funds

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

Accumulated Funds Movement	2018	2017
	\$'000	\$'000
Carrying Amount at 1 July	73,580	73,043
Net Result for the Year	(4,294)	(2,984)
Transfer from Asset Revaluation Reserve on Disposal of PP&E	1,323	3,521
Carrying Amount at 30 June	70,609	73,580

(b) Asset Revaluation Reserve

The revaluation surplus is used to record increments and decrements on the revaluation of non-current assets. This accords with the Authority's policy on the Revaluation of Property, Plant and Equipment as discussed in Note C4.

Asset Revaluation Reserve Movement	2018	2017
	\$'000	\$'000
Carrying Amount at 1 July	93,603	95,626
Net Increase/(Decrease) on Revaluation (Note C4(b))	9,364	1,498
Transfer to Accumulated Funds on Disposal of PP&E	(1,323)	(3,521)
Carrying Amount at 30 June	101,644	93,603
Dissection by Asset Class:		
Land and Buildings	101,644	93,603
Total Asset Revaluation Reserve at 30 June	101,644	93,603

TEACHER HOUSING AUTHORITY OF NSW

Section F: Financial Instruments and Other Notes

Notes to and Forming Part of the Financial Statements for the Year Ended 30 June 2018

F1. FINANCIAL INSTRUMENTS

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

Quantitative and qualitative disclosures together with the Authority's objectives, policies and processes for measuring and managing risk are included throughout the financial statements.

The Board has overall responsibility for the establishment and oversight of risk management and reviews and agrees policies for managing each of these risks. Risk management policies are established to identify and analyse the risks faced by the Authority, to set risk limits and controls and to monitor risks. Compliance with policies is reviewed by the Authority's management on a continuous basis.

(a) Financial Instrument Categories	2018	2017
	\$'000	\$'000
Financial Assets - Carrying Amounts		
<u>Class</u>	<u>Category</u>	<u>Notes</u>
Cash and Cash Equivalents	N/A	C1
Receivables ⁽ⁱ⁾	Loans and Receivables	C2
		9,456
		487
		11,061
		499
Financial Liabilities - Carrying Amounts		
<u>Class</u>	<u>Category</u>	<u>Notes</u>
Payables ⁽ⁱⁱ⁾	Financial Liabilities	D1
		2,639
		2,404

(i) Excludes statutory receivables and prepayments as they are not within the scope of AASB 7.

(ii) Excludes statutory payables and unearned revenue as they are not within scope of AASB 7.

(b) Credit Risk

Credit risk arises when there is the possibility of the Authority's debtors defaulting on their contractual obligations, resulting in a financial loss to the Authority. 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 Authority, including cash and receivables (Notes C1 and C2). No collateral is held by the Authority and the Authority has not granted any material financial guarantees, individually or in aggregate. Credit risk associated with the Authority's financial assets, other than receivables, is managed through the selection of counterparties and establishment of minimum credit rating standards.

(c) 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 Authority's exposures to market risk are primarily through interest rate risk on the Authority's Cash and Cash Equivalents (Note C1). The Authority has no exposure to foreign currency risk and does not enter into commodity contracts.

(d) Fair Value of Financial Instruments

The Authority's financial instruments are recognised at cost. The amortised cost of the Authority's financial instruments recognised in the Statement of Financial Position approximates the fair value, because of the short-term nature of the financial instruments. The Authority has not identified any financial instruments whose fair value differs materially from the carrying amount.

TEACHER HOUSING AUTHORITY OF NSW

Section F: Financial Instruments and Other Notes

Notes to and Forming Part of the Financial Statements for the Year Ended 30 June 2018

(e) Impairment of Financial Assets

All financial assets, except those measured at fair value through profit and loss, are subject to an annual review for impairment. An allowance for impairment is established when there is objective evidence that the Authority will not be able to collect all amounts due.

For financial assets carried at amortised cost, the amount of the allowance is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the effective interest rate. The amount of the impairment loss is recognised in the Net Result for the year.

Any reversals of impairment losses are reversed through the Net Result for the year, where there is objective evidence. Reversals of impairment losses of financial assets carried at amortised cost cannot result in a carrying amount that exceeds what the carrying amount would have been had there not been an impairment loss.

(f) 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 if the Authority transfers the financial asset:

- where substantially all the risks and rewards have been transferred; or
- where the Authority has not transferred substantially all the risks and rewards, if the Authority has not retained control.

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

A financial liability is derecognised when the obligation specified in the contract is discharged or cancelled or expires.

F2. COMMITMENTS FOR EXPENDITURE

The Authority is classified as a fully input-taxed entity. As such, the Authority is not eligible to claim input tax credits from the Australian Taxation Office for any Goods and Services Tax (GST) paid on taxable acquisitions. Any GST paid on such acquisitions is accounted for as part of the cost of that acquisition and expensed or capitalised accordingly. Where applicable, the following commitments for expenditure on goods or services include the GST payable.

(a) Capital Expenditure Commitments	2018	2017
	\$'000	\$'000
Capital expenditure contracted at balance date but not provided for:		
Payable within one year	2,669	1,030
Payable later than one year but not later than five years	-	-
Total Capital Expenditure Commitments (Incl GST)	2,669	1,030
(b) Other Operating Commitments - Property Maintenance & School Residence Refurbishment	2018	2017
	\$'000	\$'000
Operating expenditure contracted at balance date but not provided for:		
Property Maintenance Commitments	82	277
Total Property Maintenance Commitments	82	277

Expenditure commitments for property maintenance and school residence refurbishments arise from contracts entered into for the provision of contingent maintenance and programmed maintenance for dwellings included within the Authority's annual Property Refurbishment Program.

TEACHER HOUSING AUTHORITY OF NSW

Section F: Financial Instruments and Other Notes

Notes to and Forming Part of the Financial Statements for the Year Ended 30 June 2018

F3. CONTINGENT ASSETS AND CONTINGENT LIABILITIES

The Authority is not aware of any contingent assets or liabilities as at 30 June 2018 (Nil as at 30 June 2017).

F4. RELATED PARTY DISCLOSURES

(a) Key Management Personnel Compensation

During the year, the Authority did not pay any compensation directly to its key management personnel (Nil in 2016-17).

In 2017-18, the Authority incurred \$0.2 million in respect of the Key Management Personnel services that were provided by Property NSW (In 2016-17, \$0.1 million by the Department of Finance, Services and Innovation and \$0.3 million by Property NSW).

(i) Remuneration of Authority Members

Section 7(1)(c) of the *Teacher Housing Authority Act, 1975* provides for the appointment of a member to manage the Authority's activities. This member is appointed under the *Government Sector Employment Act 2013* and remuneration is in accordance with determinations of the Industrial Authority. No remuneration is paid to members of the Authority.

(b) Transactions and Outstanding Balances with Other Related Parties

During 2017-18, the Authority has not entered into other transactions with Key Management Personnel, their close family members and controlled or jointly controlled entities thereof (Nil in 2016-17).

(c) Transactions and Outstanding Balances with Other Government Entities

During 2017-18, the Authority entered into transactions with other entities that are controlled/jointly controlled/significantly influenced by the NSW Government. These transactions are collectively, but not individually, a significant portion of the Authority's property rental income, fees for services rendered and grant and contribution revenue.

F5. AFTER REPORTING DATE EVENTS

The Authority has not identified any events or transactions that are material to require adjustments or disclosures in the financial report.

End of Audited Financial Statements



INDEPENDENT AUDITOR'S REPORT

Teacher Housing Authority

To Members of the New South Wales Parliament

Opinion

I have audited the accompanying financial statements of Teacher Housing Authority (the Authority), which comprise the Statement of Comprehensive Income for the year ended 30 June 2018, the Statement of Financial Position as at 30 June 2018, the Statement of Changes in Equity and the Statement of Cash Flows for the year then ended, notes comprising a Statement of Significant Accounting Policies and other explanatory information.

In my opinion, the financial statements:

- give a true and fair view of the financial position of the Authority as at 30 June 2018 and of its financial performance and its cash flows for the year then ended in accordance with Australian Accounting Standards
- are in accordance with section 41B of the *Public Finance and Audit Act 1983* (PF&A Act) and the Public Finance and Audit Regulation 2015.

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

Basis for Opinion

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

I am independent of the Authority in accordance with the requirements of the:

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

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

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

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

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

Other Information

Other information comprises the information included in the Authority's annual report for the year ended 30 June 2018, other than the financial statements and my Independent Auditor's Report thereon. The members of the Board of the Authority are responsible for the other information. At the date of this Independent Auditor's Report, the other information I have received comprises the Statement by Members of the Board.

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 Responsibility 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 PF&A Act, and for such internal control as the members of the Board determine is necessary to enable the preparation and fair presentation of the financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the members of the Board are responsible for assessing the Authority's ability to continue as a going concern, disclosing as applicable, matters related to going concern and using the going concern basis of accounting except where the Authority will be dissolved by an Act of Parliament or otherwise cease operations.

Auditor's Responsibilities for the Audit of the Financial Statements

My objectives are to:

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

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

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

My opinion does *not* provide assurance:

- that the Authority carried out its activities effectively, efficiently and economically
- 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.



Weini Liao
Director, Financial Audit Services

26 September 2018
SYDNEY

Teacher Housing Authority of NSW

Financial Statements

For the Year Ended 30 June 2018

Statement by Members

Pursuant to Section 41C of the *Public Finance and Audit Act 1983*, we declare on behalf of the Teacher Housing Authority of NSW, that in our opinion:

- (a) The accompanying financial statements exhibit a true and fair view of the Authority's financial performance for the financial year ended 30 June 2018 and financial position as at 30 June 2018; and
- (b) The financial statements comply with applicable Australian Accounting Standards (which include Australian Accounting Interpretations), the *Public Finance and Audit Act 1983*, the *Public Finance and Audit Regulation 2015* and, the Financial Reporting Directions mandated by Treasurer

Further, we are not aware of any circumstances which would render any particulars included in the financial statements to be misleading or inaccurate.



Brett Newman
Chair

Date: 26/9/18



Gregory Phipson
Director, Housing Services

Date: 26/9/2018

TEACHER HOUSING AUTHORITY OF NSW
Start of Audited Financial Statements
Statement of Comprehensive Income
For the Year Ended 30 June 2018

	Note	Actual 2018 \$'000	Actual 2017 \$'000
Revenue			
Sale of Goods and Services	B1(a)	10,291	10,431
Investment Revenue	B1(b)	187	142
Grants and Contributions	B1(c)	-	6,615
Service Payment	B1(d)	6,626	-
Other Revenue	B1(e)	-	170
Total Revenue		17,104	17,358
Expenses Excluding Losses			
Operating Expenses:			
Property Maintenance	B2(a)	7,649	7,160
Property Rates	B2(b)	2,423	2,240
Personnel Services Expenses	B2(c)	-	1,419
Other Operating Expenses	B2(d)	5,795	3,921
Depreciation Expense	B2(e)	5,322	5,373
Total Expenses Excluding Losses		21,189	20,113
Gain/(Loss) on Disposal of Non-Current Assets	B3(a)	(209)	(229)
Net Result		(4,294)	(2,984)
Other Comprehensive Income			
Items that will not be Reclassified to the Net Result:			
Net Increase/(Decrease) in Property, Plant and Equipment Revaluation Surplus	C4(b)	9,364	1,498
Total Other Comprehensive Income		9,364	1,498
TOTAL COMPREHENSIVE INCOME		5,070	(1,486)

[The accompanying notes form part of these financial statements]

TEACHER HOUSING AUTHORITY OF NSW

Statement of Financial Position

As At 30 June 2018

	Note	Actual 2018 \$'000	Actual 2017 \$'000
ASSETS			
Current Assets			
Cash and Cash Equivalents	C1	9,456	11,061
Receivables	C2	487	499
Non-Current Assets Held For Sale	C3	1,421	2,886
Total Current Assets		11,364	14,446
Non-Current Assets			
Property, Plant and Equipment	C4	163,528	155,141
Total Non-Current Assets		163,528	155,141
TOTAL ASSETS		174,892	169,587
LIABILITIES			
Current Liabilities			
Payables	D1(a)	2,639	2,404
Total Current Liabilities		2,639	2,404
TOTAL LIABILITIES		2,639	2,404
NET ASSETS		172,253	167,183
EQUITY			
Accumulated Funds	E1(a)	70,609	73,580
Asset Revaluation Reserve	E1(b)	101,644	93,603
TOTAL EQUITY		172,253	167,183

[The accompanying notes form part of these financial statements]

TEACHER HOUSING AUTHORITY OF NSW

Statement of Changes in Equity

For the Year Ended 30 June 2018

	Note	2018			2017		
		Accumulated	Asset	Total	Accumulated	Asset	Total
		Funds	Revaluation	Equity	Funds	Revaluation	Equity
		2018	Reserve	2018	2017	2017	2017
		\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
Opening Balance		73,580	93,603	167,183	73,043	95,626	168,669
Net Result for the Year		(4,294)	-	(4,294)	(2,984)	-	(2,984)
Other Comprehensive Income:							
Net Increase/(Decrease) in Property, Plant and Equipment Revaluation Surplus	C3(b)	-	9,364	9,364	-	1,498	1,498
Transfer from Asset Revaluation Reserve on Disposal of Property, Plant and Equipment	C3(b)	1,323	(1,323)	-	3,521	(3,521)	-
Total Other Comprehensive Income		1,323	8,041	9,364	3,521	(2,023)	1,498
Total Comprehensive Income for the Year		(2,971)	8,041	5,070	537	(2,023)	(1,486)
Closing Balance		<u>70,609</u>	<u>101,644</u>	<u>172,253</u>	<u>73,580</u>	<u>93,603</u>	<u>167,183</u>

[The accompanying notes form part of these financial statements]

TEACHER HOUSING AUTHORITY OF NSW

Statement of Cash Flows

For the Year Ended 30 June 2018

Note	Actual 2018 \$'000	Actual 2017 \$'000
CASH FLOWS FROM OPERATING ACTIVITIES		
Payments		
Property and Administration	(15,585)	(12,591)
Personnel Services Expense	-	(1,419)
Total Payments	(15,585)	(14,010)
Receipts		
Rental Income	10,083	10,432
Investment Income	187	142
Other Income	-	170
Service payment	6,626	
Grants and Contributions		6,615
Total Receipts	16,896	17,359
NET CASH FLOWS FROM OPERATING ACTIVITIES	1,311	3,349
C1(c)		
CASH FLOWS FROM INVESTING ACTIVITIES		
Proceeds from Disposal of Non-Current Assets	1,092	4,119
Purchases of Property, Plant and Equipment	(4,183)	(2,349)
NET CASH FLOWS FROM INVESTING ACTIVITIES	(3,091)	1,770
NET (DECREASE)/INCREASE IN CASH AND CASH EQUIVALENTS		
	(1,780)	5,119
Opening Cash and Cash Equivalents	11,061	5,942
CLOSING CASH AND CASH EQUIVALENTS	9,281	11,061
C1(a)		

[The accompanying notes form part of these financial statements]

TEACHER HOUSING AUTHORITY OF NSW

Section A: Entity Information and Basis of Preparation

Notes to and Forming Part of the Financial Statements for the Year Ended 30 June 2018

A1. REPORTING ENTITY

The Teacher Housing Authority of NSW (the Authority) was established under the *Teacher Housing Authority Act 1975* (THA Act). The Authority's principal objective is to provide and maintain suitable and adequate housing accommodation for NSW teachers. The provision of housing accommodation is one of several incentives which assist the Department of Education in attracting and retaining teachers in parts of NSW where the private rental market is considered to be inadequate to suit their needs.

The Authority has assessed its profit status for the financial year ended 30 June 2018 and determined its status as not-for-profit for financial reporting purposes, as profit is not its principle objective. The Authority is consolidated as part of the NSW Total State Sector Accounts.

The Authority commenced operations in 1975 and is domiciled in Australia. Its principal business address is Foreshore House, 66 Harrington St, The Rocks, Sydney NSW 2000.

These financial statements have been authorised for issue by the Authority's Board on 26 September 2018.

A2. BASIS OF PREPARATION AND SIGNIFICANT ACCOUNTING POLICIES

(a) Basis of Preparation

The Authority's financial statements are general-purpose financial statements which have been prepared in accordance with:

- (i) applicable Australian Accounting Standards (which include Australian Accounting Interpretations);
- (ii) the requirements of the *Public Finance and Audit Act 1983* and *Public Finance and Audit Regulation 2015*; and
- (iii) Financial Reporting Directions mandated by the Treasurer.

Property, Plant and Equipment, Non-Current Assets Held for Sale and Other Non-Current Assets are measured at fair value. Other financial statement items are prepared in accordance with the historical cost convention except where specified otherwise.

The accrual basis of accounting has been adopted in the preparation of the financial statements, except for cash flow information.

In the application of the Authority's accounting policies, management is required to make judgements, estimates and assumptions about carrying values of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimates are recognised, or in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods. Judgements, key assumptions and estimations made by management are disclosed in the relevant notes to the financial statements.

All amounts are rounded to the nearest one thousand dollars (\$'000) and are expressed in Australian currency.

(b) Statement of Compliance

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

TEACHER HOUSING AUTHORITY OF NSW

Section A: Entity Information and Basis of Preparation

Notes to and Forming Part of the Financial Statements for the Year Ended 30 June 2018

(c) Going Concern Basis

The Authority's financial statements are general-purpose financial statements which have been prepared on a "going concern" basis.

At 30 June 2018, the Authority's current assets exceeded its current liabilities by \$9m (\$12.1m as at 30 June 2017). Management and the Board understand the going concern assumption is appropriate as its revenue streams are fixed and variable costs, such as future property maintenance and the capital expenditure program, can be reduced or deferred, if required.

Rental and investment income is sufficient to fund a portion of the Authority's operating and capital costs. However, the Authority is dependent on continued subsidisation from the State Government to fund the balance of these costs. See Note B1(c) for details of contributions received.

The continuous funding from the DoE in the form of a service payment supports the going concern basis of the preparation of the financial statements. The service payment is combination of the NSW Treasury contribution and the annual DoE contribution. This funding model is governed by an MoU with the DoE.

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

The Authority is classified as a full input-taxed entity as all core-business revenues are generated from input-taxed supplies. Accordingly, all expenses, assets, payables and commitment amounts relating to these supplies are recognised inclusive of GST. Cash flows are included in the Statement of Cash Flows on a gross basis.

(e) Comparative Information

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

(f) 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.

A number of the Authority's accounting policies and disclosures require the measurement of fair values, for both financial and non-financial assets and liabilities. When measuring fair value, the valuation technique used maximises the use of relevant observable inputs and minimises the use of unobservable inputs. Under AASB 13, the Authority 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 Authority 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 Authority recognises transfers between levels of the fair value hierarchy at the end the reporting period during which the change has occurred. Refer to Notes C4 and F2 for further disclosures regarding fair value measurements of financial and non-financial assets.

TEACHER HOUSING AUTHORITY OF NSW

Section A: Entity Information and Basis of Preparation

Notes to and Forming Part of the Financial Statements for the Year Ended 30 June 2018

(g) Changes in Accounting Policy including New or Revised Australian Accounting Standards

(i) Effective for the First Time in 2017-18

The accounting policies applied in 2017-18 are consistent with those of the previous financial year except as a result of the following revised Australian Accounting Standards that have been applied for the first time in 2017-18:

- AASB 2016-2 Amendments to Australian Accounting Standards – Disclosure Initiative: Amendments to AASB 107 Statement of Cash Flows.
- AASB 2016-4 Amendments to Australian Accounting Standards – Recoverable Amount of Non-Cash-Generating Specialised Assets of Not-for-Profit Entities.
- AASB 2016-7 Amendments to Australian Accounting Standards – Deferral of AASB 15 for Not-for-Profit Entities.
- AASB 2017-2 Amendments to Australian Accounting Standards – Further Annual Improvements 2014-2016 Cycle.

The adoption of the above revised Australian Accounting Standards has not had any significant impact on the Authority.

(ii) Issued but Not Yet Effective

NSW public sector entities are not permitted to early adopt new Australian Accounting Standards, unless Treasury determines otherwise. There are a number of recently issued or amended Australian Accounting Standards which are not yet effective and have not been adopted for the reporting period ending 30 June 2018.

The following new Australian Accounting Standards, excluding standards not considered applicable or material to the Authority have not been applied and are not yet effective. The possible impact of these standards in the period of initial application includes:

- AASB 16 "Leases" has application from annual reporting periods on or after 1 January 2019. This standard generally requires a lessee to recognise right-of-use asset and lease liability at a lease's commencement date except for short term and low value asset leases. The requirements for lessor accounting have been carried forward from AASB 117 largely unchanged. As the Authority is not a lessee in its leasing arrangements, the change is not expected to materially impact the financial statements.
- AASB 15 "Revenue from Contracts with Customers", including the amendments AASB 2014-5, AASB 2015-8 and AASB 2016-3 has application from annual reporting periods on or after 1 January 2019. The Authority believes this standard may impact on the timing recognition of certain revenues given the core principle of the new standard requires revenue to be recognised when the goods or services are transferred to the customer at the transaction price (as opposed to stage of completion of the transaction). The model features a contract-based five step analysis of transactions to determine whether, how much and when revenue is recognised.
- AASB 1058 "Income of Not-for-profit Entities" and AASB 2016-8 Amendments to Australian Accounting Standards – Australian Implementation Guidance for Not-for-Profit Entities has application from annual reporting periods on or after 1 January 2019. The introduction of AASB 1058 results in the amendment of AASB 1004 "Contributions" with many of its requirements being revised and relocated to AASB 1058. The Authority is yet to undertake a detailed assessment of the impact of AASB 1058 however management believe the initial adoption may defer the recognition of income in some circumstances.

The impact of the following standards in the period of initial application is not expected to be significant.

Standard	Applicable to Annual Reporting Periods Beginning on or After
AASB 9 Financial Instruments	1 January 2018
AASB 2016-6 Amendments to Australian Accounting Standards - Applying AASB 9	

TEACHER HOUSING AUTHORITY OF NSW

Section B: Financial Performance

Notes to and Forming Part of the Financial Statements for the Year Ended 30 June 2018

B1. REVENUE

Recognition and Measurement - Revenue

Revenue is measured at the fair value of the consideration or contribution received or receivable. Additional comments regarding the accounting policies for the recognition and measurement of revenue is discussed within each revenue category below.

(a) Sale of Goods and Services	2018	2017
	\$'000	\$'000
Gross Rental Income	10,291	10,431
	10,291	10,431

Rental income is recognised in accordance with AASB 118 "Revenue" on an accrual basis in accordance with the substance of the relevant agreement. The Authority's tenants are charged full market rental in accordance with government policy.

(b) Investment Revenue	2018	2017
	\$'000	\$'000
Interest Revenue	187	142
	187	142

- (i) Interest revenue is recognised using the effective interest method as set out in AASB 139 "Financial Instruments: Recognition and Measurement". The Authority's interest revenue is earned on the Authority's account daily bank balance at the monthly average NSW Treasury Corporation 11am unofficial cash rate, adjusted for a management fee to NSW Treasury.

(c) Grants and Contributions	2018	2017
	\$'000	\$'000
Department of Education Properties Grant (ii)	-	600
State Government Contribution (iii)	-	6,015
	-	6,615

- (i) Contributions from other bodies (including grants and donations) are generally recognised as revenue when the Authority obtains control over the assets comprising the contributions. Control over contributions is normally obtained upon the receipt of cash.
- (ii) The fixed amount of Department of Education (DoE) Properties Grant is received from the Department of Education for upgra refurbishment works on managed residences owned by the DoE.
- (iii) Under changed funding arrangements in 2017-18, the Authority now receives service payment from the DoE under a Memorandum of Understanding for services provided. The Authority no longer receive the State Government Contrib from the Department of Finance, Services and Innovation.

(d) Service Payment	2018	2017
	\$'000	\$'000
Annual DoE Contribution	600	
NSW Treasury Contribution	6,026	
	6,626	-

- (i) Under changed funding arrangements in 2017-18, the Authority now receives service payment from the DoE under a Memorandum of Understanding for services provided. The Authority no longer receive the State Government Contribution from the Department of Finance, Services and Innovation. In accordance with the Teacher Housing Act 1975, the Authority is not required to return any excess funds collected under the MoU.

TEACHER HOUSING AUTHORITY OF NSW

Section B: Financial Performance

Notes to and Forming Part of the Financial Statements for the Year Ended 30 June 2018

(e) Other Revenue

	<u>2018</u>	<u>2017</u>
	<u>\$'000</u>	<u>\$'000</u>
Labour Recovery - PNSW Project		88
Insurance Claim	-	82
	<u>-</u>	<u>170</u>

TEACHER HOUSING AUTHORITY OF NSW

Section B: Financial Performance

Notes to and Forming Part of the Financial Statements for the Year Ended 30 June 2018

B2. EXPENSES EXCLUDING LOSSES

(a) Property Maintenance	2018	2017
	\$'000	\$'000
Property Refurbishment	3,309	3,162
General Maintenance	1,475	1,247
Ground/Yard Maintenance	885	987
Furnishings, Fixtures and Fittings	573	470
Plumbing	558	615
Air Conditioners & Fans	398	162
Air Cooling Installation and Maintenance	226	301
Electrical	212	195
Fire Protection	13	21
Total Property Maintenance	7,649	7,160

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

(b) Property Rates	2018	2017
	\$'000	\$'000
Annual Rates	1,644	1,593
Water Rates	779	583
Other	-	64
Total Property Rates	2,423	2,240

(c) Personnel Services	2018	2017
	\$'000	\$'000
Salaries and Wages	-	843
Recreation Leave	-	88
Long Service Leave	-	24
Superannuation	-	87
Contractors	-	377
Total Personnel Services Expense	-	1,419

As per its Act, the Authority is unable to employ staff. However, to enable it to exercise its functions, the Authority can obtain personnel services from Government agencies that are able to engage staff under Part 4 of the *Government Sector Employment Act 2013*. The Authority has no employee liabilities or provisions.

Up to 27 January 2017, personnel services were provided by the Department of Finance, Services & Innovation (DFSI). From 28 January 2017, all administrative and operational services (including personnel services) to enable the Authority to exercise its functions, were transferred to Property NSW (PNSW) under formal agreement. Services provided by Property NSW to the Authority from this date are recognised as an administration charge within Other Operating Expenses under Shared Service Fees (Note B2(d)).

TEACHER HOUSING AUTHORITY OF NSW

Section B: Financial Performance

Notes to and Forming Part of the Financial Statements for the Year Ended 30 June 2018

(d) Other Operating Expenses	2018	2017
	\$'000	\$'000
Audit Fees	59	75
Office Lease Expense	-	78
Insurance (i)	316	337
Property Valuations	126	130
Property Management Fees	845	863
Computer Systems Development	-	374
Contractors	501	-
Travel Expenses	74	85
Shared Service Fees (ii)	3,071	1,822
Other General Administration	803	157
Total Other Operating Expenses	5,795	3,921

(i) The Authority's insurance activities are conducted through the NSW Treasury Managed Fund Scheme of self-insurance for Government agencies. The expense (premium) is determined by the Fund Manager based on past claims experience.

(ii) Shared Service Fees include fees charged by GovConnectNSW for shared transactional services, by DFSI for corporate services provided under the DFSI Corporate Operating Model arrangements and by Property NSW for all administrative and operational services (including personnel services) to enable the Authority to exercise its functions.

The increase in Shared Service Fees in 2017-18 is due mainly to the transfer of all administrative and operational services (including staff) to Property NSW under formal agreement. This arrangement has also resulted in the elimination of the Authority's Personnel Services Expense in 2017-18 (Note B2(c)).

(d) Depreciation Expense	2018	2017
	\$'000	\$'000
Depreciation of:		
Buildings	5,322	5,372
Office Furniture and Equipment	-	1
Total Depreciation Expense	5,322	5,373

Recognition and Measurement - Depreciation of Property, Plant and Equipment

Depreciation is provided for on a straight-line basis for all depreciable non-current assets so as to write off the depreciable amount of each asset as it is consumed over its useful life to the Authority. Estimates of remaining useful lives are made on a regular basis for all assets, with annual reassessments for major items.

The starting useful lives of the Authority's items of property, plant and equipment are based on the following:

Asset Class	2018	2017
	Years	Years
Buildings	20-50	20-50
Office Furniture and Equipment	5	5
Office Furniture and Equipment - Computer Equipment	3	3

In accordance with AASB 5 "Non-current Assets Held for Sale and Discontinued Operations", any assets held for sale are not depreciated. Land is also not depreciated as land is not a depreciable asset.

TEACHER HOUSING AUTHORITY OF NSW

Section B: Financial Performance

Notes to and Forming Part of the Financial Statements for the Year Ended 30 June 2018

B3. GAINS AND LOSSES

(a) Gain/(Loss) on Disposal of Non-Current Assets	2018 \$'000	2017 \$'000
Net Proceeds from Disposal of Non-Current Assets	1,092	4,119
Written Down Value (Note C3(b))	(1,301)	(4,348)
Total Net Gain/(Loss) on Disposal of Non-Current Assets	(209)	(229)

TEACHER HOUSING AUTHORITY OF NSW

Section C: Assets

Notes to and Forming Part of the Financial Statements for the Year Ended 30 June 2018

C1. CASH AND CASH EQUIVALENTS

(a) Cash and Cash Equivalents - Dissection	2018
	\$'000
Cash and Cash Equivalents - Current	
Cash on Hand	-
Cash at Bank	9,456
Total Cash and Cash Equivalents	9,456

For the purposes of the Statement of Cash Flows, Cash and Cash Equivalents include Cash at Bank and Cash on Hand. Cash comprises cash on hand and bank balances within the NSW Treasury Banking System.

Interest Rate Risk

The effect on the Net Result and Equity due to a reasonably possible change in risk variable is outlined in the below, for interest rate risk and other price risk. A reasonably possible change in risk variable has been determined taking into account the economic environment in which the Authority operates and the time frame for the asset (until the end of the next annual reporting period). The sensitivity analysis is based on risk exposures in existence as at 30 June 2018. The analysis is performed on the same basis as in 2017. The analysis assumes that all other variables are constant.

Exposure to interest rate risk arises primarily through the Authority's Cash and Cash Equivalents. The Authority does not account for any fixed rate financial instruments at fair value through profit or loss or as available-for sale. For these financial instruments, a change in interest rates would not affect profit or loss or equity. A reasonably possible change of $\pm 1\%$ has been used, consistent with current trends in interest rates (based on official RBA interest rate volatility over the last five years). The basis will be reviewed annually and amended where there is a structural change in the level of interest rate volatility. The Authority's exposure to interest rate risk is set out below.

Interest Rate Risk - 2018	Carrying Amount	-1%		+1%
	\$'000	Profit	Equity	Profit
		\$'000	\$'000	\$'000
Financial Assets				
Cash and Cash Equivalents	9,456	(95)	(95)	95

Interest Rate Risk - 2017	Carrying Amount	-1%		+1%
	\$'000	Profit	Equity	Profit
		\$'000	\$'000	\$'000
Financial Assets				
Cash and Cash Equivalents	11,061	(111)	(111)	111

(b) Reconciliation of Cash Flows from Operating Activities to Net Result	2018
	\$'000
Net Cash Flow From Operating Activities	1,311
Non Cash (Revenues)/Expenses:	
Depreciation	(5,322)
Loss/(Gain) on Disposal of Non Current Assets	(209)
Changes in Operating Assets and Liabilities:	
Increase/(Decrease) in Payables and Other Liabilities	(235)
Decrease/(Increase) in Receivables	161
Net Result	(4,294)

TEACHER HOUSING AUTHORITY OF NSW

Section C: Assets

Notes to and Forming Part of the Financial Statements for the Year Ended 30 June 2018

C2. RECEIVABLES

(a) Receivables - Dissection	2018
	\$'000
Current	
Rental Debtors	256
Less: Impairment Allowance (b)	(84)
Tenancy Liaison Service Agent Advances	313
Prepayments	2
Other Debtors	-
Total Current Receivables	487
(b) Impairment Allowance	2018
	\$'000
Movement	
Carrying Amount at 1 July	69
Increase/(Decrease) in Allowance	15
Carrying Amount at 30 June	84

All possible action was taken to recover these debts before authority was obtained for write-off action.

(c) Recognition and Measurement - Receivables

Receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in a market. These financial assets are recognised initially at fair value, usually based on the transaction cost or fee. Subsequent measurement is at amortised cost using the effective interest method, less an allowance for any of receivables. Any changes are recognised in the Net Result when impaired, derecognised or through the amortisation process.

When there is objective evidence that the amounts due will not be collected, the Authority recognises an allowance for impairment. The amount of the allowance is the difference between the receivable's carrying amount and the amount expected to be received. When an impairment is recognised, the loss is recorded in the Net Result for the year. If there is objective evidence of recovering a previously impaired receivable, the reversal of impairment losses is recognised through the net result for the year.

Short-term receivables with no stated interest rate are measured at the original invoice amount where the effect of discounting is immaterial. Such receivables, which generally have 30-day terms, are recognised and carried at the original invoice amount less an allowance for any uncollectible amounts.

The Authority is not materially exposed to concentrations of credit risk to a single trade debtor or group of debtors. On past experience, debtors which are not past due totalling \$nil as at 30 June 2018 (\$nil as at 30 June 2017) and debtors not more than 3 months past due of \$255k (\$135k as at 30 June 2017) are not considered impaired as these represent 59% of the total trade debtors. The Authority debtors represent a large number of individual tenants whose particular credit rating will vary and are unknown to the Authority. There are no debtors which are currently past due or impaired whose terms have been renegotiated.

The only financial assets that are past due or impaired are Sales of Goods and Services in the Receivables section of the Statement of Financial Position.

TEACHER HOUSING AUTHORITY OF NSW

Section C: Assets

Notes to and Forming Part of the Financial Statements for the Year Ended 30 June 2018

Credit Risk - 2018	Overdue			
	<1 Mth \$'000	>1 <2 Mths \$'000	>2 <3 Mths \$'000	>3 Mths \$'000
Financial Assets				
Receivables:				
Past Due But Not Impaired	190	34	-	-
Considered Impaired	-	-	31	205
Total Credit Risk	190	34	31	205
Credit Risk - 2017	Overdue			
	<1 Mth \$'000	>1 <2 Mths \$'000	>2 <3 Mths \$'000	>3 Mths \$'000
Financial Assets				
Receivables:				
Past Due But Not Impaired	-	-	135	-
Considered Impaired	-	-	57	12
Total Credit Risk	-	-	192	12

1. Each row in the above table reports "gross receivables".

2. The ageing analysis excludes statutory receivables, as these are not within the scope of AASB 7 and exclude receivables that are not past due and not impaired. Therefore, the Total Credit Risk line will not reconcile to receivables total recognised in the Statement of Financial Position.

C3. NON-CURRENT ASSETS HELD FOR SALE

(a) Non-Current Assets Held for Sale - Dissection	2018
	\$'000
Current	
Land and Buildings	1,421
Total Non-Current Assets Held for Sale	1,421
(b) Reconciliation of Opening and Closing Carrying Amounts	2018
	\$'000
Non-Current Assets Held for Sale	
Carrying Amount at 1 July	2,886
Reclassification from/(to) Property, Plant and Equip - Land and Buildings (Note C4(b))	(551)
Disposals (Note B3(a))	(889)
Revaluation	(25)
Carrying Amount at 30 June	1,421

Most of the properties are held for sale for longer than 12 months. This is in line with the average times such are held for sale in regional and remote areas.

(c) Recognition and Measurement - Non-Current Assets Held for Sale

The Authority has certain non-current assets classified as held for sale, where their carrying amount will be recognised principally through a sale transaction, not through continuing use. Non-Current Assets Held for Sale are recognised at the lower of carrying amount and fair value less costs to sell. These assets are not depreciated while they are held for sale.

TEACHER HOUSING AUTHORITY OF NSW

Section C: Assets

Notes to and Forming Part of the Financial Statements for the Year Ended 30 June 2018

C4. PROPERTY, PLANT AND EQUIPMENT

	2018 \$'000
(a) Property, Plant and Equipment - Dissection	
Non-Current	
Land and Buildings	
At Fair Value	163,528
Less Accumulated Depreciation (iii)	-
Carrying Amount at 30 June	163,528
Office Furniture & Equipment	-
Total Property, Plant and Equipment at 30 June	163,528
Total at Fair Value	163,528
Total Accumulated Depreciation (iii)	-
Total Property, Plant and Equipment at 30 June	163,528
(b) Reconciliation of Opening and Closing Carrying Amounts	2018 \$'000
Land and Buildings	
Carrying Amount at 1 July	155,141
Work-in-Progress	1,469
Additions	2,743
Disposals (Note B3(a))	(418)
Reclassification from/(to) Non-Current Asset Held for Sale (Note C3(b))	551
Net Revaluation Reserve Increment/(Decrement) (Note E1(b))	9,364
Depreciation Expense (Note B2(d))	(5,322)
Carrying Amount at 30 June	163,528
Office Furniture & Equipment	
Carrying Amount at 1 July	-
Disposals	-
Depreciation Expense (Note B2(d))	-
Carrying Amount at 30 June	-

(c) Recognition and Measurement - Property, Plant and Equipment

(i) Acquisitions of Assets

Acquisition of assets is recognised when the risks and rewards of the asset have passed to the buyer. On pro this usually coincides with when the legal title passes to the buyer, which is upon settlement of a contract.

The cost method of accounting is used for the initial recording of all acquisitions of assets controlled by the Au Cost is the amount of cash or cash equivalents paid or the fair value of the other consideration given to acqui at the time of its acquisition or construction or, where applicable, the amount attributed to that asset when ini recognised in accordance with the requirements of other Australian Accounting Standards.

Assets acquired at no cost, or for nominal consideration, are initially recognised at their fair value at the date of acquisition. Fair value is the price that would be received to sell an asset in an orderly transaction between market participants at the measurement date.

Where payment for an asset is deferred beyond normal credit terms, its cost is the cash price equivalent (ie. the payment amount is effectively discounted at an asset-specific rate).

TEACHER HOUSING AUTHORITY OF NSW

Section C: Assets

Notes to and Forming Part of the Financial Statements for the Year Ended 30 June 2018

(ii) Capitalisation Thresholds

Plant and equipment, and intangible assets costing \$10,000 and above individually are capitalised.

(iii) Revaluation of Property, Plant and Equipment

Physical non-current assets are valued in accordance with the 'Valuation of Physical Non-Current Assets at F Policy and Guidelines Paper (TPP 14-01). This policy adopts fair value in accordance with AASB 13 "Fair Value Measurement", AASB 116 "Property, Plant and Equipment".

Property, plant and equipment is measured at the highest and best use by market participants that is physically legally permissible and financially feasible. The highest and best use must be available at a period that is not 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 or where there is a feasible higher restricted alternative use.

Fair value of property, plant and equipment is based on a market participants' perspective, using valuation techniques (market approach, cost approach, income approach) that maximise relevant observable inputs and minimise unobservable inputs. The Authority revalues each class of property, plant and equipment on annual basis to ensure that the amount of each asset in the class does not differ materially from its fair value at reporting date.

Non-specialised assets with short useful lives are measured at depreciated historical cost, as an approximation of fair value.

When revaluing assets, 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.

A comprehensive revaluation of the Authority's land and buildings was last undertaken in 2017-18. Since 2011-12 the Authority has adopted the "Use of Sampling in Asset Valuation" method to determine the fair value of its land and buildings. This method is outlined in Appendix B of TPP14-01 "Accounting Policy: Valuation of Physical Non-Current Assets" issued by Treasury in February 2014. The net change in the value of assets was an increase of approximately 2.5%.

In 2017-18, the Authority engaged NSW Valuation Services (a division of the Department of Finance, Service Innovation) to conduct the revaluation of its Land and Buildings. The Authority also engaged an independent specialist to review the NSW Valuation Services process and valuation results.

The effective valuation date adopted in 2017-18 for the Authority's Land and Buildings revaluations is 30 June 2017 (30 March 2017 in 2016-17). This change in date accounts for the reduction in accumulated depreciation to nil as at 30 June 2018 (\$5.1m as at 30 June 2017).

The value of Work-in-Progress included in the fair value of Land and Buildings was \$3.5m as at 30 June 2018 (\$3.5m as at 30 June 2017).

Revaluation increments are credited directly to revaluation reserve, except that, to the extent that an increment exceeds the revaluation reserve, the excess is recognised immediately as revenue in the net result. Revaluation decrements in respect of that class of asset previously recognised as an expense in the net result, is recognised immediately as revenue in the net result.

Revaluation decrements are recognised immediately as expenses in the net result, except that, to the extent that a debit balance exists in the revaluation reserve in respect of the same class of assets, they are debited directly to that reserve.

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 revaluation reserve in respect of that asset is transferred to accumulated funds.

TEACHER HOUSING AUTHORITY OF NSW

Section C: Assets

Notes to and Forming Part of the Financial Statements for the Year Ended 30 June 2018

(iv) Impairment of Property, Plant and Equipment

As a not-for-profit entity with no cash generating units, impairment under AASB 136 "Impairment of Assets" is arise. As property, plant and equipment is carried at fair value, impairment can only arise in the rare circumstances where the costs of disposal are material. Specifically, impairment is unlikely for not-for-profit entities given the Authority modifies the recoverable amount test for non-cash generating assets of not-for-profit entities to the higher of fair value less costs of disposal and depreciated replacement cost, where depreciated replacement cost is also fair value.

The Authority assesses, at each reporting date, whether there is an indication that an asset may be impaired. If an indication exists, or when annual impairment testing for an asset is required, The Authority 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.

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

(v) 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 carrying amount of the asset if the recognition criteria for a provision are met.

(vi) Disposals

The Authority's assets are disposed when they are:

- At the end of their economic lives and it is unfeasible to upgrade them;
- In locations where the private rental market adequately provides rental properties;
- In locations where there is insufficient teacher demand and assets in that location are underutilised; or
- A combination of the above.

(vii) Leased Assets

A distinction is made between finance leases which effectively transfer from the lessor to the lessee substantially all the risks and benefits incidental to ownership of the leased assets, and operating leases under which the lessor retains all such risks and benefits. Operating lease payments are charged to the Statement of Comprehensive Income over the periods in which they are incurred.

TEACHER HOUSING AUTHORITY OF NSW

Section C: Assets

Notes to and Forming Part of the Financial Statements for the Year Ended 30 June 2018

C5. FAIR VALUE MEASUREMENT OF NON-FINANCIAL ASSETS

The following table shows the levels within the hierarchy of non-financial assets measured at fair value on a non-recurring basis (Refer to Notes A2(f), C3 and C4):

(a) Fair Value Hierarchy

2018	Level 1	Level 2	Level 3
	\$'000	\$'000	\$'000
Property, Plant and Equipment			
Land and Buildings	-	163,528	-
Non-Current Assets Held for Sale	-	1,421	-
	-	164,949	-
2017	Level 1	Level 2	Level 3
	\$'000	\$'000	\$'000
Property, Plant and Equipment			
Land and Buildings	-	155,141	-
Non-Current Assets Held for Sale	-	2,886	-
	-	158,027	-

(b) Valuation Techniques, Input and Processes

For each class of property, plant and equipment, a description of the valuation technique applied and the inputs used in the fair value measurement is disclosed in the table below. For the valuation processes refer note C4(c)(iii).

Class	Valuation Technique	Key Inputs
Land and Buildings	The Authority uses a mass valuation process (Appendix B of TPP14-01) to value its portfolio annually. A benchmark sample of 20% of portfolio is valued using the Market Approach valuation technique. The technique uses prices and other relevant information generated by market transactions involving identical or comparable (ie similar) assets. The changes in values in the benchmark sample is extrapolated to the entire portfolio.	<ul style="list-style-type: none"> • Location of property • Type of residence • Age of property • Construction material

TEACHER HOUSING AUTHORITY OF NSW

Section D: Liabilities

Notes to and Forming Part of the Financial Statements for the Year Ended 30 June 2018

D1. PAYABLES

(a) Payables	2018 \$'000	2017 \$'000
Current		
Other Creditors and Accruals	2,639	2,401
GST	-	3
Total Current Payables	2,639	2,404

Recognition and Measurement - Payables

Payables are recognised for amounts due to be paid in the future for goods or services received, whether or not invoiced. Payables represent liabilities for goods and services provided to the entity and other amounts. Payables are recognised initially at fair value, usually based on the transaction cost or face value. Subsequent measurement is at amortised cost using the effective interest method. Short-term payables with no stated interest rate are measured at the original invoice amount where the effect of discounting is immaterial.

The Authority's payables are all non-interest bearing. Payable items which are out of the scope of AASB 7 "Financial Instruments: Disclosures" have been excluded from the carrying amount shown in the Statement of Financial Position.

Liquidity Risk

Liquidity risk is the risk that the Authority will be unable to meet its payment obligations when they fall due. The Authority 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 years, there were no defaults or breaches on any loans payable. No assets have been pledged as collateral. The Authority's exposure to liquidity risk is deemed insignificant based on prior period data and current assessment of risk.

Maturity Profile

All of the Authority's payables and accruals have a maturity of less than 12 months. Amounts owing to suppliers (which are unsecured) are settled in accordance with the policy set out in NSW Treasury Circular TC11-12. 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 Authority may automatically pay the supplier simple interest. The Authority was not required to make any interest payment in this respect during the current or prior years.

TEACHER HOUSING AUTHORITY OF NSW

Section E: Equity

Notes to and Forming Part of the Financial Statements for the Year Ended 30 June 2018

E1. EQUITY

(a) Accumulated Funds

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

Accumulated Funds Movement	2018	2017
	\$'000	\$'000
Carrying Amount at 1 July	73,580	73,043
Net Result for the Year	(4,294)	(2,984)
Transfer from Asset Revaluation Reserve on Disposal of PP&E	1,323	3,521
Carrying Amount at 30 June	70,609	73,580

(b) Asset Revaluation Reserve

The revaluation surplus is used to record increments and decrements on the revaluation of non-current assets. This accords with the Authority's policy on the Revaluation of Property, Plant and Equipment as discussed in Note C4.

Asset Revaluation Reserve Movement	2018	2017
	\$'000	\$'000
Carrying Amount at 1 July	93,603	95,626
Net Increase/(Decrease) on Revaluation (Note C4(b))	9,364	1,498
Transfer to Accumulated Funds on Disposal of PP&E	(1,323)	(3,521)
Carrying Amount at 30 June	101,644	93,603
Dissection by Asset Class:		
Land and Buildings	101,644	93,603
Total Asset Revaluation Reserve at 30 June	101,644	93,603

TEACHER HOUSING AUTHORITY OF NSW

Section F: Financial Instruments and Other Notes

Notes to and Forming Part of the Financial Statements for the Year Ended 30 June 2018

F1. FINANCIAL INSTRUMENTS

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

Quantitative and qualitative disclosures together with the Authority's objectives, policies and processes for measuring and managing risk are included throughout the financial statements.

The Board has overall responsibility for the establishment and oversight of risk management and reviews and agrees policies for managing each of these risks. Risk management policies are established to identify and analyse the risks faced by the Authority, to set risk limits and controls and to monitor risks. Compliance with policies is reviewed by the Authority's management on a continuous basis.

(a) Financial Instrument Categories			2018	2017
			\$'000	\$'000
Financial Assets - Carrying Amounts				
<u>Class</u>	<u>Category</u>	<u>Notes</u>		
Cash and Cash Equivalents	N/A	C1	9,456	11,061
Receivables ⁽ⁱ⁾	Loans and Receivables	C2	487	499
Financial Liabilities - Carrying Amounts				
<u>Class</u>	<u>Category</u>	<u>Notes</u>		
Payables ⁽ⁱⁱ⁾	Financial Liabilities	D1	2,639	2,404

(i) Excludes statutory receivables and prepayments as they are not within the scope of AASB 7.

(ii) Excludes statutory payables and unearned revenue as they are not within scope of AASB 7.

(b) Credit Risk

Credit risk arises when there is the possibility of the Authority's debtors defaulting on their contractual obligations, resulting in a financial loss to the Authority. 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 Authority, including cash and receivables (Notes C1 and C2). No collateral is held by the Authority and the Authority has not granted any material financial guarantees, individually or in aggregate. Credit risk associated with the Authority's financial assets, other than receivables, is managed through the selection of counterparties and establishment of minimum credit rating standards.

(c) 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 Authority's exposures to market risk are primarily through interest rate risk on the Authority's Cash and Cash Equivalents (Note C1). The Authority has no exposure to foreign currency risk and does not enter into commodity contracts.

(d) Fair Value of Financial Instruments

The Authority's financial instruments are recognised at cost. The amortised cost of the Authority's financial instruments recognised in the Statement of Financial Position approximates the fair value, because of the short-term nature of the financial instruments. The Authority has not identified any financial instruments whose fair value differs materially from the carrying amount.

TEACHER HOUSING AUTHORITY OF NSW

Section F: Financial Instruments and Other Notes

Notes to and Forming Part of the Financial Statements for the Year Ended 30 June 2018

(e) Impairment of Financial Assets

All financial assets, except those measured at fair value through profit and loss, are subject to an annual review for impairment. An allowance for impairment is established when there is objective evidence that the Authority will not be able to collect all amounts due.

For financial assets carried at amortised cost, the amount of the allowance is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the effective interest rate. The amount of the impairment loss is recognised in the Net Result for the year.

Any reversals of impairment losses are reversed through the Net Result for the year, where there is objective evidence. Reversals of impairment losses of financial assets carried at amortised cost cannot result in a carrying amount that exceeds what the carrying amount would have been had there not been an impairment loss.

(f) 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 if the Authority transfers the financial asset:

- where substantially all the risks and rewards have been transferred; or
- where the Authority has not transferred substantially all the risks and rewards, if the Authority has not retained control.

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

A financial liability is derecognised when the obligation specified in the contract is discharged or cancelled or expires.

F2. COMMITMENTS FOR EXPENDITURE

The Authority is classified as a fully input-taxed entity. As such, the Authority is not eligible to claim input tax credits from the Australian Taxation Office for any Goods and Services Tax (GST) paid on taxable acquisitions. Any GST paid on such acquisitions is accounted for as part of the cost of that acquisition and expensed or capitalised accordingly. Where applicable, the following commitments for expenditure on goods or services include the GST payable.

(a) Capital Expenditure Commitments	2018	2017
	\$'000	\$'000
Capital expenditure contracted at balance date but not provided for:		
Payable within one year	2,669	1,030
Payable later than one year but not later than five years	-	-
Total Capital Expenditure Commitments (Incl GST)	2,669	1,030
(b) Other Operating Commitments - Property Maintenance & School Residence Refurbishment	2018	2017
	\$'000	\$'000
Operating expenditure contracted at balance date but not provided for:		
Property Maintenance Commitments	82	277
Total Property Maintenance Commitments	82	277

Expenditure commitments for property maintenance and school residence refurbishments arise from contracts entered into for the provision of contingent maintenance and programmed maintenance for dwellings included within the Authority's annual Property Refurbishment Program.

TEACHER HOUSING AUTHORITY OF NSW

Section F: Financial Instruments and Other Notes

Notes to and Forming Part of the Financial Statements for the Year Ended 30 June 2018

F3. CONTINGENT ASSETS AND CONTINGENT LIABILITIES

The Authority is not aware of any contingent assets or liabilities as at 30 June 2018 (Nil as at 30 June 2017).

F4. RELATED PARTY DISCLOSURES

(a) Key Management Personnel Compensation

During the year, the Authority did not pay any compensation directly to its key management personnel (Nil in 2016-17).

In 2017-18, the Authority incurred \$0.2 million in respect of the Key Management Personnel services that were provided by Property NSW (In 2016-17, \$0.1 million by the Department of Finance, Services and Innovation and \$0.3 million by Property NSW).

(i) Remuneration of Authority Members

Section 7(1)(c) of the *Teacher Housing Authority Act, 1975* provides for the appointment of a member to manage the Authority's activities. This member is appointed under the *Government Sector Employment Act 2013* and remuneration is in accordance with determinations of the Industrial Authority. No remuneration is paid to members of the Authority.

(b) Transactions and Outstanding Balances with Other Related Parties

During 2017-18, the Authority has not entered into other transactions with Key Management Personnel, their close family members and controlled or jointly controlled entities thereof (Nil in 2016-17).

(c) Transactions and Outstanding Balances with Other Government Entities

During 2017-18, the Authority entered into transactions with other entities that are controlled/jointly controlled/significantly influenced by the NSW Government. These transactions are collectively, but not individually, a significant portion of the Authority's property rental income, fees for services rendered and grant and contribution revenue.

F5. AFTER REPORTING DATE EVENTS

The Authority has not identified any events or transactions that are material to require adjustments or disclosures in the financial report.

End of Audited Financial Statements