

FAIRER LABOUR HIRE.
IT'S HOW WE WORK.

ANNUAL REPORT 2019–20



LABOUR
HIRE
AUTHORITY





Acknowledgement of Traditional Owners

The Victorian Government acknowledges Aboriginal Traditional Owners of Country throughout Victoria and pays respect to their cultures and Elders past, present, and emerging.

Publication and copyright

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November 2020

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RESPONSIBLE BODY DECLARATION

In accordance with the *Financial Management Act 1994* (Vic) (FMA), I am pleased to present the Labour Hire Authority's Annual Report for the period ended 30 June 2020.

A handwritten signature in black ink, appearing to read 'Steve Dargavel', with a stylized, cursive script.

Steve Dargavel

Labour Hire Licensing Commissioner
November 2020

SECTION 1

ABOUT THE LABOUR HIRE AUTHORITY

The Labour Hire Authority (the Authority) is an independent statutory body created by the *Labour Hire Licensing Act 2018* (the Act). The Victorian Government established the Authority in response to the *Victorian Inquiry into the Labour Hire Industry and Insecure Work*. This Inquiry uncovered widespread abuse and exploitation of labour hire workers across Victoria.

Mr Tim Pallas MP, Minister for Industrial Relations, is the Minister responsible for the Authority for the period 1 July 2019 to 30 June 2020.

Our vision, purpose and mission define the scope of our activities. These are described in the Act and supporting regulations. The Authority operates within and enforces compliance with this legislation.

The Labour Hire Licensing Commissioner, Steve Dargavel, is a statutory appointee responsible for administering the Act. The Commissioner provides executive direction and leadership to the Authority. He is assisted by staff who undertake licensing, education, compliance, and enforcement activities as set out in the Act.



OUR VALUES



We are responsive

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



We act with integrity

We have unbiased and honest interactions and use our powers responsibly.



We are impartial

We are fair and consistent in our application of the law, and consider all relevant facts and fair criteria on merit and without bias.



We are accountable

We fulfil our objectives in a clear, transparent and responsible way.



We are respectful

We respect our stakeholders, colleagues and ourselves.



We demonstrate leadership

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



We respect human rights

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

OUR VISION THAT ALL LABOUR HIRE WORKERS IN VICTORIA ARE PROTECTED FROM EXPLOITATION.

Our purpose

- To improve the transparency and integrity of the labour hire industry
- To protect workers from exploitation

Our core regulatory functions

Licensing

- Administer the labour hire licensing scheme
- Publish and maintain a register of licensed labour hire providers and applicants.
- Grant or refuse licence applications
- Vary, suspend, cancel existing licences

Educate and collaborate

- Engage with our stakeholders
- Promote compliance
- Share information with other government agencies and bodies
- Disseminate information about duties, rights and obligations

Monitor compliance

- Gather information
- Inspect documents and records
- Deliver notices to comply
- Impose licence conditions

Enforce compliance

- Initiate civil and criminal proceedings

THE JOURNEY TO THE LABOUR HIRE AUTHORITY

The Victorian Government established the labour hire licensing scheme (the scheme) in response to the findings of the independent Inquiry into the Labour Hire Industry and Insecure Work.

The Inquiry uncovered widespread abuse and exploitation of labour hire workers across Victoria. This mistreatment involved breaches of:

- minimum award rates and workplace law, including sham contracting and unlawful deductions from wages
- occupational health and safety law
- superannuation and tax law
- transport and accommodation laws and minimum standards.

Unscrupulous providers were also undercutting legitimate labour hire businesses by not meeting their legal obligations to workers and others.

Noncompliance in labour hire, across many industries and occupations, has been demonstrated in multiple inquiries at the state and national level.

The inquiry concluded that conventional regulatory intervention had been ineffective and recommended establishing a labour hire licensing scheme and a licensing authority to administer the scheme.

Licensing schemes are a common approach around the world to preventing the exploitation of labour hire workers. Schemes are operational in the United Kingdom, Canada and most of the European Union. In Australia, Victoria, Queensland and South Australia have led the way in establishing licensing schemes. The Australian Capital Territory has legislated a licensing scheme, and Western Australia and the Commonwealth have indicated they support regulating labour hire.

The Victorian scheme aims to improve the integrity and transparency of the labour hire industry and protect workers from exploitation. The key elements of the scheme are that labour hire providers must be licensed to operate in Victoria and host businesses must only engage licensed providers. Licensed providers must comply with their existing legal obligations to obtain and maintain a labour hire licence.

THE YEAR IN REVIEW

LABOUR HIRE LICENSING COMMISSIONER'S REPORT

I am pleased to present the Labour Hire Authority's first annual report.

The Authority has made significant progress towards achieving its mission and establishing its core regulatory functions in the short time since it was founded.

Introducing the Labour Hire Licensing Scheme

Our people have worked determinedly to build a modern, effective and efficient regulator to make labour hire fairer. This work has involved:

- recruiting and developing talented staff across the Authority's business units
- establishing core functions of licensing, compliance, monitoring and annual review including ICT solutions
- engaging with stakeholders
- creating and continuously improving the licensing process
- establishing core operations in Bendigo
- establishing effective collaboration with relevant agencies including appropriate intelligence sharing and analytics
- ensuring robust compliance with our obligations as a government body.

During the transition period, all labour hire providers were encouraged to submit a complete application through the Labour Hire Licensing Online (LHLO) portal. The Authority engaged extensively with labour hire providers, hosts, industry associations, unions, accounting and other professional associations, supply chains, workers and community organisations.

Regular and meaningful stakeholder communication is crucial to increasing awareness, reducing noncompliance and achieving our purpose.

The Authority delivered over 140 information forums and stakeholder engagement events across metropolitan Melbourne and regional Victoria, assisted thousands of providers with their applications and ran two advertising campaigns across print, radio, social and digital media to raise awareness of the scheme. The Authority also wrote directly to all providers known to government.

Authority staff have also collaborated with Victorian, interstate and Commonwealth agencies to monitor, identify and deal with noncompliance. Intelligence sharing with other agencies and regulators helps us to effectively achieve our purpose.

Our purpose

The Authority's purpose is to improve the transparency and integrity of the labour hire industry and protect labour hire workers from exploitation by providers and hosts.

We have placed strategic priority on being an effective and efficient regulator.

Improving transparency and preventing exploitation in labour hire

The Authority carefully assesses each application against the tests prescribed by the Act and the Regulations. We publish prescribed information about the applicants, licensed providers, and providers that have been suspended or cancelled.

We received more than triple the number of applications originally projected before the scheme's implementation. In response, we deployed more resources to assessing licence applications.

The vast majority of labour hire licence applications were either incomplete or contained significant basic errors. For example, many providers did not know which award applied to the workers they were supplying.

In response, we worked with applicants to improve their understanding of basic workplace obligations. Understandably, this work took significant time and slowed the finalisation of licence assessments.

We focused on carefully assessing applications and working with providers to resolve compliance concerns. Our aim was to create greater confidence around compliance performance, rather than focus exclusively on application throughput. Similarly, our investigation and prosecution activities target providers engaged in exploitation rather than administrative error.

The Authority made a prosecution policy decision to not take enforcement action where a complete application was submitted to the Authority before midnight 30 June 2020, and there is no evidence of noncompliance. This was initially because, on the conclusion of the transition period, the Authority was aware that there were existing providers who fully intended to comply with the Labour Hire Licensing Act 2018 (Vic) and wished to obtain a licence but were not able to apply by the end of the transition period. The Authority then extended this approach in response to the coronavirus (COVID-19) pandemic, to support providers, hosts and workers during this extraordinary situation, while continuing to ensure a fair working environment for labour hire across Victoria.

This approach meant that labour hire providers could continue to operate while their application was being assessed – provided they are otherwise compliant with workplace laws. If they were noncompliant with workplace laws, they may face substantial penalties for providing labour hire services without a licence. This is consistent with the guiding principles set out in the Authority's Compliance and Enforcement Policy and the key objective of protecting workers from exploitation, while operating as a fair and proportionate regulator.

Intelligence received by the Labour Hire Authority from the labour hire industry, and multiple Victorian, Commonwealth and interstate agencies, indicates very serious and complex compliance issues in the industry. The Authority took a keen interest in providers whose business model appeared to be built on systematic noncompliance and thoroughly examined those providers thought to be associated with organised crime.

Some applicants, who were the subject of significant intelligence and from whom we requested further information, withdrew their applications and appear to have withdrawn

from the industry. Hundreds of providers withdrew or discontinued their applications prior to the pandemic. However, not all businesses who withdrew their applications did so as a result of our investigations, so no inference should be drawn about any individual withdrawal.

As a new regulator, our priority has been to move the behaviour of providers from general noncompliance to compliance. While many providers have improved compliance, we are also conducting enquiries, often in collaboration with other Victorian and Commonwealth agencies into:

- payment below award wages and sham contracting
- serious breaches of occupational health and safety laws and not providing workers' compensation
- money laundering
- human trafficking
- illegal phoenix activity
- sexual harassment and assault
- unlawful wage deductions for tools, personal protective equipment, transport and accommodation
- breaches of tax law
- noncompliant accommodation and transport.

Responding to the Coronavirus (COVID-19) pandemic

This has been a difficult year for all Victorians. I appreciate the specific and significant challenges facing the labour hire industry during the global coronavirus (COVID-19) pandemic. Providers have had to deal with identifying and controlling the risks of coronavirus (COVID-19) to protect their businesses, workers, and customers. While providers in some industries are experiencing an increased demand for labour hire workers and an increased supply of workers seeking work, other providers have seen business opportunities decline.

The Authority continued to function effectively during the pandemic. We have continued to assess labour hire licence applications and undertake compliance monitoring, enforcement and education activities with labour hire providers, hosts and workers. I am proud of how our people responded with great flexibility and resilience in this challenging time.

To help support providers, the Authority adopted appropriate and proportionate flexibility on a case by case basis around the timing of their annual licence fee payment. The vast majority

of providers paid the annual fee without seeking flexibility. While neither the Act nor the Regulations allow the Authority to adjust the fees, the Victorian Government froze all fees that were due to be increased in July at existing levels.

The Authority supported providers and workers by advising government departments and agencies as they designed support packages and industry-specific guidance. We also supported industry participants by communicating information and guidance to the relevant people responsible for the day-to-day operations of all labour hire providers. This work is important because labour hire workers can be more vulnerable to exposure due to the mobile and casualised nature of work. Labour hire workers often work across multiple sites, and in certain sectors live and travel together. They may also be less familiar with local workplace risks, hazards, policies and procedures.

Without the scheme and the Labour Hire Authority's established communication channels, agencies and departments would not have been able to target specific health guidance to labour hire industry participants.

Sustainability and independence

Critical to our success to prevent exploitation and create equality among providers is being able to maintain a financially sustainable and independent statutory authority. The Authority developed appropriate financial controls and procedures and remains financially sustainable.

Our team

Our agency has evolved from a project team, employed and supported by the Department of Economic Development, Jobs, Transport and Resources, and then the Department of Premier and Cabinet, into an independent regulator. While change and growth have come with challenges, particularly during the coronavirus (COVID-19) pandemic, we recognise our people are our greatest asset and key to achieving our aims.

We seek to continuously improve how we invest in our staff to achieve our vision, purpose and values, and ensure we have the right people in the right place at the right time. In 2019-20, we supported our people and leadership team through training and development programs tailored to the Authority's needs.



Thank you

I thank my colleagues here at the Authority for their hard work throughout this year. Our results would not have been possible without their dedication and resilience.

On behalf of the Authority, I also thank stakeholders, including labour hire providers, hosts and workers, industry and employer associations, trade unions and our partner regulators in Victoria and other jurisdictions, Industrial Relations Victoria within the Department of Premier and Cabinet, and the Minister for Industrial Relations.

I wish to particularly thank ethical labour hire providers who seek a fairer, more transparent industry with greater integrity, and vulnerable workers who have had the courage to share their experiences and information.

Together, we have worked to make labour hire fairer and made great progress on this journey. I look forward to continue working with stakeholders to build on this success.

A handwritten signature in black ink, appearing to read 'Steve Dargavel'.

Steve Dargavel
Labour Hire Licensing
Commissioner

PERFORMANCE REPORTING – NON-FINANCIAL

The Authority has 2 output-associated measures outlined in the Victorian Budget 2019–20 under the Industrial Relations output. The Authority contributes to this output by delivering on its performance measures.

PERFORMANCE MEASURE	UNIT OF MEASURE	2019–20		VARIATION
		ACTUAL	TARGET	
Education and compliance inspections of providers under the labour hire licensing scheme	Number	1,050	800	250

Greater than anticipated activities resulted from increased awareness of the scheme due to advertising campaigns and increased stakeholder engagement.

Greater understanding of the regulated cohort resulted in more targeted education and compliance activities. Additionally, more participants in the scheme has resulted in more education/ compliance visits conducted.

Labour hire licence applications finalised	Number	3,271	1,300	1,971
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The number of applications received far exceeded original modelling. The Authority has received over 3 times the number estimated from the initial modelling.

The Authority adjusted its business operations to account for the increase and finalised 3,271 applications.

Administration of the scheme



17,449 phone calls
to our general enquiries line



3,271 licences
granted



4,163 emails
to the general enquiries email



1,871 formal requests
sent to providers
for further information



1,050 education and compliance inspections
of providers under the labour hire licensing scheme



18 objections received
against applications for a labour hire licence that met the definition of an objection lodged in line with section 32 of the *Labour Hire Licensing Act 2018*.

Information forums and stakeholder engagement sessions

During the transition period the Authority spoke with thousands of providers and hosts across Victoria through over 140 forums and stakeholder engagement sessions. The sessions were delivered in 20 locations across Victoria and multiple locations across metropolitan Melbourne.

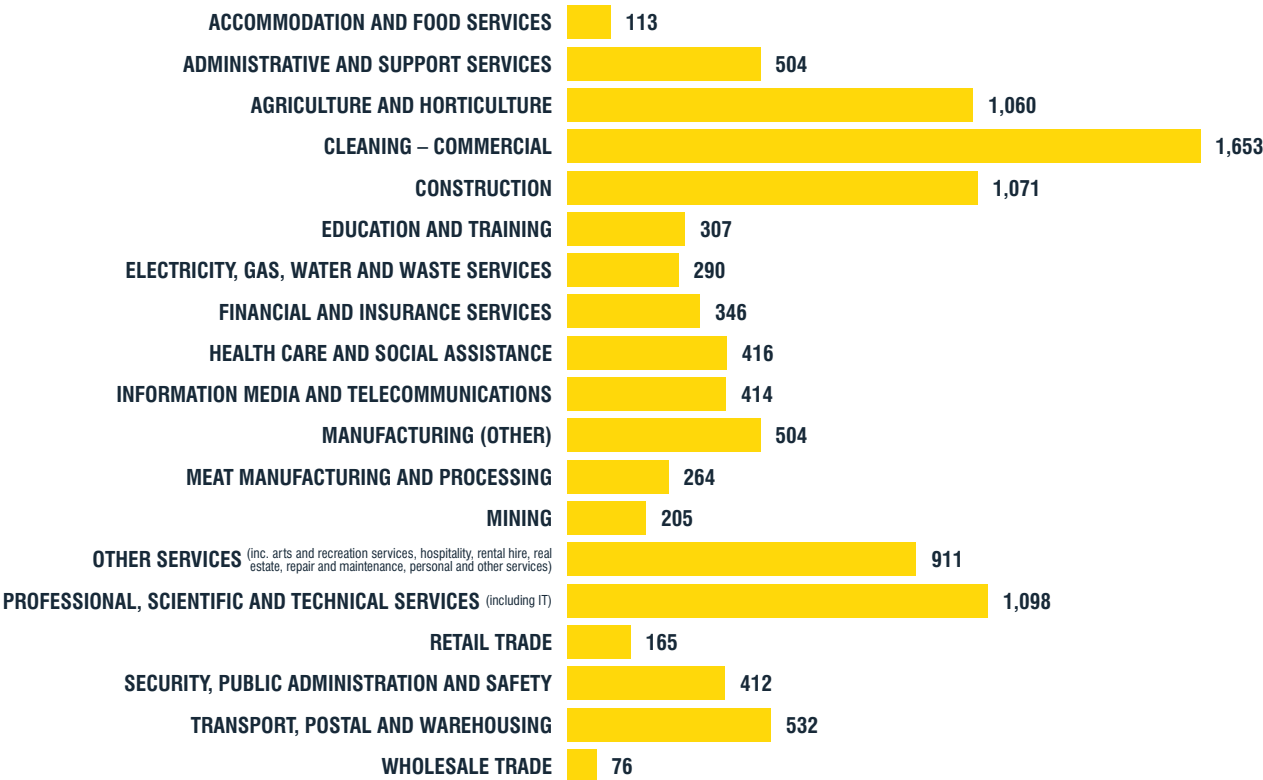
These sessions informed labour hire providers, hosts, workers, industry associations, employer associations, unions, and business advisers such as accountants and lawyers, about the labour hire licensing scheme. At public information sessions, members of the public met the Labour Hire Licensing Commissioner, and our Compliance, Communications and Licensing Officers.



LABOUR HIRE INDUSTRY SNAPSHOT

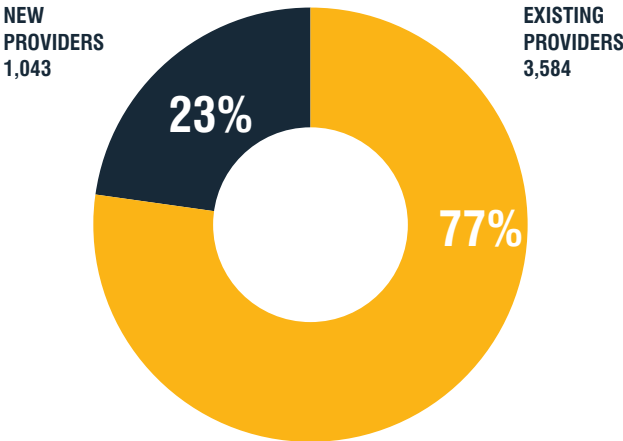
This snapshot of the Victorian labour hire industry presents information lodged by providers at the time they applied for a labour hire licence.

LABOUR HIRE PROVIDERS BY INDUSTRY

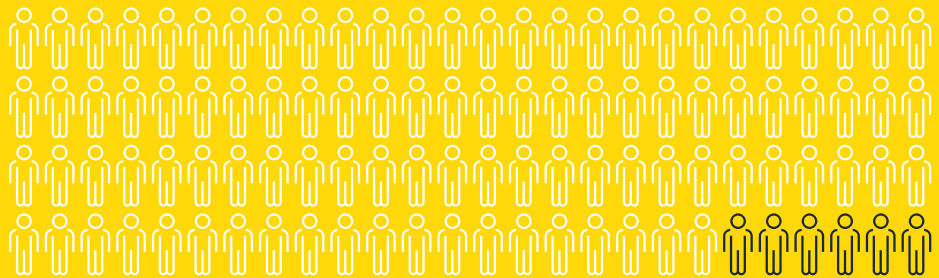


Note: At application, providers were asked to list the top industries they provide workers to and declare whether they provided workers to the prescribed industries of horticulture, meat manufacturing and processing, poultry processing and cleaning in a commercial premises.

LICENCE APPLICATIONS: PROPORTION OF NEW AND EXISTING LABOUR HIRE PROVIDERS



SIZE OF THE LABOUR HIRE WORKFORCE

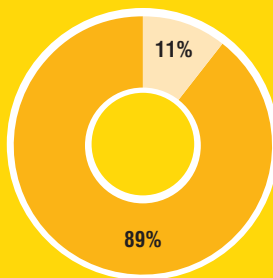


**WORKERS SUPPLIED BY EXISTING LABOUR
HIRE PROVIDERS: 563,000**

**WORKERS SUPPLIED BY
NEW PROVIDERS: 36,000**

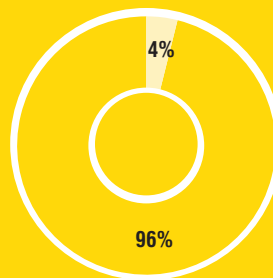
Note: Labour hire workers may work for multiple labour hire providers. Therefore, the total number of workers supplied by labour hire providers may count some labour hire workers more than once.

PROVIDERS SUPPLYING TRANSPORTATION TO LABOUR HIRE WORKERS



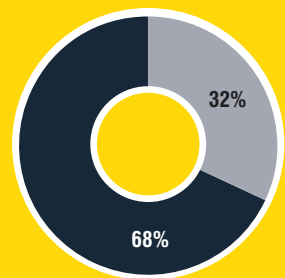
Supply transportation	490
Do not supply transportation	4,137

PROVIDERS SUPPLYING ACCOMMODATION TO LABOUR HIRE WORKERS

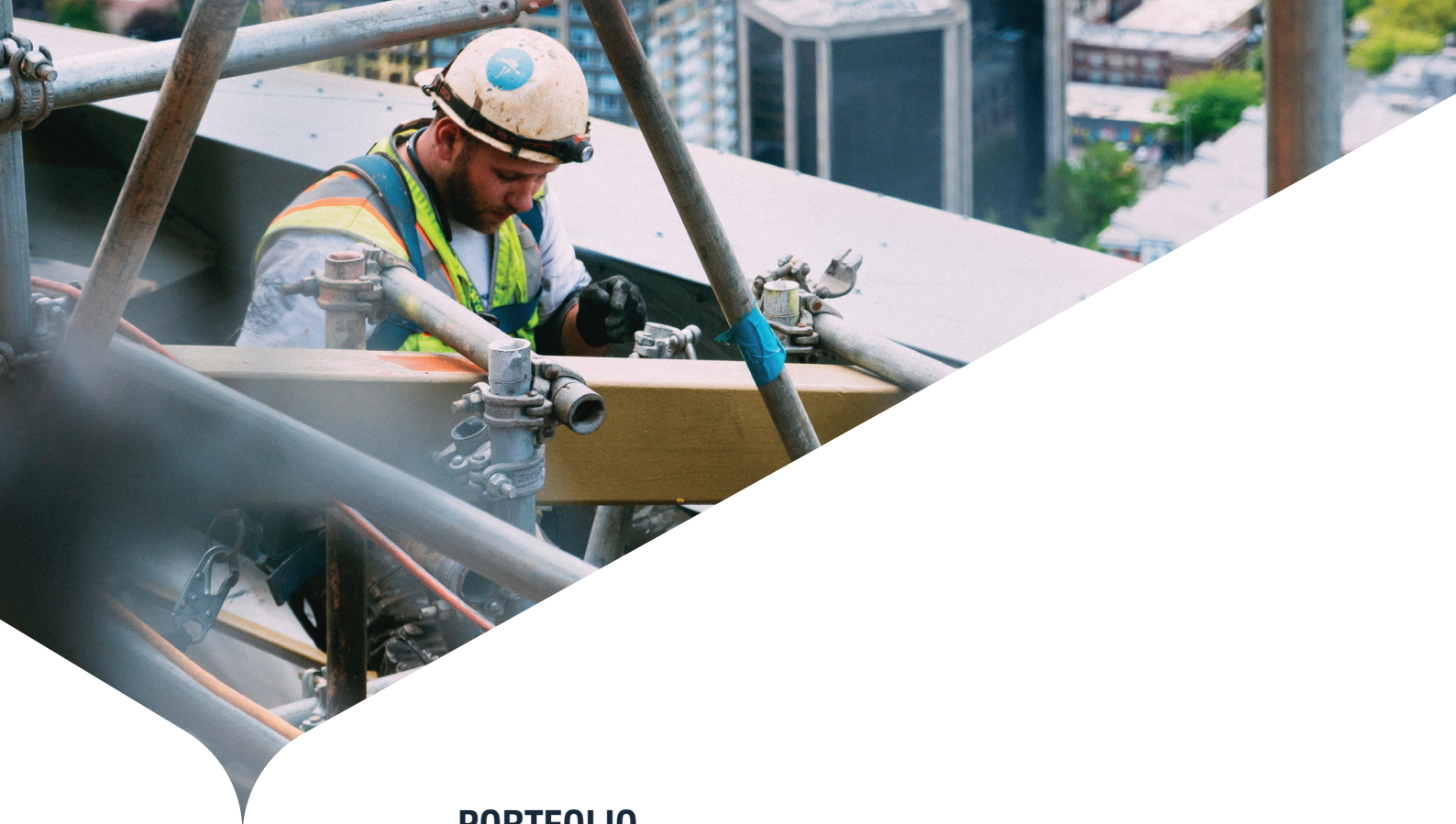


Supply accommodation	153
Do not supply accommodation	4,474

PROVIDERS SUPPLYING WORKERS WITH VISAS TO HOSTS



Supply workers with visas	1,480
Do not supply workers with visas	3,147



PORTFOLIO PERFORMANCE – FINANCIAL

5-year financial summary

In the 2018-19 financial year, the Authority was granted a section 53 Financial Management Act 1994 (FMA) exemption for financial reporting for the Labour Hire Authority. The Authority's financial transactions were reported in the Department of Premier and Cabinet financial results in 2018-19.

SUMMARY	2019–20 (\$'000)	2018–19 (\$'000)
Total income from transactions	10,086	3,030
Total expenses from transactions	7,720	2,082
Net results from transactions	2,366	948
Net cash flow from operations	15,734	1,065
Total assets	18,788	1,678
Total liabilities	16,498	730
Net assets	2,290	948

Current year financial performance

Financial performance review

The Authority's net result from transactions for the financial year was a \$2.290 million surplus. Total income and expenditure increased during the year as this was the first full year of the Authority's operation. The majority of our revenue was received towards the end of the transition period. Almost 80% of providers that applied during the transition period applied in the last month of transition. 37% percent of transition period applicants applied in the last 48 hours.

Note: Application fee income is recognised by the Authority over the life of the application cycle, which is usually three years. Application fee income is recognised from point of licence granting and consumed equally over the licence term. Licence fee revenue is recognised when the licence fee is due and payable. The comparative data for the 2018/19 financial year represents only 8 months of start-up operations for the Authority, with revenue and expenditure in the 2018/19 financial year substantially below the 2019-20 figures.

Total revenue from application fees was \$0.905 million and licence fees was \$6.965 million. Funding was provided by the Victorian Government of \$2.193 million for the establishment of the infrastructure and service delivery operations of the Authority. Total operating expenditure was \$7.720 million which resulted with a net operating surplus of \$2.343 million.

Financial position – balance sheet

Cash receipts increased with 5,028 licence applications to 30 June and a corresponding deferred income of \$14.8 million for future obligation of the Authority to licence holders. Total assets also increased by \$0.775 million with the establishment of the head office of the Authority and right of use assets being bought to account on the balance sheet for the first time.



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SECTION 2

GOVERNANCE AND ORGANISATIONAL STRUCTURE

Our objectives are achieved through the commitment and collaborative efforts of our people.

The Authority's executive

Steve Dargavel

Labour Hire Licensing Commissioner

The Labour Hire Authority is led by inaugural Labour Hire Licensing Commissioner, Steve Dargavel. Steve was appointed Commissioner under the *Labour Hire Licensing Act 2018* in October 2018.

As Labour Hire Licensing Commissioner, Steve leads the Authority by providing executive direction and leadership, and exercising powers under the Act.

Steve provides oversight of the Authority's regulatory systems and decision-making process in relation to licensing, compliance and enforcement functions. He also provides oversight of strategic partnership with stakeholders and ensures that the Authority is financially sustainable and effective.

Hanh Chau

Chief Operating Officer and Chief Finance Officer

Hanh Chau began in the role of Chief Operating Officer in January 2019. As Chief Operating Officer, Hanh provides executive direction and leadership in partnership with the Commissioner and General Counsel to deliver on the Authority's objectives.

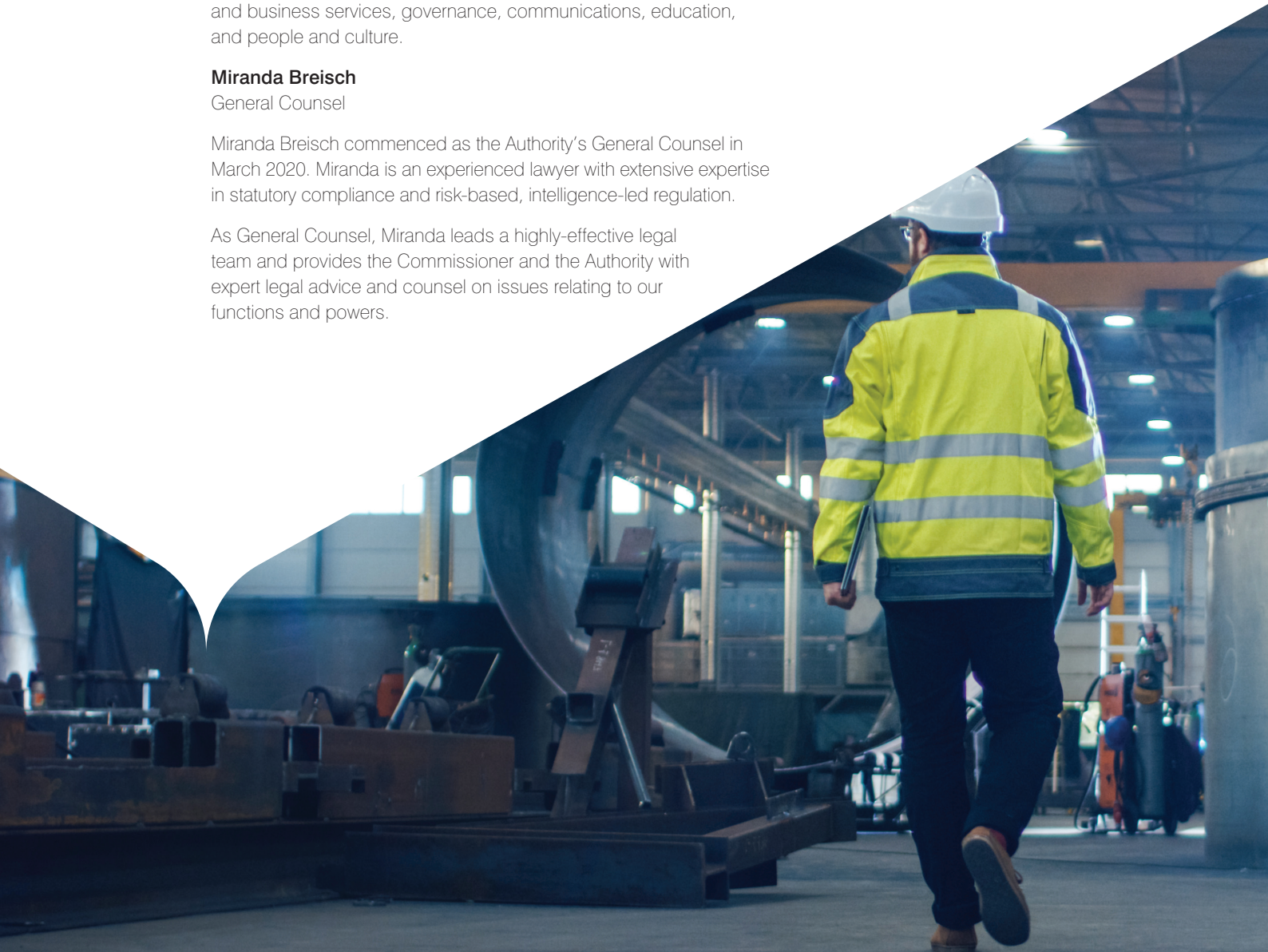
Hanh also serves as the Chief Finance Officer. She leads a high-performing team of professionals in licensing operations, compliance and enforcement, information technology, finance and business services, governance, communications, education, and people and culture.

Miranda Breisch

General Counsel

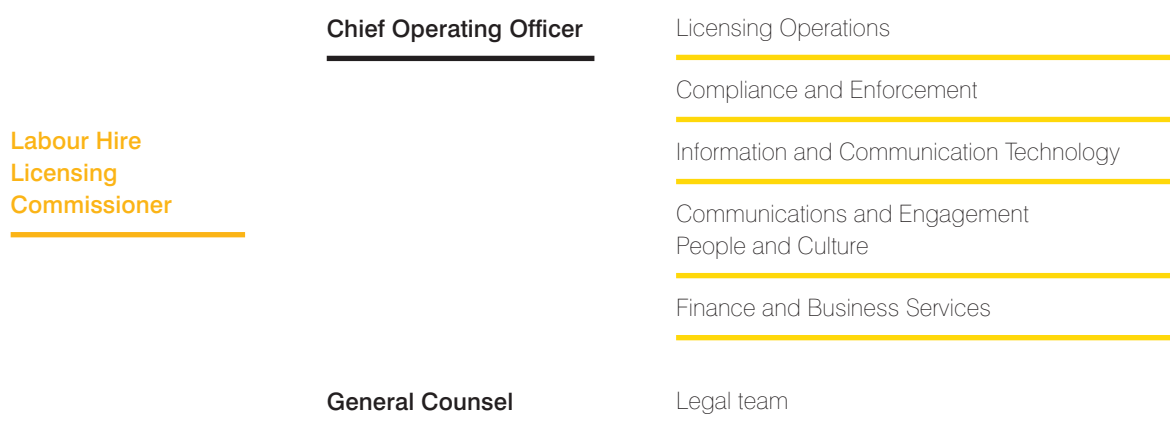
Miranda Breisch commenced as the Authority's General Counsel in March 2020. Miranda is an experienced lawyer with extensive expertise in statutory compliance and risk-based, intelligence-led regulation.

As General Counsel, Miranda leads a highly-effective legal team and provides the Commissioner and the Authority with expert legal advice and counsel on issues relating to our functions and powers.



Organisational structure and functions

A small team of dedicated and high-performing professionals support the Executive to deliver on the Authority's mission and purpose.



The **Licensing Operations team** is the largest business unit within the Authority. It delivers our core business of assessing labour hire licence applications, suspensions, cancellations, renewals and variations, and compliance monitoring. The Licensing Operations team also supports responses to enquiries to the Authority.



The **Compliance and Enforcement team** undertakes education, compliance, monitoring, investigation and enforcement activities to promote compliance with the *Labour Hire Licensing Act 2018* and regulations. Our inspectors have a range of powers to allow monitoring and enforcement of compliance with the scheme.



The **Information and Communication Technology (ICT) team** supports the functions of the Authority by developing and maintaining the information technology systems required to ensure delivery of the essential functions of the labour hire licensing scheme and the business functions for day-to-day operations.



Communications and Engagement is responsible for our communications, marketing, media and engagement activities. The unit is focused on helping labour hire providers, hosts, workers and other stakeholders understand the labour hire licensing scheme.



People and Culture supports the growth and development of our people and culture. Our focus continues to be to make sure we have the right people, in the right place at the right time. By doing this we can make sure we have the capacity to effectively fulfil our obligations under the *Labour Hire Licensing Act 2018*.



The **Finance and Business Services team** is responsible for internal controls, financial management and reporting, budgeting and the delivery of our specific obligations under the *Financial Management Act 1994* (Vic) and is key to achieving our objective to be an efficient and effective regulator.



The **Legal team** is responsible for delivering sound legal advice to the Authority to achieve its mission in line with legal requirements and regulation best practice.



Audit and Risk Committee

Victorian public sector agencies are required to appoint an Audit Committee under the standing directions of the Minister for Finance and in line with the *Financial Management Act 1994* (Vic).

The Authority established an Audit and Risk Committee (Committee). The Committee is responsible directly to the Commissioner. It oversees and provides advice on governance, risk management, audit and control assurance activities. It also monitors financial reporting and performance and statutory compliance obligations.

The Committee has 3 independent members. It is governed by a charter detailing its role and responsibilities consistent with the standing directions and best practice corporate governance principles.

The 3 independent members were confirmed to the Audit and Risk Committee in July 2020. They are:

- Peter Lewinsky, Independent Member, Chair
- Steve Schinck, Independent Member,
- Lisa Tripodi, Independent Member.

Occupational health and safety

Occupational health and safety (OHS) is crucial for the Authority to fulfill its mission. The aim of the Authority's approach to OHS is that staff remain safe and healthy at work. As a portfolio agency of the Department of Premier and Cabinet (DPC), the Authority followed DPC's OHS policies.

The Authority is developing its own policies and during the 2019–20 financial year, it established an OHS Committee made up of health and safety representatives from the two designated work groups in Bendigo and Melbourne.

The functions of the OHS

Committee include:

- OHS training and education of employees, committee members and Health and Safety Representatives (HSR)
- Monitoring and review of workplace inspections, workplace hazards, incidents, injuries and investigations
- Reviewing of risk assessments and risk controls
- Reviewing of safe work procedures (SWP)
- Reviewing of any purchasing checklists and guidance for items with OHS implications
- Reviewing safety rules and information
- Reviewing emergency procedures and drills.
- ergonomic assessments
- promoting access to the Employee Assistance Program and Managers Assist
- providing access to a digital gym.

There was 1 OHS incident reported in 2019–20.

During 2020-21, the Authority will identify and report on suitable OHS performance indicators.

The Authority also implemented several initiatives to improve the health and safety of staff. These included:



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SECTION 3

WORKFORCE DATA



Public sector values and employment principles

The Public Administration Act 2004 established the Victorian Public Sector Commission (VPSC). The VPSC's role is to strengthen public sector efficiency, effectiveness and capability, and advocate for public sector professionalism and integrity.

The Authority has introduced policies and practices consistent with VPSC employment standards. It provides for fair treatment, career opportunities and the early resolution of workplace issues. The Authority has advised its employees on:

- how to avoid conflicts of interest
- how to respond to offers of gifts
- how it deals with misconduct.

Employment and conduct principles

The Authority applies merit and equity principles when appointing staff. The selection process ensures applicants are assessed and evaluated fairly and equitably on the key selection criteria and other accountabilities without discrimination. Employees have been correctly classified in workforce data collections.

Workforce inclusion policy

The Authority is committed to inclusion, diversity and equity. We recognise the benefits of harnessing the ideas and opinions of diverse communities that have experienced unique and varied challenges. We are committed to ensuring that all people:

- are treated with dignity and respect
- have equitable access to employment opportunities and outcomes
- can participate in all aspects of work-life.

Our people

The Authority continues to review its resourcing and processes to ensure it is well placed to meet its objectives.

In 2019–20, it has increased its staffing profile from 23.4 full-time equivalent (FTE) in 2018–19, to 37.4 FTE in 2019–20. This was in response to the greater than anticipated number of applications we received and are currently assessing.

The Authority will continue to monitor its workforce profile and streamline its processes to efficiently carry out its legislative mandate.

Comparative workforce data

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

		JUNE 2020						JUNE 2019							
		ALL EMPLOYEES		ONGOING			FIXED TERM AND CASUAL		ALL EMPLOYEES		ONGOING			FIXED TERM AND CASUAL	
		Number (headcount)	FTE	Full-time (headcount)	Part-time (headcount)	FTE	Number (headcount)	FTE	Number (headcount)	FTE	Full-time (headcount)	Part-time (headcount)	FTE	Number (headcount)	FTE
Demographic data	Gender														
	Women	25.0	24.4	20.0	2.0	21.4	3.0	3.0	21.0	20.4	17.0	1.0	17.8	3.0	2.6
	Men	13.0	13.0	11.0	–	11.0	2.0	2.0	3.0	3.0	2.0	–	2.0	1.0	1.0
	Self-described	n	n	n	n	n	n	n	n	n	n	n	n	n	n
	Age								–	–					
	15–24	1.0	1.0	–	–	–	1.0	1.0	–	–	–	–	–	–	–
	25–34	7.0	7.0	6.0	–	6.0	1.0	1.0	5.0	5.0	4.0	1.0	5.0	–	–
	35–44	14.0	13.8	12.0	1.0	12.8	1.0	1.0	9.0	8.8	7.0	1.0	7.8	1.0	1.0
	45–54	12.0	12.0	10.0	–	10.0	2.0	2.0	6.0	6.0	5.0	–	5.0	1.0	1.0
	55–64	3.0	2.6	2.0	1.0	2.6	–	–	3.0	3.0	3.0	–	3.0	–	–
65+	1.0	1.0	1.0	–	1.0	–	–	1.0	0.6	–	–	–	1.0	0.6	
Classification data	VPS 1-6 grades														
	VPS 1	–	–	–	–	–	–	–	–	–	–	–	–	–	–
	VPS 2	–	–	–	–	–	–	–	–	–	–	–	–	–	–
	VPS 3	5.0	5.0	2.0	–	2.0	3.0	3.0	2.0	2.0	2.0	–	2.0	–	–
	VPS 4	12.0	12.0	12.0	–	12.0	–	–	7.0	7.0	6.0	–	6.0	1.0	1.0
	VPS 5	12.0	11.6	11.0	1.0	11.6	–	–	8.0	8.0	7.0	–	7.0	1.0	1.0
	VPS 6	6.0	5.8	5.0	1.0	5.8	–	–	5.0	4.4	3.0	1.0	3.8	1.0	0.6
	Senior employees														
	STS	2.0	2.0	1.0	–	1.0	1.0	1.0	1.0	1.0	1.0	–	1.0	–	–
	Executives	1.0	1.0	–	–	–	1.0	1.0	1.0	1.0	–	–	–	1.0	1.0
Total employees		38.0	37.4	31.0	2.0	32.4	5.0	5.0	24.0	23.4	19.0	1.0	19.8	4.0	3.6



Executive officer data

The following table discloses the annualised total salary, by \$20,000 bands, for executives and other senior non-executive staff. The salaries reported are for the full financial year, at a 1.0 FTE rate and exclude superannuation.

INCOME BAND (SALARY)	EXECUTIVES	STS
< \$160,000	–	–
\$160,000 – \$179,999	–	–
\$180,000 – \$199,999	–	–
\$200,000 – \$219,999	–	1
\$220,000 – \$239,999	1	1
\$240,000 – \$259,999	–	–
\$260,000 – \$279,999	–	–
Total	1	2

The following table discloses the number of Executive Officers for the Authority broken down by gender and Senior Executive Service (SES)/Executive Officer (EO) classification levels.

CLASSIFICATION	FEMALE		MALE		SELF-DESCRIBED	
	NUMBER	VARIATION	NUMBER	VARIATION	NUMBER	VARIATION
SES-3/EO-1	–	–	–	–	–	–
SES-2/EO2-2	–	–	–	–	–	–
SES-1/EO-3	1	–	–	–	–	–
Total	1	–	–	–	–	–

The number of executives in the report of operations is based on the number of executive positions that are occupied at the end of the financial year. Note 8.2 in the financial statements lists the actual number of EOs and the total remuneration paid to EOs over the course of the reporting period. The financial statements note does not include the Accountable Officer. It does not distinguish between executive levels or disclose separations. Separations are executives who left the Authority during the relevant reporting period. To help readers, these 2 disclosures are reconciled below.

The table below provides a reconciliation of executive numbers presented between the report of operations and Note 8.2 'Remuneration of executives' in the financial statements.

	2020	2019
Executives (financial statement note [8.2])	1	1
Separations	–	–
Total executive numbers at 30 June 2020	1	1



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SECTION 4

OTHER DISCLOSURES

Local Jobs First – Implementation of the Victorian Industry Participation Policy

The *Local Jobs First Act 2003*, introduced in August 2018, brings together the Victorian Industry Participation Policy (VIPP) and Major Project Skills Guarantee (MPSG) policy. These policies were previously administered separately.

In line with the *Victorian Industry Participation Policy Act 2003* (Vic), the Authority must apply the Local Jobs First – Victorian Industry Participation Policy (Local Jobs First – VIPP) in all procurement activities valued at \$1 million and above. This is because the Authority is located in regional Victoria.

The Authority undertook no projects subject to the *Local Jobs First Act 2003* during the 2019–20 reporting period.

Government advertising expenditure

In 2019–20, there was one government advertising campaign with total media spend of \$100,000 or greater (exclusive of GST). The campaign details are outlined below.

NAME OF CAMPAIGN	CAMPAIGN SUMMARY	START / END DATE	ADVERTISING (MEDIA) EXPENDITURE	CAMPAIGN CREATIVE AND DEVELOPMENT	RESEARCH & EVALUATION	PRINT & COLLATERAL	OTHER CAMPAIGN
End of transition period information awareness campaign	To ensure labour hire providers and hosts were aware of the end of the transition period, the Authority launched a 6-week campaign informing: <ul style="list-style-type: none">labour hire providers that time was running out to apply for a labour hire licence to continue operationhosts to only use licensed providers from 30 Oct 2019 or providers that applied before this date.	22 September to 29 October	\$304,668	\$19,490	–	–	–

Note: The campaign creative and campaign development expenditure includes the cost of translated creatives. The end of transition period information awareness campaign followed an earlier information and awareness campaign in May 2019 that promoted the beginning of the transition period. The Authority also undertook functional advertising in regional Victoria, below the disclosure threshold, that promoted the Authority's labour hire licensing scheme information sessions.

Consultancy expenditure

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

In 2019–20, the Authority did not engage or procure any consultancies above \$10,000.

Details of consultancies under \$10,000

In 2019–20, the Authority did not engage or procure any consultancies under \$10,000.

Information and communications technology (ICT) expenditure

For the 2019–20 reporting period, the Authority had a total ICT expenditure of \$759,000, with the details shown below.

ALL OPERATIONAL ICT EXPENDITURE		ICT EXPENDITURE RELATED TO PROJECTS TO CREATE OR ENHANCE ICT CAPABILITIES	
Business as Usual (BAU) ICT expenditure	Non-Business as Usual (non-BAU) ICT expenditure	Operational expenditure	Capital
\$623,267	\$135,733	\$135,733	\$0

Note: ICT expenditure refers to the Authority's costs in providing business enabling ICT services within the current reporting period. It comprises Business as Usual (BAU) ICT expenditure and Non-Business as Usual (Non-BAU) ICT expenditure. Non-BAU ICT expenditure relates to extending or enhancing the Authority's current ICT capabilities. BAU ICT expenditure is all remaining ICT expenditure that primarily relates to ongoing activities to operate and maintain the current ICT capability.

Disclosure of major contracts

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

Freedom of Information

The *Freedom of Information Act 1982* (Vic) allows the public a right of access to documents the Authority holds. The purpose of the Act is to extend as far as possible the right of the community to access information held by government departments, local councils, Ministers and other bodies subject to the Act.

An applicant has a right to apply for access to documents held by bodies subject to the Act. This comprises documents created by the Authority or supplied to the Authority by an external organisation or individual. It may also include maps, films, microfiche, photographs, computer printouts, computer discs, tape recordings and videotapes.

The Act allows bodies subject to the Act to refuse access, either fully or partially, to certain documents or information. Examples of documents that may not be accessed include:

- documents relating to investigations, reviews and audit
- law enforcement documents
- some internal working documents
- documents covered by legal professional privilege, such as legal advice
- personal information about other people
- information provided to the Authority in-confidence.

During the 2019–20 financial year, the Authority received 1 application by a Member of Parliament. The request was resolved with the Authority's assistance and withdrawn by the applicant.

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

When making an FOI request, applicants should ensure requests are in writing, and clearly identify what types of material or documents they are seeking. In summary, to make request, it should:

- be in writing
- identify as clearly as possible which document is requested
- go with the appropriate application fee.

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

Freedom of Information Officer

Labour Hire Authority
PO Box 393
Bendigo VIC 3552

E: foi@labourhireauthority.vic.gov.au

Further information regarding Freedom of Information can be found at www.foi.vic.gov.au.

Compliance with the *Building Act 1993*

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

Capital projects and asset investment

The Authority did not have any completed capital projects that met the disclosure threshold of \$10 million or greater in 2019–20.

Competitive Neutrality Policy

Competitive neutrality requires government businesses to ensure where services compete, or potentially compete with the private sector, any advantage arising solely from their government ownership be removed if it is not in the public interest.

Government businesses are required to cost and price these services as if they were privately owned.

Competitive neutrality policy supports fair competition between public and private businesses. It provides government businesses with a tool to enhance decisions on resource allocation.

The guiding principle of the Competitive Neutrality Policy is that legislation, including future legislative proposals, should not restrict competition unless it can be demonstrated that:

- the benefits of the restriction to the community as a whole outweigh the costs
- the objectives of the legislation can only be achieved by restricting competition.

The Authority continues to comply with the requirements of the Competitive Neutrality Policy.

Compliance with the *Public Interest Disclosures Act 2012*

The *Public Interest Disclosures Act 2012* encourages and helps people to make disclosures of improper conduct by public officers and public bodies. The Act protects people who make disclosures under the Act. It establishes a system for the disclosed matters to be investigated and rectifying action to be taken.

The Authority does not tolerate improper conduct by employees, nor the taking of reprisals against those who come forward to disclose such conduct. It is committed to ensuring transparency and accountability in its administrative and management practices. The Authority supports people to make disclosures that reveal:

- corrupt conduct
- conduct involving a substantial mismanagement of public resources
- conduct involving a substantial risk to public health and safety or the environment.

The Authority will take all reasonable steps to protect people who make such disclosures from any detrimental action in reprisal for making the disclosure. It will also afford natural justice to the person who is the subject of the disclosure to the extent it is legally possible.

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

Disclosures of improper conduct or detrimental action by the Authority or any of its employees may be made to any of the following Authority personnel:

- the Commissioner
- Public Interest Disclosure Coordinator
- manager or supervisor, if the discloser is a staff member of the Authority
- manager or supervisor of the person who is the subject of the disclosure
- a person acting in any of the above roles.

A person may make a protected disclosure to the Authority:

- in person
- by phone
- by leaving a voicemail message
- in writing by post, personal delivery or email
- by any other form of electronic communication
- anonymously.

Alternatively, people may make disclosures of improper conduct or detrimental action by the Authority or any of its employees or officers directly to:

**Independent Broad-based
Anti-corruption Commission**

Level 1, North Tower
459 Collins Street
Melbourne, VIC 3000

T: 1300 735 135

W: www.ibac.vic.gov.au

**Disclosures under the *Public
Interest Disclosures Act 2012***

In 2019–20, no individual made a disclosure to the Authority or notified the Independent Broad-based Anti-corruption Commission.

**Compliance with
*Carers Recognition Act 2012***

The Authority has taken all practical measures to comply with its obligations under the Act. In line with the *Carers Recognition Act 2012* (Vic), the Authority recognises and values the contribution carers make within the community by:

- considering the care relationships principles set out in the Act when setting policies
- using Victorian Public Service Enterprise Agreement common policy for personal and carer's leave
- promoting the availability of flexible work arrangements and leave provisions and providing resources to effectively support this
- providing support to all staff through the Employee Assistance Program.

**Compliance with
*Disability Act 2006***

The *Disability Act 2006* reaffirms and strengthens the rights of people with a disability and recognises that this requires support across the government sector and within the community.

The Authority understands its obligation under the *Disability Act 2006* (Vic) to prepare a disability action plan and report annually on its progress with regards to:

- reducing barriers to persons with a disability accessing goods, services and facilities
- reducing barriers to persons with a disability obtaining and maintaining employment
- promoting inclusion and participation in the community of persons with a disability.

The Department of Premier and Cabinet developed a comprehensive Disability Action Plan 2017–20 that informs the Authority's practices. It ensures, we remain responsive to the needs of people with a disability, whether employees, stakeholders or the broader public.

Office-based environmental impacts

The Authority did not have any available data on its performance against office-based environmental impacts in 2019–20. The Authority is committed to measuring its performance against targets for office based environmental impacts in 2020–21.

Additional Authority information available on request

In line with the requirements of the Standing Directions, the Authority has retained details of the items listed below. This information is available on request, subject to the provisions of the FOI Act. A person may request information on the following items:

- a) A statement that declarations of pecuniary interests have been completed by all relevant officers.
- b) Details of shares held by a senior officer as a nominee or held beneficially in a statutory authority or subsidiary.
- c) Details of publications produced by the Authority about the Authority, and how these can be obtained.
- d) Details of changes in prices, fees, charges, rates and levies the Authority charges.
- e) Details of any major external reviews carried out on the Authority.
- f) Details of major research and development activities undertaken by the Authority.
- g) Details of overseas visits undertaken, including a summary of the objectives and outcomes of each visit.
- h) Details of major promotional, public relations and marketing activities the Authority undertakes to develop community awareness of the organisation and our services.
- i) Details of assessments and measures undertaken to improve the occupational health and safety of staff.

- j) A general statement on industrial relations within the Authority, and details of time lost through industrial accidents and disputes.
- k) A list of major committees sponsored by the purposes of each committee, and the extent to which their purposes have been achieved.
- l) Details of all consultancies and contractors, including:
 - consultants and contractors engaged
 - services provided, and
 - expenditure committed to for each engagement.

The information is available on request from:

Chief Operating Officer

Labour Hire Authority
PO Box 393
Bendigo VIC 3552

T: 1300 545 200

E: enquiries@labourhireauthority.vic.gov.au

Compliance with DataVic Access Policy

Consistent with the DataVic Access Policy, the Authority has not made any data sets available on the DataVic website. Please note that not all government data is suitable for release. Access to data may need to be restricted for reasons of privacy, public safety, law enforcement and compliance with the law, including the *Labour Hire Licensing Act 2018*.

The Authority has published data on its website. It includes the details of licensed, refused, cancelled and suspended labour hire providers and applicants. This data includes their business address, ABN, ACN, and the industries they supply worker to. These lists are exportable in CSV format and available at no cost.

Financial Management Compliance Attestation Statement

I, Steve Dargavel, as the Responsible Body, certify that the Labour Hire Authority has no Material Compliance Deficiency with respect to the applicable Standing Directions under the *Financial Management Act 1994* and Instructions.



Steve Dargavel

Labour Hire Licensing Commissioner
30 October 2020







05

ANNUAL REPORT
2019–20

FINANCIAL STATEMENTS

ACCOUNTABLE OFFICER'S AND CHIEF FINANCE OFFICER'S DECLARATION

The attached financial statements for the Labour Hire Authority (the Authority) have been prepared in accordance with Direction 5.2 of the Standing Directions of the Assistant Treasurer under the *Financial Management Act 1994*, applicable Financial Reporting Directions, Australian Accounting Standards including interpretations, and other mandatory professional reporting requirements.

We further state that, in our opinion, the information set out in the comprehensive operating statement, balance sheet, statement of changes in equity, cash flow statement and accompanying notes, presents fairly the financial transactions during the year ended 30 June 2020 and financial position of the Authority at 30 June 2020.

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

We authorise the attached financial statements for issue on 30 October 2020



Steve Dargavel

Labour Hire Licensing Commissioner
Labour Hire Authority



Hanh Chau

Chief Finance Officer
Labour Hire Authority

COMPREHENSIVE OPERATING STATEMENT

FOR THE FINANCIAL YEAR ENDED 30 JUNE 2020

	NOTES	2020 (\$'000)	2019 (\$'000)
CONTINUING OPERATIONS			
Income from transactions			
Government grants	2.2.1	2,193	2,029
Regulatory fees	2.2.2	7,870	1,001
Total income from transactions	2.1	10,063	3,030
Expenses from transactions			
Employee benefits expense	3.3.1	5,027	1,571
Administration expense	3.2	2,369	490
Interest expense	6.2.2	20	2
Depreciation and amortisation	4.1.2	304	19
Total expenses from transactions	3.1	7,720	2,082
Net result from transactions (net operating balances)		2,343	948
NET RESULT		2,343	948
COMPREHENSIVE RESULT		2,343	948

The comprehensive operating statement should be read in conjunction with the notes to the financial statements.

BALANCE SHEET

AS AT 30 JUNE 2020

	NOTES	2020 (\$'000)	2019 (\$'000)
ASSETS			
Financial assets			
Cash and deposits	6.3	16,125	1,001
Receivables	5.1	1,657	453
Total financial assets		17,782	1,454
Non-financial assets			
Property, plant and equipment	4.1	981	206
Intangible Assets	4.2	11	–
Other non-financial assets		14	18
Total non-financial assets		1,006	224
TOTAL ASSETS		18,788	1,678
LIABILITIES			
Current liabilities			
Trade and other payables	5.2	185	291
Make good provisions		112	–
Contract liabilities	5.3	4,294	–
Employee benefits	3.3.2	485	163
Borrowings	6.1	276	49
Total current liabilities		5,352	503
Non-current liabilities			
Employee benefits	3.3.2	129	70
Contract liabilities	5.3	10,719	–
Borrowings	6.1	298	157
Total non-current liabilities		11,146	227
TOTAL LIABILITIES		16,498	730
NET ASSETS		2,290	948
EQUITY			
Accumulated funds		2,290	948
NET WORTH		2,290	948

The above balance sheet should be read in conjunction with the notes to the financial statements

CASH FLOW STATEMENT

FOR THE FINANCIAL YEAR ENDED 30 JUNE 2020

	NOTES	2020 (\$'000)	2019 (\$'000)
CASH FLOWS FROM OPERATING ACTIVITIES			
Receipts			
Receipts from Government		2,193	1,576
Receipts from regulatory fees		20,678	1,001
Total receipts		22,871	2,577
Payments			
Payments to suppliers and employees		(7,117)	(1,510)
Borrowing costs and finance charges		(20)	(2)
Total payments		(7,137)	(1,512)
Net cash flows from / (used in) operating activities	6.3.1	15,734	1,065
CASH FLOWS FROM INVESTING ACTIVITIES			
Payments for non-financial assets		(978)	(270)
Net cash flows from / (used in) investing activities		(978)	(270)
CASH FLOWS FROM FINANCING ACTIVITIES			
Repayment of finance lease liabilities		—	—
Net receipts / (payment) of funds leases / loan		368	206
Net cash flows from / (used in) financing activities		368	206
Net increase / (decrease) in cash and cash equivalents		15,124	1,001
Cash and cash equivalents at the beginning of the financial year		1,001	—
Cash and cash equivalents at end of financial year		16,125	1,001

The above cash flow statement should be read in conjunction with the notes to the financial statements.

STATEMENT OF CHANGES IN EQUITY

FOR THE FINANCIAL YEAR ENDED 30 JUNE 2020

	NOTES	ACCUMULATED SURPLUS (\$'000)	TOTAL (\$'000)
Balance at 1 July 2018		—	—
Net result for the year		948	948
Balance at 30 June 2019		948	948
Change in accounting policy – AASB 15 Revenue		(1,001)	(1,001)
Restated balance at 30 June 2019		(53)	(53)
Net result for the year		2,343	2,343
Balance at 30 June 2020		2,290	2,290

The above statement of changes in equity should be read in conjunction with the notes to the financial statements.

NOTES TO THE FINANCIAL STATEMENTS

Note 1. About this report

The Labour Hire Licensing Authority is a government statutory authority of the State of Victoria, established pursuant to an order by the Governor in Council under the Labour Hire Licensing Act 2018. It is a statutory authority acting on behalf of the Crown. Its principal address is:
PO Box 393, Bendigo VIC 3552.

The Labour Licensing Hire Authority is responsible for the labour hire licensing scheme in Victoria. Its objectives, functions and responsibilities are defined by legislation. The Labour Hire Authority is the business name of the Labour Hire Licensing Authority ABN 89 900 498 344.

1.1 Basis of preparation

GENERAL

This financial report of the Labour Hire Licensing Authority (the Authority) is a general-purpose financial report that consists of a Comprehensive Operating Statement, Balance Sheet, Statement of Changes in Equity, Cash Flow Statement and notes accompanying these statements.

The Authority is a not-for-profit entity for the purpose of preparing the financial statements. Where appropriate, those AAS paragraphs applicable to not-for-profit entities have been applied.

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

The Labour Hire Authority is responsible for implementing the *Labour Hire Licensing Act 2018*. The Act introduced a licensing scheme for providers of labour hire across all industry sectors.

The scheme was established in response to the Victorian Inquiry into the Labour Hire Industry and Insecure Work which uncovered widespread abuse and exploitation of labour hire workers across Victoria.

The key elements of the licensing scheme are as follows; Labour hire providers must be licensed to operate in Victoria, and those who use labour hire providers must only engage licensed providers. Labour hire providers must also report annually on their labour hire activities.

The Labour Hire Authority is responsible for licensing labour hire providers and undertaking education, enforcement and compliance activity. Workers will be protected against exploitation from unlicensed labour hire providers and host employers not engaging licensed providers.

In the 2018–19 financial year, the Authority obtained a section 53 (FMA) exemption. The Authority's financial transactions were reported in the Department of Premier and Cabinet financial reporting. The Authority's financial transactions were reported in the Department of Premier and Cabinet financial results as they are the Lead Agency and undertake financial transaction reporting on behalf of the Labour Hire Authority. This exemption was not sought in the 2019–20 financial year and as a result prior year comparative data has been removed from the financial reports of the Department of Premier and Cabinet and reported for the first time in the Labour Hire Authority accounts.

ACCOUNTING POLICIES

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

FUNCTIONAL AND PRESENTATION CURRENCY

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

CLASSIFICATION BETWEEN CURRENT AND NON-CURRENT

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

ROUNDING

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

NOTES TO THE FINANCIAL STATEMENTS CONT'D

ACCOUNTING ESTIMATES

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

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

- Deferred income (Note 5.3);
- Employee benefits expense (Note 3.3);
- Leases (Note 6.2)

TRUST FUND

The Authority's Trust Fund forms part of the State's Public Account as a separate and discrete component from the Consolidated Fund. Part 4 of the FMA (sections 19 to 23) covers the Trust Fund.

The Labour Hire *Licensing Act 2018* (the Act) empowers The Authority to receive regulatory fees from labour hire providers who operate in Victoria. These fees include application and licensing fees as outlined in the Act.

The Authority was established on the basis that it would be self-funding over the medium to long term. The timing of revenue from application and licence fees does not match the timing of expenditure and therefore, the Authority requires a trust fund to hold application and licence fee revenue and proceeds from investments until it is expended on operating costs.

On 22 July 2019, the Assistant Treasurer Robin Scott approved the establishment and operation of a trust account, pursuant to Section 19(1) of the FMA, for the purpose of the Authority collecting labour hire licence fee revenue and drawing on this to fund its expenditure. The operation of the Trust Account will be subject to the continued operation of the Authority.

NOTES TO THE FINANCIAL STATEMENTS CONT'D

Note 2. Funding delivery of our services

INTRODUCTION

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

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

STRUCTURE

2.1 Summary of income that funds the delivery of our services

2.2 Income from transactions

2.2.1 Government grants

2.2.2 Regulatory fee income

2.1 Summary of income that funds the delivery of our services	NOTES	2020 (\$'000)	2019 (\$'000)
State Government appropriation	2.2.1	2,193	2,029
Application fee income	2.2.2	905	1,001
Licence fee income	2.2.2	6,965	–
		10,063	3,030

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

2.2 Income from transactions

2.2.1 STATE GOVERNMENT APPROPRIATION

	2020 (\$'000)	2019 (\$'000)
State Government – recurrent appropriation	1,854	2,029
State Government – depreciation funding	339	–
	2,193	2,029

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

NOTES TO THE FINANCIAL STATEMENTS CONT'D

2.2.2 REGULATORY FEE INCOME	2020 (\$'000)	2019 (\$'000)
Application fee income		
Business Tier 1 (annual turnover of no more than \$2,000,000)	211	283
Business Tier 2 (annual turnover of between \$2,000,001 and \$10,000,000)	296	269
Business Tier 3 (annual turnover of more than \$10,000,000)	398	449
	905	1,001
Licence fee income		
Business Tier 1 (annual turnover of no more than \$2,000,000)	2,184	–
Business Tier 2 (annual turnover of between \$2,000,001 and \$10,000,000)	2,061	–
Business Tier 3 (annual turnover of more than \$10,000,000)	2,720	–
	6,965	–
Total regulatory fee income	7,870	1,001

Regulatory application fee income is derived from fees payable to the Authority in accordance with S24(1) (d) of the *Labour Hire Licensing Act 2018*. These fees are recognised over the period of the licence as the licence-holder consumes the benefit of the licence pursuant to AASB 15.

Regulatory licence fee income is derived from fees payable to the Authority in accordance with S35 (1) the *Labour Hire Licensing Act 2018*. These fees are recognised when invoiced by the Authority.

NOTES TO THE FINANCIAL STATEMENTS CONT'D

Note 3. The cost of delivering our services

INTRODUCTION

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

STRUCTURE

- 3.1 Expenses incurred in the delivery of our services
- 3.2 Administration expenses
- 3.3 Employee benefits expense
 - 3.3.1 Employee benefits in the comprehensive operating statement
 - 3.3.2 Employee benefits in the balance sheet

3.1 Expenses incurred in the delivery of our services

	NOTES	2020 (\$'000)	2019 (\$'000)
Administration expense	3.2	2,369	490
Employee benefits expense	3.3	5,027	1,571
Interest expense	6.2.2	20	2
Depreciation and amortisation	4.1.2	304	19
		7,720	2,082

Expenses are recognised net of goods and services tax (GST), except where the amount of GST is not recoverable from the ATO. In these circumstances, the GST is recognised as part of an item of expense.

3.2 Administration expenses

	2020 (\$'000)	2019 (\$'000)
Corporate charges (DPC)	305	–
Information technology costs	759	18
Office expenses	244	270
Professional services and labour contractors	143	35
Marketing and education	430	79
Telephony costs	60	4
Provision for doubtful debts expense	291	–
Other expenses	137	84
	2,369	490

Administration expenses relate to costs incurred in the corporate operations of the Authority.

NOTES TO THE FINANCIAL STATEMENTS CONT'D

3.3 Employee benefits expense

3.3.1 EMPLOYEE BENEFITS IN THE COMPREHENSIVE OPERATING STATEMENT	2020 (\$'000)	2019 (\$'000)
Salaries and wages	3,746	1,309
Annual leave	397	97
Long service leave	219	(41)
Superannuation	369	128
Other employee benefits expense	296	78
	5,027	1,571

Employee expense in the Comprehensive Operating Statement include all costs related to employment, including salaries and wages, superannuation, payroll tax, workcover premiums and leave entitlements. The majority of employee expenses in the Comprehensive Operating Statement are salaries and wages.

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

NOTES TO THE FINANCIAL STATEMENTS CONT'D

3.3.2 EMPLOYEE BENEFITS IN THE BALANCE SHEET

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

<i>Current provisions:</i>	2020 (\$'000)	2019 (\$'000)
Annual leave:		
Unconditional and expected to settle within 12 months	219	120
Unconditional and expected to settle after 12 months	26	–
Long service leave:		
Unconditional and expected to settle within 12 months	29	43
Unconditional and expected to settle after 12 months	153	–
Provisions for on-costs:		
Unconditional and expected to settle within 12 months	37	–
Unconditional and expected to settle after 12 months	21	–
Total current provisions for employee benefits	485	163
Non-current provisions:		
Annual leave:		
Long service leave:		
Conditional and expected to settle after 12 months	116	70
Provisions for on-costs:		
Conditional and expected to settle after 12 months	13	–
Total non-current provisions for employee benefits	129	70
Total provisions for employee benefits	614	233

NOTES TO THE FINANCIAL STATEMENTS CONT'D

Wages and salaries, annual leave and sick leave

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

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

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

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

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

Long service leave

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

The components of this current LSL liability are measured at:

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

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

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

NOTES TO THE FINANCIAL STATEMENTS CONT'D

Note 4. Key assets available to support output delivery

INTRODUCTION

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

STRUCTURE

- 4.1 Total property, plant and equipment
 - 4.1.1 Reconciliation of movement in property, plant and equipment
 - 4.1.2 Depreciation and amortisation
 - 4.1.3 Change in accounting policy – leases
- 4.2 Intangible assets

4.1 Total property, plant and equipment

	2020 (\$'000)	2019 (\$'000)
Buildings at fair value	542	–
Less accumulated depreciation	(135)	–
Total buildings	407	–
Leasehold improvements	421	–
Less accumulated depreciation	(70)	–
Total leasehold improvements	351	–
Plant and equipment	71	–
Less accumulated depreciation	(5)	–
Total plant and equipment	66	–
Motor vehicles under lease (2019: finance lease)	225	225
Less accumulated depreciation	(68)	(19)
Total motor vehicles under lease	157	206
Total property, plant and equipment	981	206

NOTES TO THE FINANCIAL STATEMENTS CONT'D

4.1.1 RECONCILIATION OF MOVEMENT IN PROPERTY, PLANT AND EQUIPMENT

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

	BUILDINGS AT FAIR VALUE		LEASEHOLD IMPROVEMENTS AT FAIR VALUE		OFFICE AND COMPUTER EQUIPMENT AT FAIR VALUE		MOTOR VEHICLES UNDER LEASE		TOTAL	
	2020	2019	2020	2019	2020	2019	2020	2019	2020	2019
Opening balance	–	–	–	–	–	–	206	–	206	–
Recognition of Right of Use asset on initial application of AASB16	372	–	25	–	–	–	–	–	397	–
Adjusted balance at 1 July 2019	372	–	25	–	–	–	206	–	603	–
Additions	542	–	396	–	71	–	–	225	1,009	225
Disposals	–	–	–	–	–	–	–	–	–	–
Machinery of Government transfer out	(327)	–	–	–	–	–	–	–	(327)	–
Depreciation and amortisation	(180)	–	(70)	–	(5)	–	(49)	(19)	(304)	(19)
Closing balance	407	–	351	–	66	–	157	206	981	206

Initial recognition

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

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

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

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

Subsequent measurement

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

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

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

NOTES TO THE FINANCIAL STATEMENTS CONT'D

4.1.2 DEPRECIATION AND AMORTISATION

	2020 (\$'000)	2019 (\$'000)
Charge for the period		
Buildings at fair value	180	–
Leasehold improvements	70	–
Plant and equipment	5	–
Motor vehicles under lease (2019: finance lease)	49	19
Total depreciation and amortisation	304	19

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

Asset	2019–20 USEFUL LIFE	2018–19 USEFUL LIFE
Buildings – leased assets	2–60 years	2–60 years
Plant, equipment and vehicles (including leased assets)	3–10 years	3–10 years

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

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

Leasehold improvements are depreciated over the shorter of the lease term and their useful lives. The Authority sub-leases office space from DTF and the depreciation for this lease has been included for the period 1 July 2019 to 30 October 2019. From 1 November 2019 to June 2020 CAMS under DTF have included the depreciation for this lease in their financial statements.

4.1.3 CHANGE IN ACCOUNTING POLICY – LEASES

This note explains the impact of the adoption of AASB 16 *Leases* on the Authority's financial statements. The Authority has applied AASB 16 with a date of initial application of 1 July 2019 for the Bendigo building lease. Melbourne office accommodation has been included in these financial statements from 1 July 2019 to 30 October 2019. The Department of Treasury and Finance (DTF's) Centralised Accommodation Management Initiative (CAM) has been implemented to deliver savings and efficiencies across the Victorian government network and from 1 November 2019 to June 2020 the Melbourne leased asset has been included in this initiative and disclosed in their financial statements.

The Authority has elected to apply AASB 16 using the modified retrospective approach, as per the transitional provisions of AASB 16 for all leases for which it is a lessee. The cumulative effect of initial application is recognised in retained earnings as at 1 July 2019. Accordingly, the comparative information presented is not restated and is reported under AASB 117 and related interpretations.

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

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

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

NOTES TO THE FINANCIAL STATEMENTS CONT'D

Leases classified as operating leases under AASB 117

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

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

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

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

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

Impacts on financial statements

1 JUL 19

On transition to AASB 16, the Authority recognises all lease liabilities.

(\$'000)

Total operating lease commitments disclosed at 30 June 2019	387
Discounted using the incremental borrowing rate at 1 July 2019	372
Finance lease liabilities as at 30 June 2019	206
Lease liabilities recognised at 1 July 2019	578

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

4.2 Intangible assets

2020
(\$'000)

2019
(\$'000)

Capitalised software development	11	–
Less: accumulated amortisation	–	–
Total capitalised software development	11	–
Reconciliations of carrying amounts		
Capitalised software development		
Carrying amount at the start of the year	–	–
Additions	11	–
Amortisation expense (note 4.1.2)	–	–
Carrying amount at the end of the year	11	–

NOTES TO THE FINANCIAL STATEMENTS CONT'D

Note 5. Other assets and liabilities

INTRODUCTION

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

STRUCTURE

- 5.1 Receivables
 - 5.1.1 Movement in provision for impaired receivables
 - 5.1.2 Ageing analysis of statutory receivables
- 5.2 Payables
 - 5.2.1 Ageing analysis of contractual payables
- 5.3 Deferred income

5.1 Receivables

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

	2020 (\$'000)	2019 (\$'000)
Current receivables		
<i>Statutory:</i>		
Amounts receivable from government departments	610	445
Regulatory Licence fees	865	–
GST receivables	182	8
	1,657	453
<i>Represented by:</i>		
Current receivables	1,657	453

Statutory receivables do not arise from contracts and are recognised and measured similarly to contractual receivables (except for impairment) but are not classified as financial instruments for disclosure purposes. The Authority applies AASB 9 for initial measurement of the statutory receivables and as a result statutory receivable are initially recognised at fair value plus any directly attributable transaction cost. Amounts recognised from the Victorian Government represent funding for all commitments incurred and are drawn from the Consolidated Fund as the commitments fall due. Details about the Authority's exposure to credit risk are set out in Note 7.1.4.

5.1.1 MOVEMENT IN PROVISION FOR IMPAIRED RECEIVABLES

	2020 (\$'000)	2019 (\$'000)
As at 30 June 2020, impaired receivables were as follows:		
Balance at the beginning of the year	0	0
Provision for impaired receivables recognised during the year	291	0
Closing provision balance at 30 June	291	0

Nature and extent of risk arising from receivables

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

NOTES TO THE FINANCIAL STATEMENTS CONT'D

5.1.2 AGEING ANALYSIS OF STATUTORY RECEIVABLES

The ageing at 30 June 2020 includes current rates and charges receivables, sundry customer receivables, and non-current customer receivables. Statutory receivables and provision for impaired receivables are excluded.

2019–2020	1 TO 3 MONTHS	3 MONTHS TO 1 YEAR	1 TO 5 YEARS	5+ YEARS
Amounts receivable from government departments	610	–	–	–
Regulatory Licence fees	828	38	–	–
GST	181			
	1,619	38	–	–

Past due but not impaired receivables relate to a number of independent customers for whom there is no recent history of default. The other amounts within receivables do not contain impaired assets and are not past due. Based on credit history, it is expected that these amounts will be received when due.

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

5.2 Payables

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

	2020 (\$'000)	2019 (\$'000)
<i>Contractual:</i>		
Trade payables	19	(19)
Accrued expenses	150	310
	169	291
<i>Statutory:</i>		
FBT payable	16	–
	16	–
Total payables	185	291
<i>Represented by:</i>		
Current payable	185	291

Payables consists of:

- Contractual payables include such as accrued expenses.
- Statutory payables such as goods and services tax and fringe benefits tax payables.

Contractual payables are classified as financial instruments and categorised as financial liabilities at amortised cost. Statutory payables are recognised and measured similarly to contractual payables, but are not classified as financial instruments and not included in the category of financial liabilities at amortised cost because they do not arise from a contract.

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

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

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

NOTES TO THE FINANCIAL STATEMENTS CONT'D

5.3 Deferred income

	2020 (\$'000)	2019 (\$'000)
Current	4,294	–
Non-Current	10,719	–
	15,013	–

AASB 15 introduces Revenue Recognition based on transfer of control. The Authority has used the five step model to account for Revenue.

The new standard AASB 15 Revenue from Contracts with Customers is applicable to Application Fee Revenue received by the Labour Hire Authority. The Authority has treated application fees received as a contract from customers. The contract has a fixed duration and can be terminated or modified by either party. The duration of the contract is the period for which the licence holder has present enforceable rights and obligations, that being the licence term (to a maximum of three years). The Authority will assess the application and grant or refuse a licence based on pre-determined criteria. During the licence period the Authority monitors and assess the suitability of the applicant against this criteria during the licence term.

The Authority has used the modified retrospective method to transition to AASB 15. This involves a cumulative adjustment to Accumulated Surplus from 1 July 2019. Our comparative numbers have not been restated.

Regulatory application fee income is derived from fees payable to the Authority in accordance with S24(1) (d) of the *Labour Hire Licensing Act 2018* (Vic). These fees are recognised over the period of the licence as the licence-holder consumes the benefit of the licence pursuant to AASB 15. Deferred income represents the portion of Application Fees received in advance for which the Authority has an obligation to fulfil future commitments.

The Authority has anticipated that the assessment of current applications will be finalised by 30 June 2021. Due to the varying complexity of each application, the Authority anticipates half of the current applications will be finalised by 31 December 2020 and the remainder by 30 June 2021. Note that applications may be refused a licence.

NOTES TO THE FINANCIAL STATEMENTS CONT'D

Note 6. Financing our operations

INTRODUCTION

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

STRUCTURE

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

6.1 Borrowings

	2020 (\$'000)	2019 (\$'000)
Current borrowings		
Lease liabilities (current)	276	49
Total current borrowings	276	49
Non-current borrowings		
Lease liabilities (non-current)	298	157
Total borrowings	574	206

6.2 Leases

The Authority leases two office premises and eight motor vehicles. The lease contracts are typically made for fixed periods of 1–6 years with an option to renew the lease after that date. Lease payments are renegotiated every five years to reflect market rates.

6.2.1 RIGHT OF USE ASSETS

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

6.2.2 AMOUNTS RECOGNISED IN THE STATEMENT OF COMPREHENSIVE INCOME

	2020 (\$'000)	2019 (\$'000)
The following amounts are recognised in the Statement of Comprehensive Income relating to leases:		
Interest expense on lease liabilities	20	2
Total amount recognised in the statement of comprehensive income	20	2

6.2.3 AMOUNTS RECOGNISED IN THE STATEMENT OF CASHFLOWS

The following amounts are recognised in the Statement of Cashflows for the year ending 30 June 2020 relating to leases:

	2020 (\$'000)	2019 (\$'000)
Total cash outflow for leases	368	206

NOTES TO THE FINANCIAL STATEMENTS CONT'D

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

- the contract contains an identified asset, which is either explicitly identified in the contract or implicitly specified by being identified at the time the asset is made available to the Authority and for which the supplier does not have substantive substitution rights;
- the Authority has the right to obtain substantially all of the economic benefits from use of the identified asset throughout the period of use, considering its rights within the defined scope of the contract and the Authority has the right to direct the use of the identified asset throughout the period of use; and
- the Authority has the right to take decisions in respect of 'how and for what purpose' the asset is used throughout the period of use. This policy is applied to contracts entered into, or changed, on or after 1 July 2019.

Separation of lease and non-lease components

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

Recognition and measurement of leases as a lessee (under AASB 16 from 1 July 2019)**Lease liability – initial measurement**

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

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

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

Lease Liability – subsequent measurement

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

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

Presentation of right-of-use assets and lease liabilities

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

NOTES TO THE FINANCIAL STATEMENTS CONT'D

6.3 Cash flow information and balances

	2020 (\$'000)	2019 (\$'000)
Cash and cash equivalents		
Total cash and deposits disclosed in the balance sheet – Authority	16,125	1,001
Balance as per cash flow statement	16,125	1,001

6.3.1 RECONCILIATION OF NET RESULT FOR THE PERIOD TO CASH FLOW FROM OPERATING ACTIVITIES

Net result for the period	2,343	948
Non-cash movements		
Depreciation and amortisation	304	19
	2,647	967
Movements in assets and liabilities		
Decrease/(increase) in receivables	(1,204)	(453)
Decrease/(increase) in other assets	4	(18)
(Decrease)/increase in payables	13,906	336
(Decrease)/increase in employee benefits	381	233
		–
Net cash inflows from operating activities	15,734	1,065

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

6.4.1 OTHER COMMITMENTS

Centralised Accommodation Management (CAM) commitment

Commitments for management of accommodation leases by Department of Treasury and Finance (DTF) as follows:

Other commitments relating to accommodation	2020 (\$'000)	2019 (\$'000)
Not later than one year	178	–
Later than one year and not later than five years	62	–
Later than five years	–	–
Total other commitments	240	–
Less GST recoverable	22	–
Total other commitments (excluding GST)	218	–

NOTES TO THE FINANCIAL STATEMENTS CONT'D

Note 7. Risks, contingencies and valuation judgments

INTRODUCTION

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

STRUCTURE

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

7.1 Financial instruments specific disclosures

INTRODUCTION

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

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

7.1.1 CATEGORIES OF FINANCIAL ASSETS

Financial assets at amortised costs

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

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

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

The Authority recognises the following assets in this category:

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

Derecognition of financial assets

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

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

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

7.1.2 CATEGORIES OF FINANCIAL LIABILITIES

Financial liabilities at amortised cost

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

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

NOTES TO THE FINANCIAL STATEMENTS CONT'D

Derecognition of financial liabilities

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

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

7.1.3 FINANCIAL INSTRUMENTS: CATEGORISATION

	CONTRACTUAL FINANCIAL ASSETS – RECEIVABLES AND CASH (\$'000)	CONTRACTUAL FINANCIAL LIABILITIES AT AMORTISED COST (\$'000)	TOTAL (\$'000)
2019–2020			
Contractual financial assets			
Cash and cash deposits	16,125	–	16,125
Total contractual financial assets	16,125	–	16,125
Contractual financial liabilities			
<i>Payables</i>			
Trade payables and accrued expenses (excluding statutory payables)	–	169	169
Borrowings	–	574	574
Total contractual financial liabilities	–	743	743
	CONTRACTUAL FINANCIAL ASSETS – RECEIVABLES AND CASH (\$'000)	CONTRACTUAL FINANCIAL LIABILITIES AT AMORTISED COST (\$'000)	TOTAL (\$'000)
2018–2019			
Contractual financial liabilities			
<i>Payables</i>			
Trade payables and accrued expenses (excluding statutory payables)	–	291	291
Borrowings	–	206	206
Total contractual financial liabilities	–	497	497

NOTES TO THE FINANCIAL STATEMENTS CONT'D

7.1.4 FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

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

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

Risk management is carried out by the Authority's management under policies approved by the Commissioner as the Responsible Body. The Commissioner provides written principles for overall risk management, as well as policies covering specific areas such as credit risk.

The main risks that the Authority is exposed to through its financial instruments are as follows:

(a) Credit risk

Credit risk is the risk of financial loss to the Authority as a result of a licensee failing to meet its contractual obligations. Credit risk arises principally from receivables.

The Authority minimises concentrations of credit risk by undertaking transactions with a large number of Labour Hire providers who must pay regulatory fees to apply for and maintain a Labour Hire Licence. The Authority is not materially exposed to any individual debtor.

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

(b) Market risk

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

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

(i) Interest rate risk

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

(ii) Other price risk

Price risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices, whether these changes are caused by factors specific to the individual financial instrument or its issuer; or by factors affecting all similar financial instruments traded in the market. The Authority is not currently exposed to these risks.

There is no market risk to the Authority's cash on hand and cash equivalents.

(c) Liquidity risk

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

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

7.2 Contingent assets and contingent liabilities

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

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

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

NOTES TO THE FINANCIAL STATEMENTS CONT'D

Note 8. Other Disclosures

INTRODUCTION

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

STRUCTURE

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

8.1 Responsible persons

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

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

NAME	TITLE	PERIOD OF APPOINTMENT	
		FROM	TO
The Hon. Tim Pallas MP	Minister for Industrial Relations	01 Jul 2019	30 Jun 2020
Steve Dargavel	Labour Hire Licensing Commissioner	01 Jul 2019	30 Jun 2020

Remuneration

The Minister's remuneration and allowances is set by the *Parliamentary Salaries and Superannuation Act 1968* and is reported within the Department of Parliamentary Services' Financial Report. Remuneration received or receivable by the Accountable Officer and other responsible persons in connection with the management of the Labour Hire Authority during the reporting period was in the range of \$250,000 – \$259,999.

8.2 Remuneration of executives

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

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

Remuneration of Executive Officers	2020 (\$'000)	2019 (\$'000)
Short-term employee benefits	225	106
Post-employment benefits	20	8
Other long-term benefits	5	4
Total remuneration	250	118
Total number of executives	1	1
Total annualised employee equivalents ⁽ⁱ⁾	1	1

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

NOTES TO THE FINANCIAL STATEMENTS CONT'D

8.3 Related Parties

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

Related parties of the Authority include:

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

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

Significant transactions with government-related entities

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

<i>Amounts recognised as revenue in the Comprehensive Operating Statement</i>	2020 (\$'000)	2019 (\$'000)
Entity and nature of transaction		
Department of Premier and Cabinet	2,193	2,029
	2,193	2,029

Key management personnel

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

	2020	2019
Short-term employee benefits	433	283
Post-employment benefits	63	22
Other long-term benefits	10	10
Total	506	315

Transactions with key management personnel and other related parties

Given the breadth and depth of State government activities, related parties transact with the Victorian public sector in a manner consistent with other members of the public. Further employment of processes within the Victorian public sector occur on terms and conditions consistent with the *Public Administration Act 2004* and Codes of Conduct and Standards issued by the Victorian Public Sector Commission. Procurement processes occur on terms and conditions consistent with the Victorian Government Procurement Board requirements.

Outside of normal citizen type transactions with the Authority, there were no related party transactions that involved KMPs and their close family members. No provision has been required, nor any expense recognised, for impairment of receivables from related parties.

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

NOTES TO THE FINANCIAL STATEMENTS CONT'D

8.4 Events occurring after the balance date

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

The Authority notes that due to the coronavirus (COVID-19) pandemic many businesses within our cohort are in financial difficulty due to extended lockdowns in Victoria. The Authority has factored this into the current provision for impairment of receivables however the full extent of this impact is currently unknown.

8.5 Auditors Remuneration

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

8.6 Australian Accounting Standards issued that are not yet effective

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

STANDARD/ INTERPRETATION	SUMMARY	EFFECTIVE DATE	EFFECTIVE DATE FOR THE ENTITY	ESTIMATED IMPACT
AASB 2018-7 <i>Amendments to Australian Accounting Standards – Definition of Material</i>	This standard amends AASB 101 <i>Presentation of Financial Statements</i> and AASB 108 <i>Accounting Policies, Changes in Accounting Estimates and Errors</i> . The amendments refine the definition of material in AASB 10 <i>Events after the Reporting Period</i> , include some supporting requirements in AASB 101 in the definition to give it more prominence and clarify the explanation accompanying the definition of material. The amendments also clarify the definition of material and its application by improving the wording and aligning the definition across AASB standards and other publications.	1/01/2020	1/07/2020	Based on a preliminary assessment by the Authority, there will be no significant impact.
AASB 2020-1 <i>Amendments to Australian Accounting Standards – Classification of Liabilities as Current or Non-Current</i>	This standard amends AASB 101 to clarify requirements for the presentation of liabilities in the statement of financial position as current or non-current. It initially applied to reporting periods beginning on or after 1 January 2022 with earlier application permitted however AASB has recently issued ED 301 <i>Classification of Liabilities as Current or Non-Current – Deferral of Effective Date</i> with the intention to defer the application by 1 year to periods beginning on or after 1 January 2023. The Authority will not early adopt the Standard.	1/01/2023	1/07/2023	Based on a preliminary assessment by the Authority, there will be no significant impact.

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

- AASB 1060 General Purpose Financial Statements – Simplified Disclosures for For-Profit and Not-for-Profit Tier 2 Entities (Appendix C).
- AASB 2018-6 Amendments to Australian Accounting Standards – Definition of a Business
- AASB 2019-1 Amendments to Australian Accounting Standards – References to the Conceptual Framework
- AASB 2019-3 Amendments to Australian Accounting Standards – Interest Rate Benchmark Reform
- AASB 2019-5 Amendments to Australian Accounting Standards – Disclosure of the Effect of New IFRS Standards. Not Yet Issued in Australia.
- AASB 2020-2 Amendments to Australian Accounting Standards – Removal of Special Purpose Financial Statements for Certain For-Profit Private Sector Entities.

INDEPENDENT AUDITOR'S REPORT



Independent Auditor's Report

To the Commissioner of the Labour Hire Licensing Authority

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

**Auditor's
responsibilities
for the audit of
the financial
report**

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

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

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

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

MELBOURNE
5 November 2020



Timothy Maxfield
as delegate for the Auditor-General of Victoria



DISCLOSURE INDEX

The Authority's annual report is prepared in accordance with all relevant Victorian legislations and pronouncements. This index has been prepared to facilitate identification of the Authority's compliance with statutory disclosure requirements.

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LABOUR HIRE AUTHORITY

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For enquiries in languages other than English, contact us through the Translating and Interpreting Service on 131 450.



If you are deaf, or have a hearing or speech impairment, contact us through the National Relay Service. For more information, visit: www.relayservice.gov.au