Financial Statements

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# How this report is structured

The Department of Energy, Environment and Climate Action (DEECA) has presented its audited general purpose financial statements for the financial year ended 30 June 2024 in the following structure to provide users with the information about the department’s stewardship of resources entrusted to it.

## Financial Statements 30 June 2024

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## Accountable Officer’s and Chief Finance Officer’s declaration

The attached financial statements for the Department of Energy, Environment and Climate Action 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 2024 and financial position of the department at 30 June 2024.

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

We authorise the attached financial statements for issue on 20 September 2024.

|  |  |
| --- | --- |
| **John Bradley**  Secretary  Department of Energy, Environment and Climate Action  Melbourne  20 September 2024 | **Etienne Gouws**  Executive Director, Finance  Department of Energy, Environment and Climate Action  Melbourne  20 September 2024 |

## Auditor-General’s report

VAGO Independent Auditor's Report - Page 1.
Transcript below

**Independent Auditor’s Report**

|  |  |
| --- | --- |
| ***To the Secretary of the Department of Energy, Environment and Climate Action* Opinion** | I have audited the financial report of the Department of Energy, Environment and Climate Action (the department) which comprises the:   * balance sheet as at 30 June 2024 * 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 material accounting policy information * Accountable Officer's and Chief Finance Officer's declaration.   In my opinion, the financial report presents fairly, in all material respects, the financial position of the department as at 30 June 2024 and its financial performance and cash flows for the year then ended in accordance with the financial reporting requirements of Part 7 of the *Financial Management Act 1994* and applicable Australian Accounting Standards. |
| **Basis for Opinion** | I have conducted my audit in accordance with the *Audit Act 1994* which incorporates the Australian Auditing Standards. I further describe my responsibilities under that Act and those standards in the Auditor’s Responsibilities for the Audit of the Financial Report section of my report.  My independence is established by the *Constitution Act 1975*. My staff and I are independent of the department in accordance with the ethical requirements of the Accounting Professional and Ethical Standards Secretary’s APES 110 *Code of Ethics for Professional Accountants* (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.  I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my opinion. |
| **Secretary’s responsibilities for the financial report** | The Secretary of the department is responsible for the preparation and fair presentation of the financial report in accordance with Australian Accounting Standards and the *Financial Management Act 1994*, and for such internal control as the Secretary 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.  In preparing the financial report, the Secretary is responsible for assessing the department’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. |

VAGO Independent Auditor's Report - Page 2.
Transcript below

|  |  |
| --- | --- |
| **Key audit matters** | Key audit matters are those matters that, in my professional judgement, were of most significance in my audit of the financial report of the current period. This matter was addressed in the context of my audit of the financial report as a whole, and in forming my opinion thereon, and I do not provide a separate opinion on this matter. |

|  |  |
| --- | --- |
| Key audit matter | How I addressed the matter |
| **The Fair Value Estimate of Financial Derivatives**  *Note 6.2 Derivative Financial Instruments* |  |
| **Derivative financial asset:** $69 million  **Derivative financial liability:** $15 million  **Loss on revaluation of derivative financial asset:**  $28 million  I considered this to be a key audit matter because:   * derivative financial asset and liability balances and their fair value movements are financially significant * the accounting treatment of financial instruments is complex * the derivative model is highly complex and involves significant management judgements and subjective assumptions which are difficult to determine in the current uncertain economic environment * the fair value approach uses significant unobservable inputs, such as future wholesale electricity prices that are forward-looking and influenced by demand and supply fluctuations in the energy market * small changes in key assumptions used in the model can materially affect the fair value * management engage an external valuation expert to prepare the fair value estimate * the applicable accounting standards AASB 13 *Fair Value Measurement* and AASB 7 *Financial Instruments: Disclosures* both require extensive financial report disclosures. | My key audit procedures included:   * obtaining an understanding of the approach to estimating the fair value of the financial instruments * assessing the competence, objectivity and capability of management's expert engaged to assist with the valuation process * engaging subject matter experts to assist in obtaining sufficient appropriate audit evidence, including: * the appropriateness of the fair value model * the reasonableness and consistency of assumptions used * the reasonableness of all inputs used, with specific reference to underlying data and supporting documentation * the model’s computational accuracy * developing an auditor’s range to assess the fair value estimate. * evaluating our subject matter experts’ findings and concluding the work was adequate for the purposes of our audit * substantiating the accuracy and validity of a selection of derivative settlements to underlying supporting information * reviewing the appropriateness of financial report disclosures as required by Australian Accounting Standards. |

VAGO Independent Auditor's Report - Page 3.
Transcript below

|  |  |
| --- | --- |
| **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 our 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 department’s internal control * evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Secretary * conclude on the appropriateness of the Secretary’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 department’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 department 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 Secretary 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.  From the matters communicated with the Secretary, I determine those matters that were of most significance in the audit of the financial report of the current period and are therefore key audit matters. I describe these matters in the auditor’s report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, I determine that a matter should not be communicated in the auditor’s report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication. |

|  |  |
| --- | --- |
| MELBOURNE  30 September 2024 | Andrew Greaves  *Auditor-General of Victoria* |

## Comprehensive operating statement for the financial year ended 30 June 2024(i)

|  | Notes | 2024 $’000 | 2023 $’000 |
| --- | --- | --- | --- |
| Revenue and income from transactions |  |  |  |
| Output appropriations | 2.2.1 | 2,561,891 | 3,355,969 |
| Special appropriations | 2.2.2 | 2,117 | 64,505 |
| Sale of goods and services | 2.3.1 | 146,238 | 148,975 |
| Municipal and Industrial Waste Levy | 2.3.2 | 474,401 | 479,212 |
| Metropolitan Parks Improvement Rate | 2.3.3 | 200,379 | 206,204 |
| Grants | 2.3.4 | 23,249 | 24,906 |
| Interest income | 7.1.2 | 29,375 | 21,497 |
| Other income | 2.3.5 | 60,351 | 69,532 |
| **Total revenue and income from transactions** |  | **3,498,001** | **4,370,800** |
| Expenses from transactions |  |  |  |
| Employee expenses | 3.1.1 | (876,557) | (755,971) |
| Grants and other transfers | 3.1.2 | (1,485,655) | (2,401,657) |
| Supplies and services | 3.1.3 | (736,479) | (763,530) |
| Depreciation and amortisation | 5.1.2 | (115,211) | (96,301) |
| Interest expense | 7.2.2 | (40,716) | (22,055) |
| Initial recognition expense from financial instruments | 3.1.4 | – | (22,219) |
| Loan repayments transferred to the administered entity | 3.1.5 | (56,571) | (52,886) |
| **Total expenses from transactions** |  | **(3,311,189)** | **(4,114,619)** |
| **Net result from transactions (net operating balance)** |  | **186,812** | **256,181** |
| Other economic flows included in net result |  |  |  |
| Net gain/(loss) on non–financial assets | 9.2 | 20,056 | (158,950) |
| Net (loss) on financial instruments | 9.2 | (29,852) | (176,999) |
| Other gains/(losses) from other economic flows | 9.2 | 3,583 | (2,015) |
| **Total other economic flows included in net result** |  | **(6,213)** | **(337,964)** |
| **Net result** |  | **180,599** | **(81,783)** |
| Other economic flows – other comprehensive income |  |  |  |
| Items that will not be classified to net result |  |  |  |
| Net change in physical asset revaluation surplus | 9.3.1 | – | 184,519 |
| **Total other economic flows – other comprehensive income** |  | **–** | **184,519** |
| **Comprehensive result** |  | **180,599** | **102,736** |

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

Note:   
(i) This format is aligned to AASB 1049 Whole of Government and General Government Sector Financial Reporting.

## Balance sheet as at 30 June 2024(i)

|  | Notes | 2024 $’000 | 2023 $’000 |
| --- | --- | --- | --- |
| Assets |  |  |  |
| Financial assets |  |  |  |
| Cash and cash deposits | 7.1 | 1,449,735 | 1,250,537 |
| Receivables | 6.1 | 1,392,774 | 1,398,173 |
| Derivative financial instruments | 6.2 | 68,901 | 147,127 |
| Investments and other financial assets |  | 2,264 | 2,554 |
| **Total financial assets** |  | **2,913,674** | **2,798,391** |
| Non-financial assets |  |  |  |
| Property, plant and equipment | 5.1 | 9,911,204 | 9,908,944 |
| Non-financial physical assets classified as held for sale | 5.2 | 1,050 | 7,276 |
| Intangible assets | 5.3 | 10,394 | 13,152 |
| Prepayments | 6.4 | 30,913 | 51,706 |
| Other non-financial assets | 6.5 | 21,196 | 28,272 |
| **Total non-financial assets** |  | **9,974,757** | **10,009,350** |
| **Total assets** |  | **12,888,431** | **12,807,741** |
| Liabilities |  |  |  |
| Payables | 6.3 | 306,154 | 391,647 |
| Other financial liabilities | 6.7 | 211,014 | 207,672 |
| Borrowings | 7.2 | 419,764 | 440,228 |
| Employee related provisions | 3.1.1(a) | 232,863 | 218,019 |
| Other provisions | 6.6 | 117,766 | 117,994 |
| Derivative financial instruments | 6.2 | 14,913 | 20,394 |
| Other liabilities |  | 11,513 | 15,997 |
| **Total liabilities** |  | **1,313,987** | **1,411,951** |
| **Net assets** |  | **11,574,444** | **11,395,790** |
| Equity |  |  |  |
| Accumulated surplus |  | 4,111,012 | 3,930,413 |
| Physical asset revaluation surplus | 9.3.1 | 6,692,330 | 6,692,330 |
| Contributed capital |  | 771,102 | 773,047 |
| **Net worth** |  | **11,574,444** | **11,395,790** |

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

Note:   
(i) This format is aligned to AASB 1049 Whole of Government and General Government Sector Financial Reporting.

## Statement of changes in equity for the financial year ended 30 June 2024 (i)

|  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- |
|  | Notes | Accumulated surplus/ (deficit) $’000 | Physical asset revaluation surplus $’000 | Contributed capital $’000 | Total $’000 |
| 2023 |  |  |  |  |  |
| **Balance at 1 July 2022** |  | **4,508,735** | **6,615,663** | **191,630** | **11,316,028** |
| Net result for the year |  | (81,783) | – | – | (81,783) |
| Transfers between equity classes |  | (496,539) | (107,852) | 604,391 | – |
| Other comprehensive income for the year | 9.3.1 | – | 184,519 | – | 184,519 |
| Additions to Net Asset Base | 2.2.1 | – | – | 265,796 | 265,796 |
| Capital contributions of assets(ii) |  | – | – | (108,191) | (108,191) |
| Capital contributions transferred to portfolio entities | 9.3.2 | – | – | (133,774) | (133,774) |
| Restructure of administrative arrangements – net assets received | 4.3 | – | – | 749,219 | 749,219 |
| Restructure of administrative arrangements – net assets transferred | 4.3 | – |  | (796,024) | (796,024) |
| **Balance at 30 June 2023** |  | **3,930,413** | **6,692,330** | **773,047** | **11,395,790** |
| 2024 |  |  |  |  |  |
| **Balance at 1 July 2023** |  | **3,930,413** | **6,692,330** | **773,047** | **11,395,790** |
| Net result for the year |  | 180,599 | – | – | 180,599 |
| Additions to Net Asset Base | 2.2.1 | – | – | 542,333 | 542,333 |
| Capital contributions of assets(ii) |  | – | – | (89,801) | (89,801) |
| Capital contributions transferred to portfolio entities | 9.3.2 | – | – | (454,477) | (454,477) |
| **Balance at 30 June 2024** |  | **4,111,012** | **6,692,330** | **771,102** | **11,574,444** |

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

Note:

(i) This format is aligned to AASB 1049 Whole of Government and General Government Sector Financial Reporting.

(ii) The movement relates to asset transfers to and from the department and transfer of gain and loss on disposal of assets to the administered entity.

## Cash flow statement for the financial year ended 30 June 2024(i)

|  | Notes | 2024 $’000 | 2023 $’000 |
| --- | --- | --- | --- |
| Cash flows from operating activities |  |  |  |
| Receipts |  |  |  |
| Receipts from government |  | 2,570,743 | 3,338,319 |
| Receipts from other entities |  | 832,892 | 972,855 |
| Goods and Services Tax recovered from the Australian Tax Office (ATO)(ii) |  | 33,378 | 54,999 |
| Derivative settlements |  | 5,138 | 80,675 |
| Interest received |  | 21,928 | 21,497 |
| **Total receipts** |  | **3,464,079** | **4,468,345** |
| Payments |  |  |  |
| Payments of grants and other transfers |  | (1,563,392) | (2,403,959) |
| Payments to suppliers and employees |  | (1,612,435) | (1,612,874) |
| Payment of derivatives |  | (29,020) | (19,759) |
| Interest and other costs of finance paid |  | (30,363) | (23,368) |
| **Total payments** |  | **(3,235,210)** | **(4,059,960)** |
| **Net cash flows from/(used in) operating activities** | **7.1.1** | **228,869** | **408,385** |
| Cash flows from investing activities |  |  |  |
| Payments for investments |  | (82) | – |
| Purchases of non-financial assets |  | (125,266) | (189,395) |
| Sales of non-financial assets |  | 27,809 | 24,344 |
| **Net cash flows from/(used in) investing activities** |  | **(97,539)** | **(165,051)** |
| Cash flows from financing activities |  |  |  |
| Cash received from activities transferred in – restructure of administrative arrangements |  | 4,369 | 183,780 |
| Cash provided with activities transferred out – restructure of administrative arrangements |  | – | (568,501) |
| Owner contributions by state government | 2.2.1 | 542,333 | 265,796 |
| Capital contributions transferred to portfolio entities | 9.3.2 | (454,477) | (133,774) |
| Repayments of principal portion of lease liabilities |  | (25,288) | (23,776) |
| Net Borrowing |  | (671) | (86) |
| Proceeds from/(repayments of) advances |  | 1,602 | 2,229 |
| **Net cash flows from/ (used in) financing activities** |  | **67,868** | **(274,332)** |
| **Net increase/(decrease) in cash and cash equivalents** |  | **199,198** | **(30,999)** |
| Cash and cash equivalents at the beginning of the financial year |  | 1,250,537 | 1,281,536 |
| **Cash and cash equivalents at the end of the financial year** | **7.1** | **1,449,735** | **1,250,537** |

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

Note:

(i) This format is aligned to AASB 1049 Whole of Government and General Government Sector Financial Reporting.

(ii) Goods and Services Tax recovered from the ATO is presented on a net basis.

# Notes to the financial statements for the year ended 30 June 2024

1. About this report

The Department of Energy, Environment and Climate Action (the department, DEECA) is a government department of the State of Victoria, established pursuant to an order made by the Premier under the Public Administration Act 2004. It is an administrative agency acting on behalf of the Crown.

**Significant changes in prior year**

On 1 January 2023, the department’s name changed from the Department of Environment, Land, Water and Planning to the Department of Energy, Environment and Climate Action by order of the Governor in Council under Section 10 of the Public Administration Act 2004. Additionally, a significant transfer of functions was declared by the Premier under section 30 of the Public Administration Act 2004 to take effect from 1 January 2023. Under this transfer (called a machinery of government change or a restructure of administrative arrangements) the department relinquished the Planning and Heritage, Building and Land Use Victoria outputs and gained the Agriculture and Resources outputs. Refer to Note 4.3 Restructuring of administrative arrangements for more information.

Its principal address is:

Department of Energy, Environment and Climate Action

8 Nicholson Street  
East Melbourne Victoria 3002

A description of the nature of the department’s operations and its principal activities is included in the Report of Operations, which does not form part of these financial statements.

## Basis of preparation

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

The accrual basis of accounting has been applied in the preparation of 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.

Consistent with the requirements of AASB 1004 Contributions, contributions by owners (that is, contributed capital and its repayment) are treated as equity transactions and, therefore, do not form part of the income and expenses of the department.

Additions to net assets which have been designated as contributions by owners are recognised as contributed capital. Other transfers that are in the nature of contributions to or distributions by owners have also been designated as contributions by owners.

Transfers of net assets arising from administrative restructurings are treated as distributions to or contributions by owners. Transfers of net liabilities arising from administrative restructurings are treated as distributions to owners.

Judgements, estimates and assumptions are required to be made about the carrying values of assets and liabilities that are not readily apparent from other sources. The 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 the application of Australian Accounting Standards (AASs) that have significant effects on the financial statements and estimates relate to:

* the recognition of grant revenue (refer to Note 2 Funding delivery of our services).
* the estimation of the fair value of derivative financial instruments (refer to Note 6.2 Derivative financial instruments, Note 3.1.4 Initial recognition expense from financial instruments and Note 9.2 Other economic flows included in net result).
* the assumptions for employee benefit provisions based on likely tenure of existing staff, patterns of leave claims, future salary movements and future discount rates (refer to Note 3.1.1(a) Employee benefits in the balance sheet).
* the type of joint arrangement in which the department had an interest during the reporting period (refer to Note 4.2 Administered (non-controlled) items, Note 4.2.3 Administered investments in joint operation and Note 5.4 Joint operations.
* the classification of transactions and balances as administered by the department (refer to Note 4.2)
* the recognition and measurement of the Victorian Desalination Project (refer to Note 4.2 Administered (non-controlled) items and Note 4.2.4 Victorian Desalination Project.
* the impairment of non-financial assets (refer to Note 5.1.2 Depreciation, amortisation and impairment).
* the estimated useful lives over which non-financial assets are depreciated (refer to Note 5.1.2).
* the fair value of land, buildings, infrastructure, plant and equipment (refer to Note 5.1.3 Fair value determination).
* the estimation of amounts required to be provisioned or disclosed as contingent liabilities (refer to Note 4.2 Administered (non- controlled) items and 8.2 Contingent assets and contingent liabilities).

the estimation of contractual receivables recoverability (refer to Note 6.1 Receivables).

These financial statements cover the department as an individual reporting entity and include all the controlled activities of the department.

Where control of an entity is obtained during the financial period, its results are included in the comprehensive operating statement from the date on which control commenced. Where control ceases during a financial period, the entity’s results are included for that part of the period in which control existed. Where entities adopt dissimilar accounting policies and their effect is considered material, adjustments are made to ensure consistent policies are adopted in these financial statements.

The results of the following agencies have been combined into the department’s financial statements, from 1 January 2023, pursuant to a determination made by the Assistant Treasurer under section 53(1)(b) of the Financial Management Act 1994.

* Rural Assistance Commissioner

Mine Land Rehabilitation Authority

In addition, VicGrid (which was previously reported as a group within the energy output) was declared an administrative office pursuant to Section 11 of the Public Administration Act 2004 and is now included in the financial statements as an administrative office from 1 March 2024. It is included in the energy output group.

In preparing the department’s combined financial statements, all material transactions and balances between the entities are eliminated.

All amounts in the financial statements have been rounded to the nearest $1,000 unless otherwise stated.

### Compliance information

These general-purpose financial statements have been prepared in accordance with the Financial Management Act 1994 (FMA) and applicable Australian Accounting Standards (AAS) which include Interpretations, issued by the Australian Accounting Standards Board (AASB). In particular, they are presented in a manner consistent with the requirements of AASB 1049 Whole of Government and General Government Sector Financial Reporting.

Where appropriate, those AAS paragraphs applicable to not-for-profit entities have been applied. 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.

To gain a better understanding of the terminology used in these financial statements, please refer to Note 9.13 Glossary of technical terms.

1. Funding delivery of our services

### Introduction

DEECA brings together Victoria’s agriculture, climate action, energy, environment, emergency management, forestry, resources and water functions into a single department to maximise connections between the environment, community, industry and economy.

To enable the department to fulfil its purpose and provide outputs as described in Note 4, it receives income (predominantly accrual based parliamentary appropriations). The department also receives fees for various goods and services, levies and parks charges.

### Significant judgement: Grants revenue

The department has made judgements about whether amounts received as grants should be recognised as income of not-for-profit entities (using AASB 1058) or as revenue from contracts with customers (using AASB 15). Grant agreements that do not contain sufficiently specific performance obligations (in the department’s judgement) are recognised as income whereas grants that are enforceable and with sufficiently specific performance obligations are accounted for as revenue from contracts with customers and recognised when the department satisfies the performance obligation.

### Structure

2.1 Summary of revenue and income that funds the delivery of our services

2.2 Appropriations

2.2.1 Summary of compliance with annual parliamentary appropriations

2.2.2 Summary of compliance with special appropriations

2.2.3 Annotated income agreements

2.3 Income from transactions

2.3.1 Sale of goods and services

2.3.2 Municipal and Industrial Waste Levy

2.3.3 Metropolitan Parks Improvement Rate

2.3.4 Grants

2.3.5 Other income

* 1. Summary of revenue and income that funds the delivery of our services

|  |  |  |  |
| --- | --- | --- | --- |
|  | Notes | 2024 $’000 | 2023 $’000 |
| Revenue and income from transactions |  |  |  |
| Output appropriations | 2.2.1 | 2,561,891 | 3,355,969 |
| Special output appropriations | 2.2.2 | 2,117 | 64,505 |
| Sale of goods and services | 2.3.1 | 146,238 | 148,975 |
| Municipal and Industrial Landfill Levy | 2.3.2 | 474,401 | 479,212 |
| Metropolitan Parks Improvement Rate | 2.3.3 | 200,379 | 206,204 |
| Grants | 2.3.4 | 23,249 | 24,906 |
| Interest income | 7.1.2 | 29,375 | 21,497 |
| Other income | 2.3.5 | 60,351 | 69,532 |
| **Total revenue and income from transactions** |  | **3,498,001** | **4,370,800** |

Revenue and income that fund delivery of the department’s services are accounted for consistently with the requirements of the relevant accounting standards disclosed in the following notes.

* 1. Appropriations

Once annual parliamentary appropriations are applied by the Treasurer, they become controlled by the department and are recognised as income when applied for the purposes defined under the relevant Appropriations Act.

**Output appropriations**

Income from the outputs the department provides to the government is recognised when those outputs have been delivered and the relevant minister has certified delivery of those outputs in accordance with specified performance criteria.

The department has access to various parliamentary appropriations income under the Appropriation Act, the Administrative Arrangements Act 1983 and under the following sections of the FMA:

* Section 29 – Annotated revenue   
  The department on behalf of the relevant Minister may apply to the Treasurer to retain certain types of revenue/receipts from third parties. The income which forms part of a section 29 agreement is annotated to the annual appropriation.
* Section 30 – Transfer between items of departmental appropriation  
  The department may upon the approval of the Treasurer transfer to or from other appropriation items (purposes).
* Section 32 – Carryover unspent appropriation  
  A carryover arises when amounts appropriated annually for the department, which remain unapplied at the end of one financial year, are approved by the Treasurer for application in the following financial year.

Section 35 – Advances  
An advance can be provided by the Treasurer to meet urgent claims in the budget year that were unforeseen at the time of the Budget. Amounts advanced under this authority are reported to and sanctioned by the Parliament in a subsequent year’s annual Appropriation Bill.

**Special appropriations**

Under section 28 of the FMA, income is recognised when the amount appropriated for that purpose is due and payable to the department.

* + 1. Summary of compliance with annual parliamentary appropriations

The following table discloses the details of the various parliamentary appropriations received by the department for the year. In accordance with accrual output-based management procedures ‘provision for outputs’ and ‘additions to net assets’ are disclosed as ‘controlled’ activities of the department. Administered transactions are those that are undertaken on behalf of the state over which the department has no control or discretion.

|  | Appropriation Act Annual appropriation(i) $’000 | Appropriation Act Advance from Treasurer(ii) $’000 | Financial Management Act 1994 Section 29 $’000 | Financial Management Act 1994 Section 30 $’000 | Financial Management Act 1994 Section 32 $’000 | Financial Management Act 1994 Section 35 $’000 | Adjustment due to restructure of administrative arrangements(iii) $’000 | Total parliamentary authority $’000 | Appropriation applied $’000 | Variance (a) $’000 |
| --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- |
| 2024 |  |  |  |  |  |  |  |  |  |  |
| Controlled |  |  |  |  |  |  |  |  |  |  |
| Provision of outputs | 1,790,429 | 700,387 | 129,473 | 30,595 | 80,762 | – | – | 2,731,646 | 2,561,891 | 169,755 |
| Additions to net assets base (ATNAB) | 234,976 | 337,671 | 47,750 | (30,595) | 6,256 | – | – | 596,058 | 542,333 | 53,725 |
| Administered |  |  |  |  |  |  |  |  |  |  |
| Payments made on behalf of the state (POBOS)(iii) | 703,938 | – | – | – | – | – | – | 703,938 | 581,303 | 122,635 |
| POBOS – state contribution under the Murray Darling Basin Act 1993 | 31,385 | – | – | – | – | – | – | 31,385 | 31,385 | – |
| **Total** | **2,760,728** | **1,038,058** | **177,223** | **–** | **87,018** | **–** | **–** | **4,063,027** | **3,716,912** | **346,115** |
| 2023 |  |  |  |  |  |  |  |  |  |  |
| Controlled |  |  |  |  |  |  |  |  |  |  |
| Provision of outputs | 2,054,587 | 1,072,069 | 231,402 | 26,756 | 75,828 | – | 90,365 | 3,551,007 | 3,355,969 | 195,038 |
| Additions to net assets base (ATNAB) | 292,461 | 20,980 | 69,050 | (26,756) | 12,280 | – | (11,672) | 356,343 | 265,796 | 90,547 |
| Administered |  |  |  |  |  |  |  |  |  |  |
| Payments made on behalf of the state (POBOS) | 683,483 | – | – | – | – | – | (1,927) | 681,556 | 589,056 | 92,500 |
| POBOS – state contribution under the *Murray Darling Basin Act 1993* | 32,269 | – | – | – | – | – | – | 32,269 | 31,429 | 840 |
| **Total** | **3,062,800** | **1,093,049** | **300,452** | **–** | **88,108** | **–** | **76,766** | **4,621,175** | **4,242,250** | **378,925** |

Notes:

(i) As published in the Victorian Budget 2023-24 Statement of Finances (incorporating Quarterly Financial Report No.3) Budget Paper No.4 Appendix A Table A.5: Consolidated Fund payments: total annual appropriations.

(ii) The amount disclosed is the final approved Treasurer's advance. The final in-principle amount approved was $1,167.933 million, the variance is predominantly due to the timing of program announcements and the department will apply to reinstate for 2024-25.

(iii) Effective from 01 January 2023, Appropriation has been transferred in/(out) of DEECA as a result of restructure of administrative arrangements (MoG).

**(a) Variance analysis**

1. Provision of outputs

The budgeted output appropriation exceeds actual 2024 output appropriation by $169.755 million which is mainly driven by cashflow rephasing of funding available in 2023-24 for use in future years ($140.359 million) and carryover requests ($57.544 million) which have been partially offset by the use of available appropriation to fund a number of initiatives relating to the Agriculture, and Energy and Resources portfolios.

These rephasing of cashflows predominantly relate to the following initiatives:

* Energy Efficiency Upgrades for Homes initiatives ($47.419 million) to align the timing of state-matched funding with Commonwealth payments.
* Cheaper Cleaner Energy to Drive Economic Recovery – Energy Innovation Fund to align its funding profile with revised milestone dates, which were adjusted due to global supply chain issues ($28.800 million).
* Animal Care and Protection initiative to align its funding profile with revised milestone payments to finalise cross-departmental project management arrangements with the Department of Jobs, Skills, Industry and Region ($11.500 million).

Three New Parks link to Suburban Parks to align its funding profile with revised milestones, which were delayed due to changes in adjoining land ownership and the need to recommission aging infrastructure ($11.120 million).

Additionally, the department requested to carryover output appropriation into 2024-25 ($57.544 million).

1. Additions to net assets (ATNAB)

The budgeted capital appropriation exceeds actual 2024 capital appropriation by $53.725 million which is mainly driven by cashflow rephasing of available funding in 2023-24 for use in future years ($50.951 million). These rephasing of cashflows predominantly relate to the following initiatives:

* Bendigo Mine-Impacted Groundwater Long-term Management initiative due to revisions to proposed designs as a result of recent groundwater data monitoring which impacted planning and approval timelines, delaying market engagement ($20.427 million).
* Three New Parks link to Suburban Parks initiative due to delays in the compulsory land acquisition and compensation processes as a result of the complexity of stakeholder negotiations ($10.500 million).

Yallock-Bulluk Marine and Coastal Park initiative to align the funding profile with the revised completion schedule due to delays in obtaining cultural heritage assessments ($7.450 million).

1. Payments on Behalf of the State (POBOS)

The budgeted POBOS exceeds actual 2024 POBOS by $122.635 million mainly driven by a rephasing of cashflows of funding available in 2023-24 for use in future years for the Victorian Desalination Project. It is anticipated the funding will be utilised across the forward estimates to support future water orders ($121.147 million).

1. Section 30

The transfer between capital and output expenditure pursuant to section 30 of the Financial Management Act 1994 predominantly relates to expenditure being reclassified as operating instead of capital in line with the payment made for the Expanding Werribee Open Range Zoo initiative ($25.875 million).

* + 1. Summary of compliance with special appropriations

|  |  |  |  |
| --- | --- | --- | --- |
| Authority | Purpose | Appropriation Applied 2024 $’000 | Appropriation Applied 2023 $’000 |
| Output special appropriations |  |  |  |
| Section 201V of the *Planning and Environmental Act 1987*(i) | Growth Area Infrastructure Contributions | – | 63,705 |
| Section 10 of the *Financial Management Act 1994* | Appropriation of Commonwealth grants etc. | 2,117 | 800 |
| **Total special appropriations** |  | **2,117** | **64,505** |

Note:

(i) The appropriation related to Growth Area Infrastructure Contributions was transferred to the Department of Transport and Planning (DTP) as part of the administrative restructure. 2023 comparatives are for 6 months only – refer to Note 4.3.

* + 1. Annotated income agreements

The department is permitted under section 29 of the Financial Management Act 1994 to have certain income annotated to the annual appropriation. The income which forms part of a section 29 agreement is recognised by the department as an administered item and the receipts paid into the consolidated fund. If a section 29 agreement is in place, the relevant appropriation item will be increased by the equivalent amount at the point of income recognition.

The following is a listing of the FMA section 29 annotated income agreements approved by the Treasurer:

|  | Note | 2024 $’000 | 2023 $’000 |
| --- | --- | --- | --- |
| Commonwealth specific purpose payments – output |  |  |  |
| Goulburn-Murray Water – Water Efficiency Project |  | 10,900 | 41,000 |
| Coastal and Estuarine Risk Mitigation Program |  | 8,977 | – |
| Recycling Victoria Infrastructure Fund |  | 8,438 | 13,446 |
| Solar for Apartments |  | 8,050 | – |
| Murray Darling Basin Plan Implementation |  | 7,255 | 5,510 |
| Building Resilience to Manage Fruit Fly |  | 4,000 | – |
| Constraint Measure Project Business Case Development |  | 3,682 | 3,963 |
| Future Drought Fund – Farm Business Resilience |  | 3,620 | – |
| National Energy Productivity Measure |  | 1,300 | 1,016 |
| Management of Established Pests and Weeds |  | 1,130 | 1,483 |
| National Water Grid |  | 1,050 | 1,350 |
| Horse Traceability |  | 888 | 300 |
| Carbon Farming Outreach Program |  | 874 | – |
| Environment Restoration Fund |  | 806 | 300 |
| Future Drought Fund – Regional Drought Resilience Planning |  | 696 | 1,216 |
| Transforming Digital Environmental Assessments |  | 600 | – |
| Livestock Traceability |  | 266 | – |
| Plant and Exotic Disease Preparedness and Eradication |  | 190 | 244 |
| National Action Plan for Pests of Horticulture Crops |  | 175 | – |
| Sustainable Rural Water Use and Infrastructure Program |  | 162 | 39,387 |
| National Plant Health Surveillance Program |  | 160 | 160 |
| BushBroker |  | 144 | 783 |
| Urban Rivers and Catchments Program |  | 140 | – |
| National Flood Mitigation Infrastructure Program(iii) |  | – | 2,382 |
| Mount Martha North Beach Restoration(i)(iii) |  | – | 900 |
| Consumer Data Right(iii) |  | – | 854 |
| Dairy Sector Digital Export Risk Assurance Diagnostic(i)(iii) |  | – | 350 |
| National Water Infrastructure Development Fund – Feasibility Studies(i)(iii) |  | – | 200 |
| National Forest Pest Surveillance Program(i)(iii) |  | – | 72 |
| Miscellaneous Industry Contributions(iii) |  | – | 14 |
| **Total Commonwealth specific purpose payments – output** |  | **63,504** | **114,930** |
| Commonwealth specific purpose payments – capital |  |  |  |
| Goulburn-Murray Water – Water Efficiency Project |  | 23,500 | 43,000 |
| National Partnership Agreement for the National Water Infrastructure Development Fund |  | 18,750 | 15,300 |
| National Water Grid |  | 5,500 | 10,750 |
| **Total Commonwealth specific purpose payments – capital** |  | **47,750** | **69,050** |
| User charges or sales of goods and services |  |  |  |
| Research and Development Corporations Contributions |  | 35,969 | 21,500 |
| Livestock Electronic Tags |  | 11,730 | 6,629 |
| Miscellaneous Industry Contributions – Agriculture |  | 8,628 | 4,391 |
| Bioscience Research Centre – La Trobe contribution to quarterly services payments |  | 2,393 | 1,542 |
| Agriculture and Veterinary Chemical Permits |  | 1,368 | 317 |
| FutureMax biosecurity technology platform |  | 1,323 | 697 |
| Revenue retained on behalf of the Environment Protection Authority |  | 592 | 1,593 |
| Cooperative Research Centre Contributions Projects |  | 127 | 19 |
| National Bee Pest Surveillance Program |  | 60 | 116 |
| New and Emerging Plant Industries |  | 15 | 15 |
| Land Use Victoria – Land Registry Commercialisation(ii)(iii) |  | – | 64,326 |
| Paper Australia Pulpwood Agreement(iii) |  | – | 8,399 |
| Pest and Disease Preparedness and Response Programs – Other State Contribution(iii) |  | – | 2,434 |
| Miscellaneous Industry Contributions(iii) |  | – | 318 |
| Commercial Forest(iii) |  | – | 292 |
| Water Register – Planning(ii)(iii) |  | – | 67 |
| Land Registration Services(ii)(iii) |  | – | 48 |
| Mapping(ii)(iii) |  | – | 21 |
| **Total user charges or sales of goods and services** |  | **62,204** | **112,724** |
| Municipal payments |  |  |  |
| *Domestic Animals Act 1994* |  | 3,765 | 3,748 |
| **Total Municipal payments** |  | **3,765** | **3,748** |
| **Total annotated income agreements** |  | **177,223** | **300,452** |

Note:

(i) Comparatives figures are for 6 months only (1 Jan to 30 June) – these agreements was transferred from DJSIR on 1 January 2023

(ii) Comparative figures are for 6 months only (1 Jul to 31 Dec) – these agreements was transferred to DTP on 1 January 2023.

(iii) There was no funding received for these programs during 2023-24 financial year.

* 1. Income from transactions
     1. Sale of goods and services

|  | 2024 $’000 | 2023 $’000 |
| --- | --- | --- |
| Sale of goods and services |  |  |
| Rendering of services | 132,894 | 140,458 |
| Regulatory fees | 9,402 | 5,920 |
| Sales of goods and livestock | 3,942 | 2,597 |
| **Total sale of goods and services** | **146,238** | **148,975** |

The sale of goods and services included in the table above are transactions that the department has determined to be classified as revenue from contracts with customers in accordance with AASB 15.

**Performance obligations and revenue recognition policies**

Revenue is measured based on the consideration specified in the contract with the customer. The department recognises revenue when it transfers control of a good or service to the customer, i.e., when, or as, the performance obligations for the sale of goods and services to the customer are satisfied.

The services provided by the department include the management of council landfill contracts, environmental impact assessments, and transaction processing services. Revenue from the rendering of these services is recognised at a point in time when the performance obligation is satisfied, (which is generally at the end of the contract when the services have been delivered and/or the report has been issued).

The department’s sale of goods and services are made with a short credit term, there is no financing element present.

Consideration received in advance of recognising the associated revenue from the customer is recorded as contract liabilities under other liabilities on the balance sheet and is recognised as revenue upon satisfaction of performance obligations. Where the performance obligations are satisfied but not yet billed, a contract asset is recorded. As the department generally invoices on or shortly after satisfying performance obligations, there is no contract asset and/or contract liability balance at 30 June 2024 (or 30 June 2023).

**Income recognised under AASB 1058**

* + 1. Municipal and Industrial Waste Levy

|  | 2024 $’000 | 2023 $’000 |
| --- | --- | --- |
| Municipal and Industrial Waste Levy |  |  |
| Municipal and Industrial Waste Levy | 474,401 | 479,212 |
| Total Municipal and Industrial Waste Levy | 474,401 | 479,212 |

The department has determined that the Municipal and Industrial Waste Levy is recognised under AASB 1058 as the income received is not linked to specific performance obligations.

The department is entitled to receive (through Environmental Protection Authority as its collecting agent) the levy amounts at the end of the period during which the levy applies under the Environment Protection Act 2017.

The department recognises income at the time when the levy amounts become receivable from the Environmental Protection Authority.

* + 1. Metropolitan Parks Improvement Rate

|  | 2024 $’000 | 2023 $’000 |
| --- | --- | --- |
| Metropolitan Parks Improvement Rate |  |  |
| Metropolitan Parks Improvement Rate | 200,379 | 206,204 |
| Total Metropolitan Parks Improvement Rate | 200,379 | 206,204 |

The Metropolitan Parks Improvement Rate, commonly known as the ‘parks charge’, is an annual levy on all commercial and residential properties in the Melbourne and metropolitan areas. The parks charge is billed and collected by the three metropolitan retail water corporations and is paid directly into the Parks and Reserves Trust Account controlled by the department on behalf of the Minister for Environment.

The department recognises income when the annual levy is received under AASB 1058 as the income has been earned under arrangements that in the department’s judgement are not linked to sufficiently specific performance obligations.

The Water Industry Act 1994 determines how the parks charge is to be levied. For 2023-24 the minimum charge was levied at the rate of $84.86 (2023: $81.60) and the rate in the dollar of Net Annual Value was 0.497 cents (2023: 0.486 cents).

In accordance with the Water Industry Act 1994, the Metropolitan Parks Improvement Rate of $200.379 million (2023: $206.204 million) is recognised as income.

The Water Industry Act 1994 requires that money collected be spent on controlling, developing and managing open space, parks, waterways and bays within the metropolitan area. During the 2023-24 financial year, a total of $182.000 million was disbursed from the trust (in 2022-23, $195.315 million was disbursed from the trust) for the following activities:

* Park management services in the metropolitan area including the management of bays, maintenance and construction of park assets. These include National and State parks, Zoological parks, State gardens and the Shrine of Remembrance
* Purchase of public open space for conservation, recreation, leisure or tourism

Management and maintenance of public beaches and renourishment works.

The disbursements are disclosed in Note 3.1.2 Grants and other transfers.

* + 1. Grants

|  |  |  |
| --- | --- | --- |
|  | 2024 $’000 | 2023 $’000 |
| Grants |  |  |
| Income recognised as income of not-for-profit entity (AASB 1058) |  |  |
| Specific purpose grants | 23,934 | 22,861 |
| General purpose grants(i) | (685) | 2,045 |
| **Total grants** | **23,249** | **24,906** |

Note:

(i) The general purpose grants in 2023-24 has resulted in negative balance, due to a return of $1.0 million of funding received during 2022-23 by DEECA from DTP for the Neerim East Trail Bike Project.

The department has determined that the grant income included in the table above is recognised under AASB 1058, given that the income has been earned under arrangements that are either not enforceable and/or linked to sufficiently specific performance obligations.

Income from grants without any sufficiently specific performance obligations, or that are not enforceable, is recognised when the department has an unconditional right to receive cash which usually coincides with receipt of cash. On initial recognition of the asset, the department recognises any related contributions by owners, increases in liabilities, decreases in assets, and revenue (‘related amounts’) in accordance with other Australian Accounting Standards. Related amounts may take the form of:

* contributions by owners, in accordance with AASB 1004;
* revenue or a contract liability arising from a contract with a customer, in accordance with AASB 15;
* a lease liability in accordance with AASB 16;
* a financial instrument, in accordance with AASB 9;

a provision, in accordance with AASB 137 Provisions, Contingent Liabilities and Contingent Assets.

Income received for specific purpose grants for on-passing is recognised simultaneously as the funds are immediately on passed to the relevant recipient entities on behalf of the Commonwealth government.

Specific purpose grants of the department are funding obtained for development, capital construction and operation of specific projects. The grant arrangements have been assessed and there are no specific performance obligations for the department. As a result, the department recognises income when the grant is received.

The department’s general purpose grant arrangements do not have sufficiently specific performance obligations. Therefore, income is recognised when the grant is received by the department.

* + 1. Other income

|  | 2024 $’000 | 2023 $’000 |
| --- | --- | --- |
| Other income |  |  |
| Melbourne Strategic Assessment Levy(i) | 57,322 | 44,573 |
| Land licences and leases | 450 | 948 |
| Insurance Settlements | 193 | 2,462 |
| Other miscellaneous income | 2,386 | 21,540 |
| Other assets or services received free of charge | – | 9 |
| **Total other income** | **60,351** | **69,532** |

Note:

(i) 2023 comparatives for other miscellaneous income has been amended by $44.573 million to separately disclose Melbourne Strategic Assessment Levy.

1. The cost of delivering services

### Introduction

This section provides an account of the expenses incurred by the department in delivering services and outputs. In Note 2, the funds that enable the provision of services were disclosed and in this note the cost associated with provision of services are recorded. Note 4 discloses aggregated information in relation to the income and expenses by output.

### Structure

3.1 Expenses incurred in delivery of services

3.1.1 Employee benefits in the comprehensive operating statement

3.1.2 Grants and other transfers

3.1.3 Supplies and services

3.1.4 Initial recognition expense from financial instruments

3.1.5 Loan repayments transferred to the administered entity

* 1. Expenses incurred in delivery of services

|  | Note | 2024 $’000 | 2023 $’000 |
| --- | --- | --- | --- |
| Expenses from transactions |  |  |  |
| Employee expenses | 3.1.1 | (876,557) | (755,971) |
| Grants and other transfers | 3.1.2 | (1,485,655) | (2,401,657) |
| Supplies and services | 3.1.3 | (736,479) | (763,530) |
| Initial recognition expense from financial instruments | 3.1.4 | – | (22,219) |
| Loan repayments transferred to the administered entity | 3.1.5 | (56,571) | (52,886) |
| **Total expenses from transactions (excluding depreciation and interest)** |  | **(3,155,262)** | **(3,996,263)** |

* + 1. Employee benefits in the comprehensive operating statement

|  | 2024 $’000 | 2023 $’000 |
| --- | --- | --- |
| Employee expenses |  |  |
| Salaries and wages | (624,828) | (558,230) |
| Defined contribution superannuation expense | (80,711) | (65,109) |
| Defined benefit superannuation expense | (2,741) | (3,102) |
| Termination benefits | (4,218) | (10) |
| Leave expenses (annual leave and long service leave) | (94,726) | (82,161) |
| Other on-costs (fringe benefits tax, payroll tax and WorkCover levy) | (69,333) | (47,359) |
| **Total employee expenses** | **(876,557)** | **(755,971)** |

Employee expenses include all costs relating to employment including salaries and wages, fringe benefits tax, leave entitlements, termination payments, defined benefit superannuation plans, defined contribution superannuation plans and WorkCover premiums.

The amount recognised in the comprehensive operating statement in relation to superannuation is employer contributions for members of both defined benefit and defined contribution superannuation plans that are paid or payable during the reporting period. The department does not recognise any defined benefit liabilities because it has no legal or constructive obligation to pay future benefits relating to its employees. Instead, the Department of Treasury and Finance (DTF) discloses in its annual financial statements the net defined benefit cost related to the members of these plans as an administered liability (on behalf of the state as the sponsoring employer).

Termination benefits are payable when employment is terminated before normal retirement date, or when an employee accepts an offer of benefits in exchange for the termination of employment. The department recognises termination benefits when it is demonstrably committed to either terminating the employment of current employees according to a detailed formal plan without the possibility of withdrawal or providing termination benefits as a result of an offer made to encourage voluntary redundancy.

#### 3.1.1 (a) Employee benefits in the balance sheet

Provision is made for benefits accruing to employees in respect of annual leave, fatigue management leave (previously earned emergency recreational 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.

Amounts relating to salary and wages that have been expensed during the year but are unpaid at year end are recognised as accruals and disclosed as part of the Payables balance.

|  | 2024 $’000 | 2023 $’000 |
| --- | --- | --- |
| Current provision for employee benefits |  |  |
| Annual leave(i) |  |  |
| Unconditional and expected to settle within 12 months | 52,533 | 45,648 |
| Unconditional and expected to settle after 12 months(ii) | 9,146 | 14,900 |
| Long service leave(i) |  |  |
| Unconditional and expected to settle within 12 months | 8,292 | 11,060 |
| Unconditional and expected to settle after 12 months(ii) | 94,955 | 88,285 |
| Fatigue management leave(i) |  |  |
| Unconditional and expected to settle within 12 months | 4,668 | 1,640 |
| **Total current provision for employee benefits (excluding on-costs)** | **169,594** | **161,533** |
| Provisions for on‑costs: |  |  |
| Unconditional and expected to settle within 12 months | 12,030 | 10,170 |
| Unconditional and expected to settle after 12 months(ii) | 21,368 | 17,070 |
| **Total current provisions for on-costs** | **33,398** | **27,240** |
| **Total current provisions for employee benefits** | **202,992** | **188,773** |
| Non‑current provisions for employee benefits |  |  |
| Employee benefits(i)(ii) | 24,768 | 24,799 |
| On-costs(ii) | 5,103 | 4,447 |
| **Total non‑current provisions for employee benefits** | **29,871** | **29,246** |
| **Total provisions for employee benefits** | **232,863** | **218,019** |

Note:

(i) Provisions for employee benefits consist of amounts for annual leave, LSL and fatigue management leave accrued by employees, not including on-costs.

(ii) The amounts disclosed are discounted to present values.

**Reconciliation of movement in on-cost provision**

|  |  |
| --- | --- |
|  | 2024 $’000 |
| **Opening balance at 1 July 2023** | **31,687** |
| Additional provisions recognised | 20,644 |
| Reductions arising from payments/other sacrifices of future economic benefits | (13,487) |
| Unwind of discount and effect of changes in the discount rate | (343) |
| **Closing balance at 30 June 2024** | **38,501** |
| Current | 33,398 |
| Non‑current | 5,103 |
| **Total provision for on-cost** | **38,501** |

*Salaries**and**wages,**annual**leave**and**sick**leave*

Liabilities for salaries and wages (including non-monetary benefits and on-costs) are recognised as part of payables as current liabilities, because the department does not have an unconditional right to defer settlements of these liabilities. The liability for salaries and wages is recognised in the balance sheet at remuneration rates which are current at the reporting date. As the department expects the liabilities to be wholly settled within 12 months of reporting date, they are measured at undiscounted amounts and are recognised as payables in Note 6.3.

Liabilities for *annual leave and fatigue management leave* (including non-monetary benefits and on-costs) are recognised as part of the employee benefit provision also as current liabilities, because the department does not have an unconditional right to defer settlements of these liabilities.

Depending on the expectation of the timing of settlement, liabilities for wages and salaries, and annual leave are measured at:

* undiscounted value – if the department expects to wholly settle within 12 months

present value – if the department does not expect to wholly settle within 12 months.

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 statement of comprehensive income 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 employment to which they relate has occurred.

*Fatigue**management**leave*

Fatigue management leave (FML) is provided to staff for the management of long-term fatigue that can result from extended involvement in emergency management over a 12-month period.

FML is accrued based on overtime and standby duties performed outside of normal hours when the Emergency Provision in Appendix 6 of the VPS Agreement 2020 or Section II of the Field Staff Services and Wild Dog Controller Agreement 2021 have been enacted. FML is calculated over a 12-month period being, from 1 September to 31 August. Any entitlement must be accrued and used within each 12-month period. Leave entitlements that have been accrued and yet to be taken are paid out to staff upon termination if the staff leaves prior to the end of the FML period each year (31 August).

Provisions are recognised as current liabilities (undiscounted) for unpaid fatigue management leave at reporting date.

*Long**service**leave*

Unconditional long service leave (LSL) is disclosed as a current liability, even where the department does not expect to 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. Leave becomes unconditional after 7 years of service.

The components of this current LSL liability are measured at:

* undiscounted value – if the department expects to wholly settle within 12 months

present value – if the department does not expect to wholly settle within 12 months.

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

The department has used the DTF 2008 Long Service Leave Model to calculate the present value of the LSL provision and also to split the provision between “settle within 12 months” and “settle after 12 months” for the current financial year. 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 net result (refer to Note 9.2 Other economic flows included in net result).

#### 3.1.1 (b) Superannuation contributions

The amount recognised in the comprehensive operating statement in relation to superannuation is the employer contributions for members of both defined benefit and defined contribution superannuation plans that are paid or payable during the reporting period. The defined benefit plan provides benefits based on years of service and final average salary.

The name, details and amounts expensed in relation to the major employee superannuation funds and contributions made by the department are listed in the above table as follows:

|  | Paid contribution for the year 2024 $’000 | Paid contribution for the year 2023 $’000 | Contribution outstanding at year end 2024 $’000 | Contribution outstanding at year end 2023 $’000 |
| --- | --- | --- | --- | --- |
| Fund |  |  |  |  |
| Defined benefit plans(i) |  |  |  |  |
| Emergency Services Superannuation Scheme | 2,511 | 3,043 | – | – |
| Other | 230 | 59 | – | – |
| Defined contribution plans |  |  |  |  |
| Vic Super/Aware Super Scheme(ii) | 39,830 | 32,126 | – | – |
| Various other | 40,881 | 32,983 | – | – |
| **Total superannuation contributions** | **83,452** | **68,211** | **–** | **–** |

Note:

(i) The bases for determining the level of contributions are determined by the various actuaries of the defined benefit superannuation plans.

(ii) On 1 May 2023, the VicSuper name retired. VicSuper members moved to the Aware Super Accumulation and Pension division in the Fund.

* + 1. Grants and other transfers

|  |  |  |
| --- | --- | --- |
|  | 2024 $’000 | 2023 $’000 |
| Grants and other transfers |  |  |
| Grants to portfolio agencies (other than catchment management authorities) | (788,813) | (1,044,667) |
| Grants to catchment management authorities | (88,525) | (94,883) |
| Grants to non-portfolio agencies | (64,702) | (138,397) |
| Grants to the Commonwealth, other state, territory and local governments | (64,274) | (63,306) |
| Grants to private individuals, businesses and non-profit organisations | (479,341) | (1,023,697) |
| Other grants and transfers | – | (36,707) |
| **Total grants and other transfers** | **(1,485,655)** | **(2,401,657)** |

Grants and other transfers are contributions of the department’s resources to another party for specific or general purposes where there is no expectation that the amount will be repaid in equal value (either by money, goods or services).

Grants can either be operating or capital in nature. Grants that are capital in nature and provided to other state controlled entities are treated as contributed capital transfers and recognised in equity.

Grant expenses are recognised in the reporting period in which they are paid or payable. Grants can take the form of money, assets, goods, services or forgiveness of liabilities.

* + 1. Supplies and services

|  |  |  |
| --- | --- | --- |
|  | 2024 $’000 | 2023 $’000 |
| Supplies and services |  |  |
| Contract and professional services | (266,614) | (356,345) |
| Equipment maintenance and hire | (70,125) | (42,921) |
| IT costs | (68,309) | (58,285) |
| Waste resource and recovery costs | (63,336) | (36,523) |
| Statutory fees, learning and development costs and general expenses | (62,822) | (61,537) |
| Office and accommodation | (53,520) | (47,402) |
| Other operating expenses | (47,500) | (72,269) |
| Laboratory, farm and livestock | (30,751) | (17,110) |
| Insurance expenses | (25,242) | (22,415) |
| Postage and telephone | (19,356) | (17,107) |
| Motor vehicle costs | (13,866) | (12,998) |
| Community awareness and publicity | (7,328) | (13,074) |
| Cost of goods sold/provided | (5,732) | (3,797) |
| Payments for shared services | (1,476) | (1,057) |
| Short-term lease expense | (302) | (424) |
| Settlement of litigation | (200) | (266) |
| **Total supplies and services** | **(736,479)** | **(763,530)** |

Supplies and services generally represent the day-to-day running costs that are incurred in the normal operations of the department. Supplies and services are recognised as an expense in the reporting period in which they are incurred.

The following lease payments are expensed on a straight-line basis.

* Short-term leases – leases with a term less than 12 months; and

Low value leases – leases with the underlying asset’s fair value (when new, regardless of the age of the asset being leased) is no more than $10,000.

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

* + 1. Initial recognition expense from financial instruments

|  | 2024 $’000 | 2023 $’000 |
| --- | --- | --- |
| Initial recognition expense from financial instruments |  |  |
| Initial recognition expense from financial instruments | – | (22,219) |
| **Total initial recognition expense from financial instruments** | **–** | **(22,219)** |

Contracts entered into to support Victoria’s renewable energy targets (VRET) have been classified as derivative financial instruments at fair value through the profit and loss and are recognised and measured in accordance with AASB 9.

An expense is recognised when the fair value of the contract, at the date of initial recognition, results in a liability for the department. Refer to Note 6.2 Derivative Financial Instruments.

* + 1. Loan repayments transferred to the administered entity

|  | 2024 $’000 | 2023 $’000 |
| --- | --- | --- |
| Loan repayments transferred to the administered entity |  |  |
| Loan repayments transferred to the administered entity | (56,571) | (52,886) |
| **Total loan repayments transferred to the administered entity** | **(56,571)** | **(52,886)** |

The department issues concessional loans to eligible households and businesses to be used towards the purchase and installation of rooftop solar panels and/or solar batteries. Individual loans are capped and must be repaid over 4 years. The loan repayments collected by the department are returned to the consolidated fund via the administered entity.

1. Disaggregated financial information by output

### Introduction

The department is predominately funded by accrual based parliamentary appropriations for the provision of outputs. This section provides a description of the departmental outputs performed during the year ended 30 June 2024 along with the objectives of those outputs.

This section disaggregates revenue and income that enables the delivery of service (described in Note 2) by output and records the allocation of expenses incurred (described in Note 3) also by output.

The aggregation in this section also provides information on controlled and administered items in connection with these outputs.

### Significant judgement: Controlled and administered items

The distinction between controlled and administered items is drawn on whether the department has the ability to deploy the resources in question for its own benefit (controlled items) or whether it does so on behalf of the state (administered). The department remains accountable for transactions involving administered items, but it does not recognise these items in its primary financial statements.

The department is administering the desalination project arrangement and shareholding in Marinus Link Pty Ltd on behalf of the state and therefore recognises the associated income, expenses, assets, liabilities and off-balance sheet disclosures as administered items.

Other administered items include environmental contributions from Victorian water businesses, the state’s share of the Murray-Darling Basin Authority’s jointly controlled assets, proceeds from the sale of administered surplus land and buildings, and grants provided by the Commonwealth to assist the state government in meeting general or specific delivery obligations.

Judgement is required in allocating income and expenses to specific outputs, including judgements made in making allocations for shared services expenses and corporate costs such as insurance expenses. Allocation of expenses are made on a percentage basis in line with the delivery of the output.

### Structure

4.1 Departmental outputs

4.1.1 Description and objectives

4.1.2 Departmental Outputs – Controlled comprehensive operating statement

4.1.3 Departmental Outputs – Controlled assets and liabilities

4.2 Administered (non-controlled) items

4.2.1 Administered income and expenses

4.2.2 Administered assets and liabilities

4.2.3 Administered investment

4.2.4 Administered service concession arrangements and related financial instruments

4.3 Restructuring of administrative arrangements

* 1. Departmental outputs
     1. Description and objectives

A description of the eight departmental outputs performed during the year ended 30 June 2024, and the objectives of these outputs, is summarised below.

*Net**zero**emission,**climate-ready**economy**and**community*

**Objective**

This objective leads the government’s response to climate change, in line with the Climate Change Act 2017. The government’s response includes reducing greenhouse gas emissions, adapting to the impacts of a climate change, and supporting the economic and social transition to a net-zero emissions and climate resilient future.

**Climate Change**

This output leads the development and implementation of strategic, whole of government climate change policy and programs that contribute to Victoria’s 2045 (brought forward from 2050) target of net-zero emissions and build the state’s resilience to climate change.

*Healthy, resilient and biodiverse environment*

**Objective**

This objective leads the development and implementation of strategic regulation and investment in environmental and natural resource programs across Victoria.

**Environment and Biodiversity**

This output develops and implements environmental policy and delivers investment, regulatory and research functions.

**Waste and Recycling**

This output delivers investment into reducing waste, transforming recycling services and increasing value from recycled materials. These activities support industry, innovation, research and development and clean technologies to create new markets and business opportunities for recycled materials.

**Statutory Activities and Environmental Protection**

This output protects the environment and people by preventing and reducing harm from pollution and waste through better regulation, conducting research and gathering intelligence to inform compliance and enforcement activities, collaboration and provision of advice.

*Productive and effective land management*

**Objective**

This objective delivers effective management and governance of Victoria’s public land to protect its social, economic and environmental values and maximise its use by all Victorians.

**Management of Public Land and Forests**

This output provides stewardship of Victoria’s forests, coasts and Crown land reserves to ensure that natural, built and historic assets are managed responsibly.

**Parks Victoria**

This output manages the development and protection of Victoria’s natural, cultural and community assets for safe enjoyment and sustainable use by all Victorians.

*Safe and sustainable water resources*

**Objective**

This objective increases the efficiency of supply and use of water in cities and towns and improves environmental conditions of waterways to ensure Victoria has safe and sustainable water resources to meet future urban, rural and environmental needs.

**Effective Water Management and Supply**

This output develops policies, provides strategic advice and oversees regulatory systems and institutional arrangements to effectively manage Victoria’s water resources.

*Reduced impact of major bushfires and other emergencies on people, property and the environment*

**Objective**

This objective delivers an integrated approach to reducing the risk of bushfires and other emergencies to protect people, property and the environment.

**Fire and Emergency Management**

This output plans and delivers integrated bushfire management and the provision of emergency response. Through this output, the department works with land and fire managers to plan and deliver bushfire management across public and private land; involves local communities in decision making, drawing on local values and insights to promote resilience; invests in science and partnerships to build knowledge of the relationship between fire and the environment to better manage risk; monitors and assesses the impact and effectiveness of fire management operations; ensures its workforce is effectively trained and prepared; and maintains a strategic road network to facilitate fire and emergency-related activities and provide access for the community, timber and tourism industries.

*Reliable, sustainable and affordable energy services*

**Objective**

This objective delivers programs on renewable energy, improving energy efficiency and productivity. It also provides policy advice to government on the delivery of reliable, sustainable and affordable energy services to households and business consumers.

**Energy**

This output delivers state-based energy programs, including renewable energy development, energy efficiency and affordability improvements, and facilitation of new investment.

**Solar Homes**

This output will over ten years, provide 778,500 households with either solar panel energy systems, solar hot water systems, or battery storage for homes with existing solar energy systems. Solar panels rebates for small businesses and financial subsidies to vulnerable and low-income households to upgrade heating and install high-efficiency reverse cycle air conditioners are also provided.

*Promote productive and sustainably used natural resources (new outputs from 1 January 2023)*

**Objective**

This objective supports a more productive, globally competitive, sustainable and jobs-rich agriculture, food and fibre, and resources sectors. The department delivers the objective in collaboration with partners, local communities and industry to deliver outcomes that provide benefits to all Victorians.

**Agriculture**

The Agriculture output contributes to increasing the productivity, competitiveness and sustainability of food and fibre industries and creates the conditions to grow the natural resources economy. This includes protecting and enhancing market access and management of biosecurity risks, increasing the use of new technologies, improving farm practices and supply chain efficiency, building the resilience of the sector to manage risks and emergencies, and ensuring forestry and game resources are sustainably allocated and used for both recreational and commercial purposes.

**Resources**

The Resources output contributes to this objective by aiming to achieve a growing and sustainable earth resources sector through effective policy, programs and regulation.

*Changes in outputs*

**Current year changes**

From 1 March 2024, VicGrid (the business unit within the energy output group) is replaced by VicGrid, the administrative office.

**Prior year changes**

The Building output was disaggregated from the Planning, Building and Heritage output for financial year 2022-23. This was to provide increased clarity and accountability on services delivery.

As a result of the administrative restructure, announced on 5 December 2022, the following changes to outputs took effect from 1 January 2023:

Outputs transferred to DTP

* A safe and quality-built environment delivered by the Building, Planning and Heritage groups
* Productive and effective land management the portion delivered by the Land Use Victoria group.

Outputs received from DJSIR

Promote productive and sustainably used natural resources delivered by the Agriculture and Resource groups.

* + 1. Departmental Outputs – Controlled comprehensive operating statement

Additional information about the objectives of these departmental outputs is located in the Report of Operations under the ‘Operational and budgetary objectives and performance against objectives’ section.

|  | Agriculture(i) 2024 $’000 | Agriculture(i) 2023 $’000 | Building(ii) 2024 $’000 | Building(ii) 2023 $’000 | Climate Action 2024 $’000 | Climate Action 2023 $’000 |
| --- | --- | --- | --- | --- | --- | --- |
| Income from transactions |  |  |  |  |  |  |
| Output appropriations | 696,051 | 375,898 | – | 93,723 | 9,105 | 11,871 |
| Special output appropriations | – | – | – | – | – | – |
| Sale of goods and services | 30,722 | 20,676 | – | – | – | 5,429 |
| Municipal and Industrial Waste Levy | – | – | – | – | – | – |
| Metropolitan Parks Improvement Rate | – | – | – | – | – | – |
| Grants | 231 | (6,299) | – | 781 | – | (8) |
| Interest income | 2,505 | 982 | – | – | – | – |
| Other income | 24,002 | (3,797) | – | (1) | 7,737 | 15,045 |
| **Total revenue and income from transactions** | **753,511** | **387,460** | **–** | **94,503** | **16,842** | **32,337** |
| Expenses from transactions |  |  |  |  |  |  |
| Employee expenses | (178,622) | (83,734) | – | (3,936) | (10,636) | (11,682) |
| Grants and other transfers | (361,374) | (197,955) | – | (86,551) | (5,098) | (7,455) |
| Supplies and services | (143,488) | (77,120) | – | (3,466) | (4,784) | (7,500) |
| Depreciation and amortisation | (23,515) | (9,927) | – | (14) | (271) | (293) |
| Interest expense | (24,876) | (12,162) | – | 1 | (1) | 22 |
| Initial recognition expense from financial liabilities | – | – | – | – | – | – |
| Loan repayments transferred to the administered entity | – | – | – | – | – | – |
| **Total expenses from transactions** | **(731,875)** | **(380,898)** | **–** | **(93,966)** | **(20,790)** | **(26,908)** |
| **Net result from transactions (net operating balance)** | **21,636** | **6,562** | **–** | **537** | **(3,948)** | **5,429** |
| Other economic flows included in net result |  |  |  |  |  |  |
| Net gain/(loss) on non-financial assets | 1,954 | 1,783 | – | 2 | 98 | 31 |
| Net gain/(loss) on financial instruments | (1,173) | (7) | – | – | (3) | – |
| Other gains/(losses) from other economic flows | 774 | (113) | – | (2) | 39 | (31) |
| **Total other economic flows included in net result** | **1,555** | **1,663** | **–** | **–** | **134** | **–** |
| **Net result** | **23,191** | **8,225** | **–** | **537** | **(3,814)** | **5,429** |
| Other economic flows – other comprehensive income |  |  |  |  |  |  |
| Items that will not be classified to net result |  |  |  |  |  |  |
| Net changes in physical asset revaluation surplus | – | 19,980 | – | – | – | 2,746 |
| **Total other economic flows –other non-owner changes in equity** | **–** | **19,980** | **–** | **–** | **–** | **2,746** |
| **Comprehensive result** | **23,191** | **28,205** | **–** | **537** | **(3,814)** | **8,175** |

Note:

(i) These outputs were transferred to the department on 1 January 2023. Comparatives reported are for 6 months only – 1 Jan 2023 to 30 June 2023. Refer to Note 4.3.

(ii) These outputs were transferred to the Department of Transport and Planning on 1 January 2023. Comparatives reported for 6 months (1 July 2022 to 31 Dec 2022). Refer to Note 4.3.

#### 4.1.2 Departmental Outputs – Controlled comprehensive operating statement (continued)

|  | Effective Water Management and  Supply 2024 $’000 | Effective Water Management and  Supply 2023 $’000 | Energy 2024 $’000 | Energy 2023 $’000 | Environment and Biodiversity 2024 $’000 | Environment and Biodiversity 2023 $’000 |
| --- | --- | --- | --- | --- | --- | --- |
| Income from transactions |  |  |  |  |  |  |
| Output appropriations | 268,925 | 332,904 | 346,376 | 1,116,815 | 79,309 | 136,973 |
| Special output appropriations | 224 | – | – | – | 1,893 | – |
| Sale of goods and services | 10,581 | 11,024 | 6 | 32 | 24,333 | 20,528 |
| Municipal and Industrial Waste Levy | – | – | – | – | – | – |
| Metropolitan Parks Improvement Rate | – | – | – | – | – | – |
| Grants | 5,613 | 4,741 | 7,239 | (65) | 388 | 58 |
| Interest income | 1 | 1 | 1,603 | 1,078 | – | – |
| Other income | (416) | (4,314) | 6,720 | 19,641 | 90,683 | 91,620 |
| **Total revenue and income from transactions** | **284,928** | **344,356** | **361,944** | **1,137,501** | **196,606** | **249,179** |
| Expenses from transactions |  |  |  |  |  |  |
| Employee expenses | (67,389) | (57,771) | (80,150) | (65,111) | (55,328) | (62,347) |
| Grants and other transfers | (152,631) | (216,920) | (162,372) | (946,612) | (61,559) | (79,008) |
| Supplies and services | (65,266) | (66,639) | (90,249) | (79,725) | (31,047) | (63,786) |
| Depreciation and amortisation | (8,706) | (7,995) | (2,431) | (1,995) | (3,017) | (3,037) |
| Interest expense | (10) | 143 | (4,127) | (3,829) | (22) | 59 |
| Initial recognition expense from financial liabilities | – | – | – | (22,219) | – | – |
| Loan repayments transferred to the administered entity | – | – | – | – | – | – |
| **Total expenses from transactions** | **(294,002)** | **(349,182)** | **(339,329)** | **(1,119,491)** | **(150,973)** | **(208,119)** |
| **Net result from transactions (net operating balance)** | **(9,074)** | **(4,826)** | **22,615** | **18,010** | **45,633** | **41,060** |
| Other economic flows included in net result |  |  |  |  |  |  |
| Net gain/(loss) on non-financial assets | 1,233 | 150 | (56) | (1,209) | 637 | 863 |
| Net gain/(loss) on financial instruments | (34) | (5) | (28,565) | (176,505) | (14) | (3) |
| Other gains/(losses) from other economic flows | 471 | (198) | 379 | (265) | 195 | (138) |
| Total other economic flows included in net result | 1,670 | (53) | (28,242) | (177,979) | 818 | 722 |
| Net result | (7,404) | (4,879) | (5,627) | (159,969) | 46,451 | 41,782 |
| Other economic flows –other comprehensive income |  |  |  |  |  |  |
| Items that will not be classified to net result |  |  |  |  |  |  |
| Net changes in physical asset revaluation surplus | – | 17,580 | – | 23,476 | – | 12,217 |
| **Total other economic flows –other non-owner changes in equity** | **–** | **17,580** | **–** | **23,476** | **–** | **12,217** |
| **Comprehensive result** | **(7,404)** | **12,701** | **(5,627)** | **(136,493)** | **46,451** | **53,999** |

#### 4.1.2 Departmental Outputs – Controlled comprehensive operating statement (continued)

|  | Fire and Emergency Management 2024 $’000 | Fire and Emergency Management 2023 $’000 | Land Use Victoria(i) 2024 $’000 | Land Use Victoria(i) 2023 $’000 | Management of Public Land and  Forest 2024 $’000 | Management of Public Land and  Forest 2023 $’000 |
| --- | --- | --- | --- | --- | --- | --- |
| Income from transactions |  |  |  |  |  |  |
| Output appropriations | 581,876 | 597,736 | – | 107,976 | 294,245 | 265,719 |
| Special output appropriations | – | – | – | – | – | – |
| Sale of goods and services | 2,551 | 2,325 | – | 18,285 | 380 | 1,888 |
| Municipal and Industrial Waste Levy | – | – | – | – | – | – |
| Metropolitan Parks Improvement Rate | – | – | – | – | 94,410 | 103,985 |
| Grants | 7,251 | 15,288 | – | (9) | (478) | 4,070 |
| Interest income | 982 | 674 | – | – | 7,300 | 4,978 |
| Other income | 12,712 | 7,030 | – | (31) | 8,911 | 37,424 |
| **Total revenue and income from transactions** | **605,372** | **623,053** | **–** | **126,221** | **404,768** | **418,064** |
| Expenses from transactions |  |  |  |  |  |  |
| Employee expenses | (278,886) | (228,355) | – | (34,426) | (112,680) | (105,457) |
| Grants and other transfers | (99,947) | (145,787) | – | (235) | (188,496) | (239,558) |
| Supplies and services | (216,615) | (185,930) | – | (102,235) | (52,330) | (61,868) |
| Depreciation and amortisation | (59,643) | (56,582) | – | (1,123) | (13,890) | (11,770) |
| Interest expense | (1,255) | (508) | – | 19 | (52) | 174 |
| Initial recognition expense from financial liabilities | – | – | – | – | – | – |
| Loan repayments transferred to the administered entity | – | – | – | – | – | – |
| **Total expenses from transactions** | **(656,346)** | **(617,162)** | **–** | **(138,000)** | **(367,448)** | **(418,479)** |
| **Net result from transactions (net operating balance)** | **(50,974)** | **5,891** | **–** | **(11,779)** | **37,320** | **(415)** |
| Other economic flows included in net result |  |  |  |  |  |  |
| Net gain/(loss) on non–financial assets | 5,026 | 32,807 | – | 117 | 9,785 | (196,749) |
| Net gain/(loss) on financial instruments | (64) | (18) | – | (1) | (26) | (6) |
| Other gains/(losses) from other economic flows | 881 | (769) | – | (35) | 360 | (262) |
| **Total other economic flows included in net result** | **5,843** | **32,020** | **–** | **81** | **10,119** | **(197,017)** |
| **Net result** | **(45,131)** | **37,911** | **–** | **(11,698)** | **47,439** | **(197,432)** |
| Other economic flows – other comprehensive income |  |  |  |  |  |  |
| Items that will not be classified to net result |  |  |  |  |  |  |
| Net changes in physical asset revaluation surplus | – | 68,163 | – | – | – | 23,200 |
| **Total other economic flows – other non-owner changes in equity** | **–** | **68,163** | **–** | **–** | **–** | **23,200** |
| **Comprehensive result** | **(45,131)** | **106,074** | **–** | **(11,698)** | **47,439** | **(174,232)** |

Note:

(i) These outputs were transferred to the Department of Transport and Planning on 1 January 2023. Comparatives reported are for 6 months (1 July 2022 to 31 Dec 2022). Refer to Note 4.3.

#### 4.1.2 Departmental Outputs – Controlled comprehensive operating statement (continued)

|  | Parks Victoria 2024 $’000 | Parks Victoria 2023 $’000 | Planning and Heritage(i) 2024 $’000 | Planning and Heritage(i) 2023 $’000 | Resources(ii) 2024 $’000 | Resources(ii) 2023 $’000 |
| --- | --- | --- | --- | --- | --- | --- |
| Income from transactions |  |  |  |  |  |  |
| Output appropriations | 72,165 | 49,744 | – | 59,734 | 49,446 | 25,414 |
| Special output appropriations | – | 800 | – | 63,705 | – | – |
| Sale of goods and services | – | 2 | – | 1 | – | 705 |
| Municipal and Industrial Waste Levy | – | – | – | – | – | – |
| Metropolitan Parks Improvement Rate | 105,969 | 102,219 | – | – | – | – |
| Grants | 3,001 | (5) | – | 4,402 | 1 | 222 |
| Interest income | – | – | – | 3,295 | – | – |
| Other income | 2,458 | 21,201 | – | 38 | 60 | 436 |
| **Total revenue and income from transactions** | **183,593** | **173,961** | **–** | **131,175** | **49,507** | **26,777** |
| Expenses from transactions |  |  |  |  |  |  |
| Employee expenses | (2,519) | (1,222) | – | (32,548) | (33,721) | (16,392) |
| Grants and other transfers | (173,557) | (160,987) | – | (27,100) | (610) | (808) |
| Supplies and services | (14,351) | (1,342) | – | (13,427) | (16,480) | (10,165) |
| Depreciation and amortisation | (484) | (146) | – | (1,330) | (1,331) | (506) |
| Interest expense | (1) | 15 | – | 6 | (10) | 17 |
| Initial recognition expense from financial liabilities | – | – | – | – | – | – |
| Loan repayments transferred to the administered entity | – | – | – | – | – | – |
| **Total expenses from transactions** | **(190,912)** | **(163,682)** | **–** | **(74,399)** | **(52,152)** | **(27,854)** |
| **Net result from transactions (net operating balance)** | **(7,319)** | **10,279** | **–** | **56,776** | **(2,645)** | **(1,077)** |
| Other economic flows included in net result |  |  |  |  |  |  |
| Net gain/(loss) on non–financial assets | 193 | 20 | – | 2,884 | 425 | 93 |
| Net gain/(loss) on financial instruments | (6) | – | – | – | (9) | (1) |
| Other gains/(losses) from other economic flows | 76 | (20) | – | (11) | 121 | (31) |
| **Total other economic flows included in net result** | **263** | **–** | **–** | **2,873** | **537** | **61** |
| **Net result** | **(7,056)** | **10,279** | **–** | **59,649** | **(2,108)** | **(1,016)** |
| Other economic flows – other comprehensive income |  |  |  |  |  |  |
| Items that will not be classified to net result |  |  |  |  |  |  |
| Net changes in physical asset revaluation surplus | – | 1,732 | – | – | – | 2,819 |
| **Total other economic flows – other non-owner changes in equity** | **–** | **1,732** | **–** | **–** | **–** | **2,819** |
| **Comprehensive result** | **(7,056)** | **12,011** | **–** | **59,649** | **(2,108)** | **1,803** |

Note:

(i) These outputs were transferred to the Department of Transport and Planning on 1 January 2023. Comparatives reported are for 6 months (1 July 2022 to 31 Dec 2022). Refer to Note 4.3.

(ii) These outputs were transferred to the department on 1 January 2023. Comparatives reported are for 6 months only – 1 Jan 2023 to 30 June 2023. Refer to Note 4.3.

#### 4.1.2 Departmental Outputs – Controlled comprehensive operating statement (continued)

|  | Solar Homes 2024 $’000 | Solar Homes 2023 $’000 | Statutory Activities and Environmental Protection(i) 2024 $’000 | Statutory Activities and Environmental Protection(i) 2023 $’000 | Waste and Recycling 2024 $’000 | Waste and Recycling 2023 $’000 | Total 2024 $’000 | Total 2023 $’000 |
| --- | --- | --- | --- | --- | --- | --- | --- | --- |
| Income from transactions |  |  |  |  |  |  |  |  |
| Output appropriations | 137,525 | 158,349 | 1,944 | 1,240 | 24,924 | 21,872 | 2,561,891 | 3,355,969 |
| Special output appropriations | – | – | – | – | – | – | 2,117 | 64,505 |
| Sale of goods and services | – | 10 | – | – | 77,665 | 68,069 | 146,238 | 148,975 |
| Municipal and Industrial Waste Levy | – | – | 474,401 | 479,212 | – | – | 474,401 | 479,212 |
| Metropolitan Parks Improvement Rate | – | – | – | – | – | – | 200,379 | 206,204 |
| Grants | 2 | 615 | – | – | 1 | 1,114 | 23,249 | 24,906 |
| Interest income | 7,447 | 7,539 | 9,537 | 2,951 | – | – | 29,375 | 21,497 |
| Other income | 1,070 | 181 | (137,256) | (176,409) | 43,670 | 61,469 | 60,351 | 69,532 |
| **Total revenue and income from transactions** | **146,044** | **166,694** | **348,626** | **306,994** | **146,260** | **152,524** | **3,498,001** | **4,370,800** |
| Expenses from transactions |  |  |  |  |  |  |  |  |
| Employee expenses | (31,827) | (29,580) | (1,263) | (1,271) | (23,536) | (22,138) | (876,557) | (755,971) |
| Grants and other transfers | (89,586) | (110,865) | (152,911) | (132,478) | (37,514) | (49,340) | (1,485,655) | (2,401,657) |
| Supplies and services | (17,038) | (17,094) | (196) | 250 | (84,635) | (73,481) | (736,479) | (763,530) |
| Depreciation and amortisation | (1,383) | (633) | – | – | (540) | (949) | (115,211) | (96,301) |
| Interest expense | (10,356) | (6,052) | – | – | (6) | 40 | (40,716) | (22,055) |
| Initial recognition expense from financial liabilities | – | – | – | – | – | – | – | (22,219) |
| Loan repayments transferred to the administered entity | (56,571) | (52,886) | – | – | – | – | (56,571) | (52,886) |
| **Total expenses from transactions** | **(206,761)** | **(217,110)** | **(154,370)** | **(133,499)** | **(146,231)** | **(145,868)** | **(3,311,189)** | **(4,114,619)** |
| **Net result from transactions (net operating balance)** | **(60,717)** | **(50,416)** | **194,256** | **173,495** | **29** | **6,656** | **186,812** | **256,181** |
| Other economic flows included in net result |  |  |  |  |  |  |  |  |
| Net gain/(loss) on non-financial assets | 540 | 82 | – | – | 221 | 177 | 20,056 | (158,950) |
| Net gain/(loss) on financial instruments | 47 | (451) | – | – | (5) | (1) | (29,852) | (176,998) |
| Other gains/(losses) from other economic flows | 214 | (81) | – | – | 73 | (61) | 3,583 | (2,016) |
| **Total other economic flows included in net result** | **801** | **(450)** | **–** | **–** | **289** | **115** | **(6,213)** | **(337,964)** |
| **Net result** | **(59,916)** | **(50,866)** | **194,256** | **173,495** | **318** | **6,771** | **180,599** | **(81,783)** |
| Other economic flows – other comprehensive income |  |  |  |  |  |  |  |  |
| Items that will not be classified to net result |  |  |  |  |  |  |  |  |
| Net changes in physical asset revaluation surplus | – | 7,187 | – | – | – | 5,419 | – | 184,519 |
| **Total other economic flows – other non-owner changes in equity** | **–** | **7,187** | **–** | **–** | **–** | **5,419** | **–** | **184,519** |
| **Comprehensive result** | **(59,916)** | **(43,679)** | **194,256** | **173,495** | **318** | **12,190** | **180,599** | **102,736** |

Note:

(i) The Sustainability Fund Trust Account within the Statutory Activities and Environmental Protection Output makes transfer payments to fund on-going works to other DEECA Outputs.

* + 1. Departmental Outputs – Controlled assets and liabilities

|  | Agriculture(i) 2024 $’000 | Agriculture(i) 2023 $’000 | Building(ii) 2024 $’000 | Building(ii) 2023 $’000 | Climate Action 2024 $’000 | Climate Action 2023 $’000 |
| --- | --- | --- | --- | --- | --- | --- |
| Assets |  |  |  |  |  |  |
| Financial assets |  |  |  |  |  |  |
| Cash and cash deposits | 212,946 | 193,434 | – | – | 3,028 | 6,780 |
| Receivables | 244,617 | 121,633 | – | – | 10,859 | 14,882 |
| Derivative financial instruments | – | – | – | – | – | – |
| Investments and other financial assets | 2,193 | 2,483 | – | – | – | – |
| **Total financial assets** | **459,756** | **317,550** | **–** | **–** | **13,887** | **21,662** |
| Non–financial assets |  |  |  |  |  |  |
| Property, plant and equipment | 768,892 | 740,899 | – | – | 4,555 | 8,224 |
| Non–financial physical assets classified as held for sale | 162 | 57 | – | – | 8 | 10 |
| Intangible assets | 2,068 | 335 | – | – | – | 10 |
| Prepayments | 985 | 281 | – | – | 39 | 28 |
| Other non–financial assets | 2,561 | 4,379 | – | – | – | 1 |
| **Total non–financial assets** | **774,668** | **745,951** | **–** | **–** | **4,602** | **8,273** |
| **Total assets** | **1,234,424** | **1,063,501** | **–** | **–** | **18,489** | **29,935** |
| Liabilities |  |  |  |  |  |  |
| Payables | 96,587 | 121,470 | – | – | 571 | 818 |
| Other financial liabilities | – | – | – | – | – | – |
| Borrowings | 362,554 | 390,329 | – | – | 227 | 266 |
| Employee related provisions | 55,873 | 52,032 | – | – | 3,389 | 2,861 |
| Other provisions | 16,295 | 808 | – | – | 83 | 112 |
| Derivative financial instruments | – | – | – | – | – | – |
| Other liabilities | 1,704 | 1,970 | – | – | 1 | 1 |
| **Total Liabilities** | **533,013** | **566,609** | **–** | **–** | **4,271** | **4,058** |
| **Net Asset** | **701,411** | **496,892** | **–** | **–** | **14,218** | **25,877** |

Note:

(i) These outputs were transferred to the department on 1 January 2023. Refer to Note 4.3.

(ii) These outputs were transferred to the Department of Transport and Planning on 1 January 2023. There are no balances in either 2023 or 2024 and are included here for completeness and to align to Note 4.1.2.

#### 4.1.3 Departmental Outputs – Controlled assets and liabilities (continued)

|  | Effective Water Management and Supply 2024 $’000 | Effective Water Management and Supply 2023 $’000 | Energy 2024 $’000 | Energy 2023 $’000 | Environment and Biodiversity 2024 $’000 | Environment and Biodiversity 2023 $’000 |
| --- | --- | --- | --- | --- | --- | --- |
| Assets |  |  |  |  |  |  |
| Financial assets |  |  |  |  |  |  |
| Cash and cash deposits | 41,108 | 41,705 | 179,172 | 180,493 | 218,703 | 200,162 |
| Receivables | 132,112 | 95,857 | 119,201 | 144,057 | 54,669 | 67,009 |
| Derivative financial instruments | – | – | 68,901 | 147,127 | – | – |
| Investments and other financial assets | – | – | – | – | – | – |
| **Total financial assets** | **173,220** | **137,562** | **367,274** | **471,677** | **273,372** | **267,171** |
| Non-financial assets |  |  |  |  |  |  |
| Property, plant and equipment | 150,453 | 149,634 | 39,991 | 66,085 | 161,677 | 145,869 |
| Non-financial physical assets classified as held for sale | 98 | 50 | 362 | 2,809 | 41 | 11 |
| Intangible assets | – | 64 | – | 85 | 267 | 1,051 |
| Prepayments | 810 | 220 | 469 | 320 | 210 | 1,997 |
| Other non-financial assets | 3 | 6 | 3 | 7 | 1 | 6 |
| **Total non-financial assets** | **151,364** | **149,974** | **40,825** | **69,306** | **162,196** | **148,934** |
| **Total assets** | **324,584** | **287,536** | **408,099** | **540,983** | **435,568** | **416,105** |
| Liabilities |  |  |  |  |  |  |
| Payables | 38,315 | 32,008 | 68,524 | 90,518 | 4,013 | 14,195 |
| Other financial liabilities | – | – | 211,014 | 207,672 | – | – |
| Borrowings | 2,357 | 1,556 | 1,846 | 1,815 | 4,194 | 3,932 |
| Employee related provisions | 18,083 | 16,589 | 15,968 | 17,091 | 20,589 | 22,051 |
| Other provisions | 3,001 | 719 | 3,068 | 7,086 | 415 | 499 |
| Derivative financial instruments | – | – | 14,913 | 20,394 | – | – |
| Other liabilities | 18 | 5 | 15 | 7 | 7 | 3 |
| **Total Liabilities** | **61,774** | **50,877** | **315,348** | **344,583** | **29,218** | **40,680** |
| **Net Asset** | **262,810** | **236,659** | **92,751** | **196,400** | **406,350** | **375,425** |

#### 4.1.3 Departmental Outputs – Controlled assets and liabilities (continued)

|  | Fire and Emergency Management 2024 $’000 | Fire and Emergency Management 2023 $’000 | Land Use Victoria(i) 2024 $’000 | Land Use Victoria(i) 2023 $’000 | Management of Public Land and Forest 2024 $’000 | Management of Public Land and Forest 2023 $’000 |
| --- | --- | --- | --- | --- | --- | --- |
| Assets |  |  |  |  |  |  |
| Financial assets |  |  |  |  |  |  |
| Cash and cash deposits | 79,406 | 122,932 | – | – | 265,146 | 134,638 |
| Receivables | 247,124 | 369,477 | – | – | 101,953 | 127,427 |
| Derivative financial instruments | – | – | – | – | – | – |
| Investments and other financial assets | – | – | – | – | – | – |
| **Total financial assets** | **326,530** | **492,409** | **–** | **–** | **367,099** | **262,065** |
| Non–financial assets |  |  |  |  |  |  |
| Property, plant and equipment | 1,129,495 | 1,143,686 | – | – | 7,601,491 | 7,602,177 |
| Non-financial physical assets classified as held for sale | 184 | 196 | – | – | 94 | 4,095 |
| Intangible assets | 7,002 | 11,178 | – | – | 1,057 | 367 |
| Prepayments | 916 | 692 | – | – | 4,052 | 293 |
| Other non–financial assets | 17,986 | 23,224 | – | – | 639 | 643 |
| **Total non–financial assets** | **1,155,583** | **1,178,976** | **–** | **–** | **7,607,333** | **7,607,575** |
| **Total assets** | **1,482,113** | **1,671,385** | **–** | **–** | **7,974,432** | **7,869,640** |
| Liabilities |  |  |  |  |  |  |
| Payables | 12,825 | 22,607 | – | – | 10,046 | 21,614 |
| Other financial liabilities | – | – | – | – | – | – |
| Borrowings | 41,364 | 36,198 | – | – | 3,901 | 3,448 |
| Employee related provisions | 68,164 | 62,042 | – | – | 31,131 | 25,852 |
| Other provisions | 1,874 | 3,611 | – | – | 68,457 | 75,092 |
| Derivative financial instruments | – | – | – | – | – | – |
| Other liabilities | 34 | 19 | – | – | 3,645 | 7 |
| **Total Liabilities** | **124,261** | **124,477** | **–** | **–** | **117,180** | **126,013** |
| **Net Asset** | **1,357,852** | **1,546,908** | **–** | **–** | **7,857,252** | **7,743,627** |

Note:

(i) These outputs were transferred to the Department of Transport and Planning on 1 January 2023. There are no balances in either 2023 or 2024 and are included here for completeness and to align to Note 4.1.2.

#### 4.1.3 Departmental Outputs – Controlled assets and liabilities (continued)

|  | Parks Victoria 2024 $’000 | Parks Victoria 2023 $’000 | Planning and Heritage(i) 2024 $’000 | Planning and Heritage(i) 2023 $’000 | Resources(ii) 2024 $’000 | Resources(ii) 2023 $’000 |
| --- | --- | --- | --- | --- | --- | --- |
| Assets |  |  |  |  |  |  |
| Financial assets |  |  |  |  |  |  |
| Cash and cash deposits | 1,293 | 106,674 | – | – | 12,914 | 11,273 |
| Receivables | 21,410 | 9,446 | – | – | 27,013 | 11,100 |
| Derivative financial instruments | – |  | – | – | – | – |
| Investments and other financial assets | – |  | – | – | 71 | 71 |
| **Total financial assets** | **22,703** | **116,120** | **–** | **–** | **39,998** | **22,444** |
| Non–financial assets |  |  |  |  |  |  |
| Property, plant and equipment | 7,999 | 4,869 | – | – | 16,222 | 11,669 |
| Non-financial physical assets classified as held for sale | 16 | 5 | – | – | 25 | 8 |
| Intangible assets | – | 6 | – | – | – | 10 |
| Prepayments | 97 | 25 | – | – | 306 | 326 |
| Other non-financial assets | 1 | 1 | – | – | 1 | 1 |
| **Total non-financial assets** | **8,113** | **4,906** | **–** | **–** | **16,554** | **12,014** |
| **Total assets** | **30,816** | **121,026** | **–** | **–** | **56,552** | **34,458** |
| Liabilities |  |  |  |  |  |  |
| Payables | 5,702 | 3,420 | – | – | 7,746 | 2,273 |
| Other financial liabilities | – | – | – | – | – | – |
| Borrowings | 333 | 127 | – | – | 1,539 | 1,257 |
| Employee related provisions | 720 | 310 | – | – | 8,349 | 7,239 |
| Other provisions | 162 | 71 | – | – | 9,141 | 11,229 |
| Derivative financial instruments | – | – | – | – | – | – |
| Other liabilities | 3 | – | – | – | 1,542 | 4,245 |
| **Total Liabilities** | **6,920** | **3,928** | **–** | **–** | **28,317** | **26,243** |
| **Net Asset** | **23,896** | **117,098** | **–** | **–** | **28,235** | **8,215** |

Note:

(i) These outputs were transferred to the Department of Transport and Planning on 1 January 2023. There are no balances in either 2023 or 2024 and are included here for completeness and to align to Note 4.1.2.

(ii) These outputs were transferred to the department on 1 January 2023. Refer to Note 4.3.

#### 4.1.3 Departmental Outputs – Controlled assets and liabilities (continued)

|  | Solar Homes 2024 $’000 | Solar Homes 2023 $’000 | Statutory Activities and Environmental Protection(i) 2024 $’000 | Statutory Activities and Environmental Protection(i) 2023 $’000 | Waste and Recycling 2024 $’000 | Waste and Recycling 2023 $’000 | Total 2024 $’000 | Total 2023 $’000 |
| --- | --- | --- | --- | --- | --- | --- | --- | --- |
| Assets |  |  |  |  |  |  |  |  |
| Financial assets |  |  |  |  |  |  |  |  |
| Cash and cash deposits | 4,414 | 3,130 | 403,079 | 200,217 | 28,526 | 49,098 | 1,449,735 | 1,250,537 |
| Receivables | 149,563 | 131,817 | 250,554 | 258,328 | 33,699 | 47,141 | 1,392,774 | 1,398,173 |
| Derivative financial instruments | – | – | – | – | – | – | 68,901 | 147,127 |
| Investments and other financial assets | – | – | – | – | – | – | 2,264 | 2,554 |
| **Total financial assets** | **153,977** | **134,947** | **653,633** | **458,545** | **62,225** | **96,239** | **2,913,674** | **2,798,391** |
| Non–financial assets |  |  |  |  |  |  |  |  |
| Property, plant and equipment | 22,625 | 20,416 | – | – | 7,804 | 15,415 | 9,911,204 | 9,908,944 |
| Non-financial physical assets classified as held for sale | 45 | 20 | – | – | 15 | 15 | 1,050 | 7,276 |
| Intangible assets | – | 26 | – | – | – | 20 | 10,394 | 13,152 |
| Prepayments | 22,858 | 47,330 | (1) | (1) | 172 | 194 | 30,913 | 51,706 |
| Other non-financial assets | 2 | 2 | – | – | (1) | 2 | 21,196 | 28,272 |
| **Total non-financial assets** | **45,530** | **67,794** | **(1)** | **(1)** | **7,990** | **15,646** | **9,974,757** | **10,009,350** |
| **Total assets** | **199,507** | **202,741** | **653,632** | **458,544** | **70,215** | **111,885** | **12,888,431** | **12,807,741** |
| Liabilities |  |  |  |  |  |  |  |  |
| Payables | 27,961 | 49,855 | 23,330 | 22,497 | 10,534 | 10,371 | 306,154 | 391,647 |
| Other financial liabilities | – | – | – | – | – | – | 211,014 | 207,672 |
| Borrowings | 1,022 | 641 | – | – | 427 | 659 | 419,764 | 440,228 |
| Employee related provisions | 5,673 | 4,893 | 166 | 152 | 4,758 | 6,907 | 232,863 | 218,019 |
| Other provisions | 15,155 | 18,308 | – | – | 115 | 461 | 117,766 | 117,994 |
| Derivative financial instruments | – | – | – | – | – | – | 14,913 | 20,394 |
| Other liabilities | 8 | 2 | – | – | 4,536 | 9,737 | 11,513 | 15,997 |
| **Total Liabilities** | **49,819** | **73,699** | **23,496** | **22,649** | **20,370** | **28,135** | **1,313,987** | **1,411,951** |
| **Net Asset** | **149,688** | **129,042** | **630,136** | **435,895** | **49,845** | **83,750** | **11,574,444** | **11,395,790** |

* 1. Administered (non-controlled) items

In addition to the specific departmental operations which are controlled and included in the financial statements (balance sheet, comprehensive operating statement, cash flow statement and statement of changes in equity), the department administers or manages other activities and resources on behalf of the state. The department does not gain control over assets arising from transactions listed below and consequently no income is recognised in the department’s financial statements. Accordingly, the amounts is disclosed as income in the schedule of Administered Items. The transactions and balances relating to these activities are reported as administered items in this note.

* + 1. Administered income and expenses

|  | Agriculture(i) 2024 $’000 | Agriculture(i) 2023 $’000 | Building(ii) 2024 $’000 | Building(ii) 2023 $’000 | Climate Action 2024 $’000 | Climate Action 2023 $’000 |
| --- | --- | --- | --- | --- | --- | --- |
| Administered revenue and income from transactions |  |  |  |  |  |  |
| Appropriations – payments on behalf of the state (POBOS) | – | – | – | – | – | – |
| Interest income | 216 | 103 | – | – | – | – |
| Sales of goods and services | 66,070 | 43,202 | – | – | 2 | – |
| Royalties, land leases and licences | – | 1 | – | – | – | – |
| Land titles income | – | – | – | – | – | – |
| Environmental contribution | – | – | – | – | – | – |
| Grants | 1,274 | – | – | – | – | – |
| Assets received free of charge | – | – | – | – | – | – |
| Other income and loan repayments transferred from the controlled entity | 85 | 16 | – | – | 3 | 2 |
| **Total administered revenue and income from transactions** | **67,645** | **43,322** | **–** | **–** | **5** | **2** |
| Administered expenses from transactions |  |  |  |  |  |  |
| Grants and other transfers | – | – | – | – | – | – |
| Victorian Desalination Project interest expense (Note 4.2.4) | – | – | – | – | – | – |
| Other expenses | – | – | – | – | – | – |
| Depreciation and amortisation | – | – | – | – | – | – |
| Other expenses associated with jointly controlled assets | – | – | – | – | – | – |
| Payments into the consolidated fund | (57,516) | (43,961) | – | – | (135) | (2) |
| **Total administered expenses from transactions** | **(57,516)** | **(43,961)** | **–** | **–** | **(135)** | **(2)** |
| **Total administered net result from transactions (net operating balance)** | **10,129** | **(639)** |  |  | **(130)** | **–** |
| Administered other economic flows included in net result |  |  |  |  |  |  |
| Net gain/(loss) on non-financial assets | (2,341) | (63) | – | – | – | (9) |
| Net gain/(loss) on financial instruments | 28 | 5 | – | – | 1 | 1 |
| Share of net profit/(loss) of joint venturers (Note 4.2.3(b)) | – | – | – | – | – | – |
| Other gains/(losses) from other economic flows | – | – | – | – | – | – |
| **Total administered other economic flows included in net result** | **(2,313)** | **(58)** | **–** | **–** | **1** | **(8)** |
| **Administered net result** | **7,816** | **(697)** | **–** | **–** | **(129)** | **(8)** |
| **Other comprehensive income** | **–** | **–** | **–** | **–** | **–** | **–** |
| **Administered comprehensive result** | **7,816** | **(697)** | **–** | **–** | **(129)** | **(8)** |

Note:

(i) These outputs were transferred to the department on 1 January 2023. Comparatives reported are for 6 months only – 1 Jan 2023 to 30 June 2023. Refer to Note 4.3.

(ii) These outputs were transferred to the Department of Transport and Planning on 1 January 2023. There are no balances in either 2023 or 2024 and are included here for completeness and to align to Note 4.1.2.

#### 4.2.1 Administered income and expenses (continued)

|  | Effective Water Management and Supply 2024 $’000 | Effective Water Management and Supply 2023 $’000 | Energy 2024 $’000 | Energy 2023 $’000 | Environment and Biodiversity 2024 $’000 | Environment and Biodiversity 2023 $’000 |
| --- | --- | --- | --- | --- | --- | --- |
| Administered revenue and income from transactions |  |  |  |  |  |  |
| Appropriations – payments on behalf of the state (POBOS) | 603,735 | 609,692 | 8,953 | 8,897 | – | – |
| Interest income (Note 4.2.4) | 396,272 | 400,070 | 277 | 141 | 3 | 2 |
| Sales of goods and services | 169,691 | 167,821 | 45 | 1,138 | 161 | 1,107 |
| Royalties, land leases and licences | – | – | – | – | 1,565 | 1,319 |
| Land titles income | – | – | – | – | – | – |
| Environmental contribution | 173,480 | 173,480 | – | – | – | – |
| Grants | – | – | 1,300 | – | 1,150 | 77 |
| Assets received free of charge | 41,806 | 36,281 | – | – | – | – |
| Other income and loan repayments transferred from the controlled entity | 39 | 10 | 11,685 | 7,895 | 16 | 7 |
| **Total administered revenue and income from transactions** | **1,385,023** | **1,387,354** | **22,260** | **18,071** | **2,895** | **2,512** |
| Administered expenses from transactions |  |  |  |  |  |  |
| Grants and other transfers | (31,385) | (31,429) | (8,901) | (8,897) | – | – |
| Victorian Desalination Project interest expense (Note 4.2.4) | (354,249) | (360,662) | – | – | – | – |
| Other expenses | (162,662) | (164,854) | (52) | – | – | – |
| Depreciation and amortisation | (11,752) | (11,179) | – | – | – | – |
| Other expenses associated with jointly controlled assets | – | – | – | – | – | – |
| Payments into the consolidated fund | (807,283) | (759,614) | (88,093) | (86,172) | (3,655) | (2,488) |
| **Total administered expenses from transactions** | **(1,367,331)** | **(1,327,738)** | **(97,046)** | **(95,069)** | **(3,655)** | **(2,488)** |
| **Total administered net result from transactions (net operating balance)** | **17,692** | **59,616** | **(74,786)** | **(76,998)** | **(760)** | **24** |
| Administered other economic flows included in net result |  |  |  |  |  |  |
| Net gain/(loss) on non-financial assets | 265 | 799 | (1,361) | 1,178 | (4) | (47) |
| Net gain/(loss) on financial instruments | 17 | 4 | 14 | 5 | 7 | 3 |
| Share of net profit/(loss) of joint venturers (Note 4.2.3(b)) | – | – | (1,238) | – | – | – |
| Other gains/(losses) from other economic flows | – | – | – | – | – | – |
| **Total administered other economic flows included in net result** | **282** | **803** | **(2,585)** | **1,183** | **3** | **(44)** |
| **Administered net result** | **17,974** | **60,419** | **(77,371)** | **(75,815)** | **(757)** | **(20)** |
| **Other comprehensive income** | **–** | **–** | **(763)** | **–** | **–** | **–** |
| **Administered comprehensive result** | **17,974** | **60,419** | **(78,134)** | **(75,815)** | **(757)** | **(20)** |

#### 4.2.1 Administered income and expenses (continued)

|  | Fire and Emergency Management 2024 $’000 | Fire and Emergency Management 2023 $’000 | Land Use  Victoria(i) 2024 $’000 | Land Use Victoria(i) 2023 $’000 | Management of Public Land and Forest 2024 $’000 | Management of Public Land and Forest 2023 $’000 |
| --- | --- | --- | --- | --- | --- | --- |
| Administered revenue and income from transactions |  |  |  |  |  |  |
| Appropriations – payments on behalf of the state (POBOS) | – | – | – | 1,896 | – | – |
| Interest income | – | – | – | – | – | – |
| Sales of goods and services | 39 | 3 | – | 23,101 | 17 | 22 |
| Royalties, land leases and licences | 16 | 24 | – | – | 6,750 | 11,502 |
| Land titles income | – | – | – | 241,164 | – | – |
| Environmental contribution | – | – | – | – | – | – |
| Grants | 169 | – | – | – | – | – |
| Assets received free of charge | – | – | – | – | – | – |
| Other income and loan repayments transferred from the controlled entity | 74 | 40 | – | 35,982 | 32 | 14 |
| **Total administered revenue and income from transactions** | **298** | **67** | **–** | **302,143** | **6,799** | **11,538** |
| Administered expenses from transactions |  |  |  |  |  |  |
| Grants and other transfers | – | – | – | (28,221) | – | – |
| Victorian Desalination Project interest expense (Note 4.2.4) | – | – | – | – | – | – |
| Other expenses | – | – | – | (249) | (10,108) | (14,002) |
| Depreciation and amortisation | – | – | – | (1,896) | – | – |
| Other expenses associated with jointly controlled assets | – | – | – | – | – | – |
| Payments into the consolidated fund | (3,247) | (74) | – | (281,520) | (14,684) | (20,220) |
| **Total administered expenses from transactions** | **(3,247)** | **(74)** | **–** | **(311,886)** | **(24,792)** | **(34,222)** |
| **Total administered net result from transactions (net operating balance)** | **(2,949)** | **(7)** | **–** | **(9,743)** | **(17,993)** | **(22,684)** |
| Administered other economic flows included in net result |  |  |  |  |  |  |
| Net gain/(loss) on non-financial assets | (2,319) | (572) | – | (10) | 2,896 | (8,560) |
| Net gain/(loss) on financial instruments | 31 | 16 | – | 1 | 13 | 5 |
| Share of net profit/(loss) of joint venturers (Note 4.2.3(b)) | – | – | – | – | – | – |
| Other gains/(losses) from other economic flows | – | – | – | – | – | – |
| **Total administered other economic flows included in net result** | **(2,288)** | **(556)** | **–** | **(9)** | **2,909** | **(8,555)** |
| **Administered net result** | **(5,237)** | **(563)** | **–** | **(9,752)** | **(15,084)** | **(31,239)** |
| **Other comprehensive income** | **–** | **–** | **–** | **–** | **–** | **–** |
| **Administered comprehensive result** | **(5,237)** | **(563)** | **–** | **(9,752)** | **(15,084)** | **(31,239)** |

Note:

(i) These outputs were transferred to the Department of Transport and Planning on 1 January 2023. Comparatives reported for 6 months (1 July 2022 to 31 Dec 2022). Refer to Note 4.3.

#### 4.2.1 Administered income and expenses (continued)

|  | Parks Victoria 2024 $’000 | Parks Victoria 2023 $’000 | Planning and Heritage(i) 2024 $’000 | Planning and Heritage(i) 2023 $’000 | Resources(ii) 2024 $’000 | Resources(ii) 2023 $’000 |
| --- | --- | --- | --- | --- | --- | --- |
| Administered revenue and income from transactions |  |  |  |  |  |  |
| Appropriations – payments on behalf of the state (POBOS) | – | – | – | – | – | – |
| Interest income | – | – | – | – | 164 | 67 |
| Sales of goods and services | 3 | – | – | 1,490 | 1,046 | (787) |
| Royalties, land leases and licences | – | – | – | – | 141,976 | 60,678 |
| Land titles income | – | – | – | – | – | – |
| Environmental contribution | – | – | – | – | – | – |
| Grants | – | – | – | – | – | – |
| Assets received free of charge | – | – | – | – | – | – |
| Other income and loan repayments transferred from the controlled entity | 6 | 1 | – | – | 10 | 88 |
| **Total administered revenue and income from transactions** | **9** | **1** | **–** | **1,490** | **143,196** | **60,046** |
| Administered expenses from transactions |  |  |  |  |  |  |
| Grants and other transfers | – | – | – | – | – | – |
| Victorian Desalination Project interest expense (Note 4.2.4) | – | – | – | – | – | – |
| Other expenses | – | – | – | – | – | – |
| Depreciation and amortisation | – | – | – | – | – | – |
| Other expenses associated with jointly controlled assets | – | – | – | – | – | – |
| Payments into the consolidated fund | (265) | (1) | – | (1,506) | (132,997) | (9,521) |
| **Total administered expenses from transactions** | **(265)** | **(1)** | **–** | **(1,506)** | **(132,997)** | **(9,521)** |
| **Total administered net result from transactions (net operating balance)** | **(256)** | **–** | **–** | **(16)** | **10,199** | **50,525** |
| Administered other economic flows included in net result |  |  |  |  |  |  |
| Net gain/(loss) on non-financial assets | – | (5) | – | (1,990) | – | (9) |
| Net gain/(loss) on financial instruments | 3 | – | – | – | 149 | 1 |
| Share of net profit/(loss) of joint venturers (Note 4.2.3(b)) | – | – | – | – | – | – |
| Other gains/(losses) from other economic flows | – | – | – | – | – | – |
| **Total administered other economic flows included in net result** | **3** | **(5)** | **–** | **(1,990)** | **149** | **(8)** |
| **Administered net result** | **(253)** | **(5)** | **–** | **(2,006)** | **10,348** | **50,517** |
| **Other comprehensive income** | **–** | **–** | **–** | **–** | **–** | **–** |
| **Administered comprehensive result** | **(253)** | **(5)** | **–** | **(2,006)** | **10,348** | **50,517** |

Note:

(i) These outputs were transferred to the Department of Transport and Planning on 1 January 2023. Comparatives reported for 6 months (1 July 2022 to 31 Dec 2022). Refer to Note 4.3.

(ii) These outputs were transferred to the department on 1 January 2023. Comparatives reported are for 6 months only – 1 Jan 2023 to 30 June 2023. Refer to Note 4.3.

#### 4.2.1 Administered income and expenses (continued)

|  | Solar Homes 2024 $’000 | Solar Homes 2023 $’000 | Statutory Activities and Environmental Protection(i) 2024 $’000 | Statutory Activities and Environmental Protection(i) 2023 $’000 | Waste and Recycling 2024 $’000 | Waste and Recycling 2023 $’000 | Total 2024 $’000 | Total 2023 $’000 |
| --- | --- | --- | --- | --- | --- | --- | --- | --- |
| Administered revenue and income from transactions |  |  |  |  |  |  |  |  |
| Appropriations – payments on behalf of the state (POBOS) | – | – | – | – | – | – | 612,688 | 620,485 |
| Interest income | – | – | – | – | – | – | 396,932 | 400,383 |
| Sales of goods and services | 9 | – | – | – | 3 | – | 237,086 | 237,096 |
| Royalties, land leases and licences | – | – | – | – | – | – | 150,307 | 73,523 |
| Land titles income | – | – | – | – | – | – | – | 241,164 |
| Environmental contribution | – | – | – | – | – | – | 173,480 | 173,480 |
| Grants | – | – | – | – | – | – | 3,893 | 77 |
| Assets received free of charge | – | – | – | – | – | – | 41,806 | 36,281 |
| transferred from the controlled entity(ii) | 56,589 | 52,887 | – | – | 6 | 3 | 68,545 | 96,945 |
| **Total administered revenue and income from transactions** | **56,598** | **52,887** | **–** | **–** | **9** | **3** | **1,684,737** | **1,879,434** |
| Administered expenses from transactions |  |  |  |  |  |  |  |  |
| Grants and other transfers | – | – | – | – | – | – | (40,286) | (68,547) |
| Victorian Desalination Project interest expense (Note 4.2.4) | – | – | – | – | – | – | (354,249) | (360,662) |
| Other expenses | – | – | – | – | – | – | (172,822) | (179,103) |
| Depreciation and amortisation | – | – | – | – | – | – | (11,752) | (13,076) |
| Other expenses associated with jointly controlled assets | – | – | – | – | – | – | – | – |
| Payments into the consolidated fund | (57,314) | (52,888) | – | – | (255) | (4) | (1,165,444) | (1,257,978) |
| **Total administered expenses from transactions** | **(57,314)** | **(52,888)** | **–** | **–** | **(255)** | **(4)** | **(1,744,553)** | **(1,879,366)** |
| **Total administered net result from transactions (net operating balance)** | **(716)** | **(1)** | **–** | **–** | **(246)** | **(1)** | **(59,816)** | **68** |
| Administered other economic flows included in net result |  |  |  |  |  |  |  |  |
| Net gain/(loss) on non-financial assets | – | (23) | – | – | – | (17) | (2,864) | (9,327) |
| Net gain/(loss) on financial instruments | 8 | 2 | – | – | 3 | 1 | 274 | 44 |
| Share of net profit/(loss) of joint venturers (Note 4.2.3(b)) | – | – | – | – | – | – | (1,238) | – |
| Other gains/(losses) from other economic flows | – | – | – | – | – | – | – | – |
| **Total administered other economic flows included in net result** | **8** | **(21)** | **–** | **–** | **3** | **(16)** | **(3,828)** | **(9,283)** |
| **Administered net result** | **(708)** | **(22)** | **–** | **–** | **(243)** | **(17)** | **(63,644)** | **(9,215)** |
| **Other comprehensive income** | **–** | **–** | **–** | **–** | **–** | **–** | **(763)** | **–** |
| **Administered comprehensive result** | **(708)** | **(22)** | **–** | **–** | **(243)** | **(17)** | **(64,407)** | **(9,215)** |

Note:

(i) This output does not involve administered transactions – it is included here for completeness.

(ii) Relates to the transfer of customer loan repayments under the Solar Victoria scheme from the controlled entity to be remitted to the Department of Treasury and Finance.

#### 4.2.1 Administered income and expenses (continued)

Except as otherwise disclosed, administered resources are accounted for on an accrual basis using same accounting policies adopted for recognition of the departmental items in the financial statements. Both controlled and administered items of the department are consolidated into the financial statements of the state.

***Appropriations – payments on behalf of the state (POBOS)***

Appropriation income is recognised on an accrual basis for the provision of outputs delivered through Payments on Behalf of the State.

***Interest income***

Interest income is recognised to reflect a constant periodic rate of return on the financial asset.

***Sales of goods and services***

Sales of goods and services is recognised as revenue under AASB 15. Refer to controlled entities Note 2.3.1 Sales of goods and services for further details on accounting policy. Revenue from sales of goods and services is recognised by reference to the stage of completion of the services being performed and when the department no longer has any of the significant risks and rewards of ownership of the goods transferred to the buyer.

***Royalties, land leases and licences***

Income from royalties, leases and licences of Crown land is recognised on an accrual basis under AASB 1058 Income of not-for-profit entities on the basis that the department recognises the income when received and these incomes are not derived from a contract with a customer under AASB 15 Revenue from contracts with customers. This revenue has been earned under arrangements that are not linked to enforceable or sufficiently specific performance obligations.

***Land titles income***

On 27 August 2018, Victorian Land Registry Services (VLRS), now known as Secure Electronic Registries Victoria (SERV) became responsible for providing the services of land titles and registry functions of (LUV) on behalf of the state of Victoria.

The land titles fees collected by the SERV are recognised in the operating statement on behalf of the state on an accrual basis when services are provided. The land titles function was transferred to the DTP, figures in the comparative financial year for this output reflect the period from 1 July 2022 to 31 December 2022. There were no balances at 30 June 2023 or 30 June 2024.

***Environmental contribution***

Water authorities are required to contribute towards initiatives to improve the sustainable management of water. These contributions are collected through the Environmental Contribution Levy and recognised as revenue when the department has the right to receive them on behalf of the state.

***Grants***

The department’s administered grants mainly comprise funds provided by the Commonwealth to assist the state government in meeting general or specific service delivery obligations, primarily for the purpose of aiding the financing of the operations of the recipient, capital purposes and/or for on passing to other recipients. The department also receives grants for on passing from other jurisdictions. The department does not have control over these grants, and the income is not recognised in the department’s financial statements. Grant revenue is recognised on an accrual basis under AASB 1058 Income of not-for-profit entities.

***Assets received free of charge***

On behalf of the state, the department jointly controls assets of the Murray-Darling Basin Authority. Jointly controlled assets received free of charge give rise to income, which is recognised on an accrual basis.

***Other income and loan repayments transferred from the controlled entity***

Amounts disclosed as other income include revenue recognised from unwinding of Grant of right to operate liability, the transfer of customer loan repayments under the Solar Victoria scheme from the controlled entity to be remitted to the Department of Treasury and Finance, fines, donations, regulatory fees and charges, refunds and reimbursements and other miscellaneous income.

Regulatory fees and charges, and refunds and reimbursements are recognised at the time of billing. Donations and other miscellaneous income are recognised when received.

The department does not gain control over assets arising from administered fines, consequently no income is recognised in the department’s financial statements. The department collects these amounts on behalf of the state. Accordingly, the amounts is disclosed as income.

***Share of net income/loss received from joint ventures***

The department has determined that the state’s share in the Marinus Link joint arrangement (Note 4.2.3) should be classified as a joint venture. It is accounted for using the equity method, in which the net income or loss from the arrangement is recognised as an other economic flow.

* + 1. Administered assets and liabilities

|  | Agriculture(i) 2024 $’000 | Agriculture(i) 2023 $’000 | Building(ii) 2024 $’000 | Building(ii) 2023 $’000 | Climate Action 2024 $’000 | Climate Action 2023 $’000 |
| --- | --- | --- | --- | --- | --- | --- |
| Administered financial assets |  |  |  |  |  |  |
| Cash | 138 | 78 | – | – | 7 | 11 |
| Receivables | 24,970 | 19,595 | – | – | 1,207 | 1,728 |
| Contractual receivable from Melbourne Water Corporation (Note 4.2.4) | – | – | – | – | – | – |
| Investments – accounted for using equity method | – | – | – | – | – | – |
| **Total administered financial assets** | **25,108** | **19,673** | **–** | **–** | **1,214** | **1,739** |
| Administered non-financial assets |  |  |  |  |  |  |
| Share of jointly controlled assets (Note 4.2.3) | – | – | – | – | – | – |
| Intangible assets (Note 4.2.4) | – | – | – | – | – | – |
| Intangible assets held for sale (Note 4.2.4) | – | – | – | – | – | – |
| **Total administered non-financial assets** | **–** | **–** | **–** | **–** | **–** | **–** |
| **Total administered assets** | **25,108** | **19,673** | **–** | **–** | **1,214** | **1,739** |
| Administered liabilities |  |  |  |  |  |  |
| Creditors and accruals | 2,323 | (1,463) | – | – | 117 | (203) |
| Borrowings (Note 4.2.4) | – | – | – | – | – | – |
| Unearned income | 528 | 23 | – | – | 26 | 3 |
| **Total administered liabilities** | **2,851** | **(1,440)** | **–** | **–** | **143** | **(200)** |
| **Total administered net assets** | **22,257** | **21,113** | **–** | **–** | **1,071** | **1,939** |

Note:

(i) These outputs were transferred to the department on 1 January 2023. Refer to Note 4.3.

(ii) These outputs were transferred to the Department of Transport and Planning on 1 January 2023. There are no balances in either 2023 or 2024 and are included here for completeness and to align to Note 4.1.2.

#### 4.2.2 Administered assets and liabilities (continued)

|  | Effective Water Management and Supply 2024 $’000 | Effective Water Management and Supply 2023 $’000 | Energy 2024 $’000 | Energy 2023 $’000 | Environment and Biodiversity 2024 $’000 | Environment and Biodiversity 2023 $’000 |
| --- | --- | --- | --- | --- | --- | --- |
| Administered financial assets |  |  |  |  |  |  |
| Cash | 37,593 | 36,186 | 67 | 92 | 110 | 120 |
| Receivables | 73,047 | 69,914 | 20,896 | 15,442 | 6,061 | 7,689 |
| Contractual receivable from Melbourne Water Corporation (Note 4.2.4) | 3,464,736 | 3,513,023 | – | – | – | – |
| Investments – accounted for using equity method | – | – | 55,201 | – | – | – |
| Total administered financial assets | 3,575,376 | 3,619,123 | 76,164 | 15,534 | 6,171 | 7,809 |
| Administered non-financial assets |  |  |  |  |  |  |
| Share of jointly controlled assets (Note 4.2.3) | 1,071,798 | 1,039,977 | – | – | – | – |
| Intangible assets (Note 4.2.4) | 145,484 | 108,210 | – | – | – | – |
| Intangible assets held for sale (Note 4.2.4) | – | – | 3,561 | 18,887 | – | – |
| **Total administered non-financial assets** | **1,217,282** | **1,148,187** | **3,561** | **18,887** | **–** | **–** |
| **Total administered assets** | **4,792,658** | **4,767,310** | **79,725** | **34,421** | **6,171** | **7,809** |
| Administered liabilities |  |  |  |  |  |  |
| Creditors and accruals | 59,930 | 84,590 | 3,855 | (1,733) | 586 | (902) |
| Borrowings (Note 4.2.4) | 3,114,123 | 3,169,562 | – | – | – | – |
| Unearned income | 2,032 | 1,897 | 259 | 27 | 133 | 14 |
| **Total administered liabilities** | **3,176,085** | **3,256,049** | **4,114** | **(1,706)** | **719** | **(888)** |
| **Total administered net assets** | **1,616,573** | **1,511,261** | **75,611** | **36,127** | **5,452** | **8,697** |

#### 4.2.2 Administered assets and liabilities (continued)

|  | Fire and Emergency Management 2024 $’000 | Fire and Emergency Management 2023 $’000 | Land Use Victoria(i) 2024 $’000 | Land Use Victoria(i) 2023 $’000 | Management of Public Land and Forest 2024 $’000 | Management of Public Land and Forest 2023 $’000 |
| --- | --- | --- | --- | --- | --- | --- |
| Administered financial assets |  |  |  |  |  |  |
| Cash | 157 | 267 | – | – | 87 | 114 |
| Receivables | 27,387 | 42,899 | – | – | 11,177 | 14,601 |
| Contractual receivable from Melbourne Water Corporation (Note 4.2.4) | – | – | – | – | – | – |
| Investments – accounted for using equity method | – | – | – | – | – | – |
| **Total administered financial assets** | **27,544** | **43,166** | **–** | **–** | **11,264** | **14,715** |
| Administered non-financial assets |  |  |  |  |  |  |
| Share of jointly controlled assets (Note 4.2.3) | – | – | – | – | – | – |
| Intangible assets (Note 4.2.4) | – | – | – | – | – | – |
| Intangible assets held for sale (Note 4.2.4) | – | – | – | – | – | – |
| **Total administered non-financial assets** | **–** | **–** | **–** | **–** | **–** | **–** |
| **Total administered assets** | **27,544** | **43,166** | **–** | **–** | **11,264** | **14,715** |
| Administered liabilities |  |  |  |  |  |  |
| Creditors and accruals | 2,647 | (5,032) | – | – | 1,115 | (1,708) |
| Borrowings (Note 4.2.4) | – | – | – | – | – | – |
| Unearned income | 601 | 79 | – | – | 2,051 | 1,907 |
| **Total administered liabilities** | **3,248** | **(4,953)** | **–** | **–** | **3,166** | **199** |
| **Total administered net assets** | **24,296** | **48,119** | **–** | **–** | **8,098** | **14,516** |

Note:

(i) These outputs were transferred to the Department of Transport and Planning on 1 January 2023. There are no balances in either 2023 or 2024 and are included here for completeness and to align to Note 4.1.2.

#### 4.2.2 Administered assets and liabilities (continued)

|  | Parks Victoria 2024 $’000 | Parks Victoria 2023 $’000 | Planning and Heritage(i) 2024 $’000 | Planning and Heritage(i) 2023 $’000 | Resources(ii) 2024 $’000 | Resources(ii) 2023 $’000 |
| --- | --- | --- | --- | --- | --- | --- |
| Administered financial assets |  |  |  |  |  |  |
| Cash | 14 | 7 | – | – | 5,558 | 5,084 |
| Receivables | 2,371 | 1,090 | – | – | 122,774 | 118,834 |
| Contractual receivable from Melbourne Water Corporation (Note 4.2.4) | – | – | – | – | – | – |
| Investments – accounted for using equity method | – | – | – | – | – | – |
| **Total administered financial assets** | **2,385** | **1,097** | **–** | **–** | **128,332** | **123,918** |
| Administered non-financial assets |  |  |  |  |  |  |
| Share of jointly controlled assets (Note 4.2.3) | – | – | – | – | – | – |
| Intangible assets (Note 4.2.4) | – | – | – | – | – | – |
| Intangible assets held for sale (Note 4.2.4) | – | – | – | – | – | – |
| **Total administered non-financial assets** | **–** | **–** | **–** | **–** | **–** | **–** |
| **Total administered assets** | **2,385** | **1,097** | **–** | **–** | **128,332** | **123,918** |
| Administered liabilities |  |  |  |  |  |  |
| Creditors and accruals | 229 | (128) | – | – | 362 | (208) |
| Borrowings (Note 4.2.4) | – | – | – | – | 95 | – |
| Unearned income | 52 | 2 | – | – | 982 | 903 |
| **Total administered liabilities** | **281** | **(126)** | **–** | **–** | **1,439** | **695** |
| **Total administered net assets** | **2,104** | **1,223** | **–** | **–** | **126,893** | **123,223** |

Note:

(i) These outputs were transferred to the Department of Transport and Planning on 1 January 2023. There are no balances in either 2023 or 2024 and are included here for completeness and to align to Note 4.1.2.

(ii) These outputs were transferred to the department on 1 January 2023. Refer to Note 4.3.

#### 4.2.2 Administered assets and liabilities (continued)

|  | Solar Homes 2024 $’000 | Solar Homes 2023 $’000 | Statutory Activities and Environmental Protection(i) 2024 $’000 | Statutory Activities and Environmental Protection(i) 2023 $’000 | Waste and Recycling 2024 $’000 | Waste and Recycling 2023 $’000 | Total  2024 $’000 | Total  2023 $’000 |
| --- | --- | --- | --- | --- | --- | --- | --- | --- |
| Administered financial assets |  |  |  |  |  |  |  |  |
| Cash | 38 | 28 | – | – | 13 | 21 | 43,782 | 42,008 |
| Receivables | 6,648 | 4,523 | – | – | 2,277 | 3,386 | 298,815 | 299,702 |
| Contractual receivable from Melbourne Water Corporation (Note 4.2.4) | – | – | – | – | – | – | 3,464,736 | 3,513,023 |
| Investments – accounted for using equity method | – | – | – | – | – | – | 55,201 | – |
| **Total administered financial assets** | **6,686** | **4,551** | **–** | **–** | **2,290** | **3,407** | **3,862,534** | **3,854,733** |
| Administered non-financial assets |  |  |  |  |  |  |  |  |
| Share of jointly controlled assets (Note 4.2.3) | – | – | – | – | – | – | 1,071,798 | 1,039,977 |
| Intangible assets (Note 4.2.4) | – | – | – | – | – | – | 145,484 | 108,210 |
| Intangible assets held for sale (Note 4.2.4) | – | – | – | – | – | – | 3,561 | 18,887 |
| **Total administered non-financial assets** | **–** | **–** | **–** | **–** | **–** | **–** | **1,220,843** | **1,167,074** |
| **Total administered assets** | **6,686** | **4,551** | **–** | **–** | **2,290** | **3,407** | **5,083,377** | **5,021,807** |
| Administered liabilities |  |  |  |  |  |  |  |  |
| Creditors and accruals | 642 | (531) | – | – | 220 | (397) | 72,026 | 72,287 |
| Borrowings (Note 4.2.4) | – | – | – | – | – | – | 3,114,218 | 3,169,562 |
| Unearned income | 146 | 8 | – | – | 50 | 6 | 6,860 | 4,870 |
| **Total administered liabilities** | **788** | **(523)** | **–** | **–** | **270** | **(391)** | **3,193,104** | **3,246,719** |
| **Total administered net assets** | **5,898** | **5,074** | **–** | **–** | **2,020** | **3,798** | **1,890,273** | **1,775,088** |

Note:

(i) This output does not involve administered transactions – it is included here for completeness.

Administered resources are accounted for on an accrual basis using same accounting policies adopted for recognition of the departmental items in the financial statements. Where an accounting policy is relevant for administered resources but not controlled, the policy is provided in the note below. Both controlled and administered items of the department are consolidated into the financial statements of the state.

The state’s investment in all its controlled entities is disclosed in the administered note of DTF’s financial statements. This includes the investment in DEECA’s portfolio entities.

**Contingencies and commitments**

Contingencies or commitments arising from the department’s administered items arising from the service concession arrangement are disclosed in Note 4.2.4.

Contingencies or commitments arising from the department’s interest in the joint venture are disclosed in Note 4.2.3(b) (2023: Nil).

* + 1. Administered investments

#### (a) Joint operations – Murray-Darling Basin Authority (MDBA)

The department, on behalf of the state, has an interest in the Murray-Darling Basin Authority (MDBA) represented by the River Murray Operations and the Living Murray Initiative. The department has determined that the state’s interest is classified as a joint operation as per AASB 11 Joint Arrangements and will recognise its share of jointly held assets, incurred liabilities, earned income and incurred expenses in its similar line items.

The MDBA is an independent, expertise based statutory agency responsible for developing, implementing and monitoring the Basin Plans. The MDBA undertakes activities that support the sustainable and integrated management of the water resources of the Murray-Darling Basin in a way that best meets the social, economic and environmental needs of the Basin and its communities.

Two unincorporated joint arrangements were established under the MDBA to hold the assets on behalf of the participants through separate agreements called the “Asset Agreement for River Murray Operations Assets” (RMO) and the “Further Agreement on Addressing Over Allocation and Achieving Environmental Objectives in the Murray-Darling Basin – Control and Management of Living Murray Initiative Assets” (LMI). The principal place of operation is in Australia. The participants are obliged to provide funding to the MDBA for the management of the RMO and LMI assets and operations.

The agreements in relation to the Murray Darling Basin Agreement joint arrangement require unanimous consent from all parties for all relevant activities. The participants own the infrastructure assets and water rights of the joint arrangements which are being managed through the RMO and LMI and there are no liabilities held for either RMO or LMI.

|  |  |  |  |  |
| --- | --- | --- | --- | --- |
| Name of entity | Principal activity | Country of incorporation | Ownership interest 2024 % | Ownership interest 2023 % |
| River Murray Operations | To undertake activities that support the sustainable and integrated management of water resources of the Murray-Darling Basin. RMO hold the infrastructure assets on behalf of the participants. | Australia | 26.67 | 26.67 |
| Living Murray Initiative | To improve the ecological condition of significant forests, wetlands and lakes along the River Murray. LMI holds the water entitlements on behalf of the participants. | Australia | 26.67 | 26.67 |

**Amounts recognised as joint operations**

The state’s interest in assets, liabilities, income, and expenses employed in the above joint operations is detailed below. The amounts are included in the administered financial statements under their respective categories.

|  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- |
|  | River Murray Operations 2024 $’000 | River Murray Operations 2023 $’000 | Living Murray Initiative 2024 $’000 | Living Murray Initiative 2023 $’000 | Total  2024 $’000 | Total  2023 $’000 |
| Non-current assets |  |  |  |  |  |  |
| Property, plant and equipment | 887,021 | 855,523 | – | – | 887,021 | 855,523 |
| Intangible assets | 1,086 | 1,086 | 183,691 | 183,368 | 184,777 | 184,454 |
| **Total non-current assets** | **888,107** | **856,609** | **183,691** | **183,368** | **1,071,798** | **1,039,977** |
| **Total assets** | **888,107** | **856,609** | **183,691** | **183,368** | **1,071,798** | **1,039,977** |
| Income | 4,727 | 2,156 | – | – | 4,727 | 2,156 |
| Expenses | (11,937) | (12,574) | – | – | (11,937) | (12,574) |
| **Total other economic flows included in net result** | **(234)** | **(349)** | **323** | **2,082** | **89** | **1,733** |

The accounting policies for the joint operations’ non-current assets are outlined below.

**River Murray Operations – Non-current assets**

*Asset recognition threshold*

Infrastructure assets are recognised initially at cost in the ‘Statement of Financial Position’. Infrastructure assets are not recognised unless the cost exceeds $10,000; whilst plant and equipment assets are recognised when the cost exceeds $2,000. If individual assets below the thresholds form part of a group of similar assets which are significant in total these items are required to be recognised.

*Acquisition of assets*

Assets acquired during the year are recorded at cost on acquisition. The cost of acquisition includes the fair value of assets transferred in exchange and liabilities undertaken.

*Revaluations*

Infrastructure assets are recorded at fair value (based on current replacement cost at the date of revaluation) less any subsequent accumulated depreciation and subsequent accumulated impairment losses in accordance with AASB 116 Property, Plant and Equipment, AASB 13 Fair Value Measurement and AASB 136 Impairment of Assets.

Infrastructure assets are revalued by an independent external asset valuer on behalf of the Authority on a three-year cycle. An independent external valuation was undertaken for the financial year ended 30 June 2022. In the intervening two years of the revaluation cycle, infrastructure asset values are assessed by means of an internal management valuation. The latter is an indexation-based valuation using the relevant market indices.

Work in progress, flooding easements, and equitable interest in land are carried at cost less any impairment.

**Living Murray Initiative – Intangible assets (water entitlements)**

The Authority and the Living Murray governments undertake market based and infrastructure improvements based savings measures to recover water entitlements. On completion, a measure is recorded on the ‘Environmental Water Register’ and recognised as an ‘Intangible Asset’ in the LMI – Joint Venture accounts.

Water entitlements acquired for LMI purpose are:

1. water access rights, water delivery rights, irrigation rights or other similar rights relating to water; or
2. interests in, or in relation to, such rights; that are held by a person for the purpose of the LMI.

*Work in Progress*

The Authority and the Living Murray governments undertake market based, infrastructure improvements, a mix of infrastructure and regulatory and other mechanisms based measures to recover water entitlements.

Prior to completion and formal approval of the measure, expenditure is recognised as ‘Work in Progress’ in the LMI – Joint Venture financial accounts. On completion and approval, the measure is listed in the ‘Environmental Water Register’ and recognised as an ‘Intangible Asset’.

*Valuation*

Under AASB 138 Intangible Assets, intangible assets are required to be disclosed at cost or fair value. Fair value can only be applied if it can be shown that an active market exists for all intangible assets within the same class. Water licences are considered intangible assets and it has been assessed by an independent expert that there was no active market for water entitlements consistent with the recognition criteria set out in AASB 13 Fair Value Measurement. Accordingly, these licences (both completed measures and work in progress) are carried at cost less any accumulated amortisation and impairment losses.

In the event of the availability of the water allocation, a measure within a Work in Progress can be listed as an ‘Interim Listing’ in the ‘Environmental Water Register’. A measure will remain in Work in Progress until the proponent is satisfied that the project is complete.

#### (b) Joint operations – Marinus Link

On 22 March 2024, the state acquired a 33.33% shareholding in Marinus Link Pty Ltd (MLPL), a company owned by the Australian, Tasmanian and Victorian governments with responsibility for progressing the Marinus Link interconnector project. The project is a proposed undersea and underground electricity and telecommunications interconnector between North West Tasmania and the Latrobe Valley in Victoria that will enable the flow of more electricity in both directions into the National energy market.

The department administers the investment on behalf of the state and has determined that the state’s interest in the company is classified as a joint venture as per AASB 11 Joint Arrangements as all relevant decisions of the company require unanimous support of the 3 governments. As a joint venture, the department will account for its investment using the equity method.

After initially recognising the investment in the balance sheet, the equity method requires the state’s share of the post-acquisition profits or losses of the investment to be recognised in the net result as ‘other economic flows’. The share of post-acquisition movements in revaluation surpluses and any other reserves is recognised in both the comprehensive operating statement and the statement of changes in equity. The cumulative post-acquisition movements are adjusted against the carrying amount of the investment, as well as any dividends received or receivable.

| Name of entity | Principal activity | Country of incorporation | Ownership interest 2024 % | Ownership interest 2023 % |
| --- | --- | --- | --- | --- |
| Marinus Link Pty Ltd | To undertake activities that progress the development and delivery of the Marinus Link interconnector project. | Australia | 33.33 | – |

|  |  |  |
| --- | --- | --- |
|  | Total 2024 $’000 | Total 2023 $’000 |
| Investment accounted for using equity method |  |  |
| Marinus Link joint venture | 55,201 | – |
| Movement in the state’s proportional share of post-acquisition net assets |  |  |
| **Carrying amount at the beginning of the year** | **–** | **–** |
| Capital contribution 22 March 2024 | 55,676 | – |
| State’s share of interests in the joint venture’s operating statement | – |  |
| Share of joint venture’s net result after tax | (1,238) | – |
| Share of joint venture’s other comprehensive income | 763 | – |
| Dividends received/receivable from joint venture | – | – |
| **Carrying amount at the end of the year** | **55,201** | **–** |

**Share of contingent assets and liabilities**

*Contingent assets*

In April 2022, the Commonwealth committed $75 million in funding under the Federal Funding Agreement to progress Marinus Link to a financial investment decision, of which MLPL will receive $56.2 million. MLPL recognised $9.7 million in 2024, the remaining payments will be received over the next two financial years, contingent on the completion of agreed milestones.

*Contingent liabilities*

In 2019, Project Marinus received a grant from ARENA to support the project work on the feasibility study. Upon operationalisation of MLPL on 1 December 2021, the terms and conditions of this grant, including certain repayment conditions where the grant revenue of $10 million received would be required to be repaid, were it novated to MLPL. No other claims related to property loss, personal injury, contractual and other matters were outstanding.

* + 1. Administered service concession arrangements and related financial instruments

A service concession arrangement is a contract between a grantor and an operator in which the operator:

has right of access to the service concession assets to provide public services on behalf of the grantor for a period of time

1. is responsible for at least some of the management of the public services provided through the service concession asset and does not act merely as an agent on behalf of the grantor; and
2. is compensated for its services over the period of the service concession arrangement.

The department has determined the following arrangement meets the criteria to be classified as a service concession arrangement as per AASB 1059 Service Concession Arrangements:

Victorian Desalination Project. Melbourne Water Corporation is the grantor and as such the department has recognised the arrangement as a financial liability using AASB 9.

Previously, the department administered the service concession arrangement relating to the commercialisation of Victoria’s on-line Land Titles Office. This was transferred to the Department of Transport and Planning on 1 January 2023.

**Victorian Desalination Project**

In July 2009, the state of Victoria (the state) entered into a 30-year Public Private Partnership (PPP) arrangement with the AquaSure consortium (AquaSure). The Victorian Desalination Project (VDP) was initiated to design, build, finance and operate a desalination plant, transfer pipeline and 220 kV underground power cable capable of supplying 150 gigalitres of water per annum into the Melbourne network. Construction of the VDP began in 2009 and the lease term commenced in 2012 upon successful commissioning.

Under the arrangement, the state has an obligation to make Water Security Payments (WSPs) to AquaSure provided the plant is maintained to the appropriate standard. The WSPs have two components: capital payments for the project assets (Note 4.2.2 under the Effective Water Management and Supply output group) and other expenses for operating, maintenance and lifecycle costs.

The state will also make Water Usage Payments (WUPs) for any water that is ordered and delivered to the required standard. Water can be ordered annually for flexible amounts from 0 to 150 gigalitres (in set increments).

As at 30 June 2024 AquaSure had produced no water for the 2023-24 supply period.

On 1 April 2024 the Minister for Water announced the 2024-25 Supply Notice with a Required Annual Water Volume for zero GL in 2024-25 and non-binding forecasts of 50 GL for 2025-26 and 75 GL for 2026-27.

A Statement of Obligations (SoO) was issued to the Melbourne Water Corporation (MWC) under section 4I of the Water Industry Act 1994 that required MWC to pay all monies as required by the state under the project deed with AquaSure. The arrangement was codified through the Water Interface Agreement (WIA) between the state, the department and MWC. The department does not control any receipt arising from this arrangement and is required to pay the amounts from the MWC into the state’s consolidated fund. With consideration to the policy, the department has classified the arrangement as administered.

AquaSure is required to transfer the project assets to the state at the end of the project term for no additional payment by the state and MWC have purchased the rights to acquire the assets at that time.

The arrangement between the state and AquaSure is assessed to fall within the scope of AASB 1059 Service Concession Arrangements: Grantors with MWC being the Grantor.

As the contracting entity with the operator, DEECA recognises a financial liability relating to the obligation to make payments to AquaSure for construction, operation and maintenance of the service concession asset. A financial asset receivable is also recognised relating to the right to receive payment from MWC under the WIA.

#### Financial asset & liability

The financial asset and financial liability are measured at amortised cost using the effective interest method under the requirements of AASB 9. The financial asset (contractual receivable from MWC) and financial liability (borrowings) is disclosed in Note 4.2.2 under the Effective Water Management and Supply output group.

|  | 2024 Financial asset $’000 | 2024 Financial liability $’000 |
| --- | --- | --- |
| Contractual financial asset |  |  |
| Contractual receivable from Melbourne Water Corporation | 3,464,736 | – |
| Contractual financial liability |  |  |
| Borrowings – Payable to AquaSure | – | 3,114,123 |

In addition, the project payments also include other commitments for operating, maintenance and lifecycle costs (refer below for other commitment).

#### Renewable energy certificates

The Project Deed requires a minimum number of Renewable Energy Certificates (RECs) to be purchased to offset the electricity used by the plant. The number of RECs that are consumed will vary based on the volume of water produced by the plant. The RECs that remain at the end of the supply period are administered by the department.

The Minister has control of the RECs which are surplus to requirements of the project. The department recognises the RECs as an intangible asset valued at $145.5 million (2023 $108.2 million). Refer to Note 4.2.1 Administered income and expenses, Note 4.2.2 Administered asset and liabilities.

#### Debt modification impact assessment

When there is a refinancing benefit, AASB 9 requires an assessment to be conducted to determine if the modification of debt is substantial, meaning the difference is at least 10 percent or greater between the present value of the modified cash flow and original cash flow, being both discounted at the original effective interest rate. Substantial debt modification is to be treated as an extinguishment of the existing debt and a recognition of a new liability. There was no debt modification in 2024 or 2023.

#### Other Commitments – Operating, maintenance and Lifecyle costs

Under the service concession arrangement that the state entered into with AquaSure the state pays a base Water Security Payment, provided the plant is maintained to the appropriate standard, that includes other commitments for its operation, maintenance and lifecycle costs. The nominal amounts for the other commitments below represent the charges payable under the agreement at the end of the reporting period. The commitments to Aquasure are matched by a receivable commitment from Melbourne Water.

|  | 2024 Other commitments Present value $’000 | 2024 Other commitments Nominal value $’000 | 2023 Other commitments Present value $’000 | 2023 Other commitments Nominal value $’000 |
| --- | --- | --- | --- | --- |
| Commissioned PPP – other commitments |  |  |  |  |
| Victorian Desalination Project | 1,517,749 | 3,195,840 | 1,504,041 | 3,311,729 |
| **Total** | **1,517,749** | **3,195,840** | **1,504,041** | **3,311,729** |

Note:

(i) Net values are also disclosed at nominal values, exclusive of GST.

(ii) The present value of the ‘Other commitments’ have been discounted to 30 June of the respective financial years. The basis for discounting has been to take each 12- month period of cash flows and discount these cash flows at the end of the period using the annual discount rate. The discount rate used to calculate the present value of the commitment is 9.99 percent which is the nominal pre-tax discount rate representative of the overall risk of the project at inception.

(iii) The ‘Other commitments’ have been updated to reflect indexation factors, such as Consumer Price Index, Producer Price Index, Polymer Manufacturing Index, and Average Weekly Earnings Index. Commitments are updated for the change in actual amounts paid and forecast percentage increases are based on the original forecasted indices and applied to the adjusted actual payments. This methodology has been applied to reduce volatility in the forecast ‘Other commitments.

(iv) Net costs associated with the 15 billion litres of water delivered for the 2022-23 financial year have been reflected in commitments for 2024 (2023: 15 billion litres of water). The announcement of the 0GL water order for 2024-25 is a binding commitment and has been included in 2024. The announcement of the 50GL water order for 2025-26 and 75GL for 2026-27 are non-binding commitments and have not been included.

#### Victorian Desalination Project other commitments payable to AquaSure

|  |  |  |
| --- | --- | --- |
|  | 2024 $’000 | 2023 $’000 |
| Commitments payable – Victorian Desalination Project |  |  |
| Other commitments |  |  |
| Not later than one year | 170,726 | 170,496 |
| Later than one year but no later than five years | 770,554 | 712,291 |
| Later than five years | 2,574,145 | 2,760,115 |
| **Total PPP commitments for expenditure (inclusive of GST)** | **3,515,425** | **3,642,902** |
| Less GST payable to the Australian Taxation Office | (319,584) | (331,173) |
| **Total commitments for expenditure (exclusive of GST)** | **3,195,841** | **3,311,729** |

#### Victorian Desalination Project SCA other commitments receivable from Melbourne Water Corporation

|  |  |  |
| --- | --- | --- |
|  | 2024 $’000 | 2023 $’000 |
| Commitments receivable – Victorian Desalination Project |  |  |
| Other commitments |  |  |
| Not later than one year | 170,726 | 170,496 |
| Later than one year but no later than five years | 770,554 | 712,291 |
| Later than five years | 2,574,145 | 2,760,115 |
| **Total commitments receivable (inclusive of GST)** | **3,515,425** | **3,642,902** |
| Less GST payable to the Australian Taxation Office | (319,584) | (331,173) |
| **Total commitments receivable (exclusive of GST)** | **3,195,841** | **3,311,729** |

#### Financial instrument specific disclosures

**Financial Instruments: Categorisation**

|  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- |
|  | Financial assets at amortised cost $’000 | Financial liabilities at amortised cost $’000 | 2024 Total $’000 | Financial assets at amortised cost $’000 | Financial liabilities at amortised cost $’000 | 2023 Total $’000 |
| Contractual financial assets |  |  |  |  |  |  |
| Contractual receivable from Melbourne Water Corporation | 3,464,736 | – | 3,464,736 | 3,513,023 | – | 3,513,023 |
| Contractual financial liabilities(i) |  |  |  |  |  |  |
| Payable to AquaSure (borrowings) | – | 3,114,123 | 3,114,123 | – | 3,169,562 | 3,169,562 |

#### Financial instruments: Net holding gain/(loss) on financial instruments by category

|  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- |
|  | Net holding gain/ (loss)(i) $’000 | Total interest income/ (expense) $’000 | 2024 Total $’000 | Net holding gain/ (loss)(i) $’000 | Total interest income/ (expense) $’000 | 2023 Total $’000 |
| Contractual financial assets |  |  |  |  |  |  |
| Financial assets at amortised cost | – | 394,660 | 394,660 | – | 398,937 | 398,937 |
| Contractual financial liabilities |  |  |  |  |  |  |
| Financial liability at amortised cost | – | – | – | – | (360,662) | (360,662) |

Note:

(i) Net holding gain/(loss) for the financial asset reflects the refinancing gain/(loss) generated/(incurred) on the financial asset and liability during the financial year.

*Financial risk management objectives and policies*

Refer to Note 8.1.3 for further financial instrument disclosure relating to risk management objectives and policies.

**Financial instruments: Credit risk**

Credit risk refers to the possibility of the department’s counterparty defaulting on their contractual obligations resulting in financial loss to the department. Credit risk is measured at fair value and is monitored on a regular basis.

Credit risk associated with the department’s contractual financial assets is minimal because the debtor is Melbourne Water Corporation. The SoO under section 4I of the Water Industry Act 1994 requires Melbourne Water Corporation to pay all monies as required by the state under the project deed with AquaSure.

The carrying amount of contractual financial assets recorded in the financial statements represents the department’s maximum exposure to credit risk without taking account of the value of any collateral obtained.

**Credit quality of contractual financial assets that are neither past due nor impaired**

|  |  |  |  |  |
| --- | --- | --- | --- | --- |
|  | Government agencies $’000 | 2024  Total $’000 | Government agencies  $’000 | 2023  Total $’000 |
| Contractual financial assets |  |  |  |  |
| Contractual receivable from Melbourne Water Corporation | 3,464,736 | 3,464,736 | 3,513,023 | 3,513,023 |

**Financial instruments: Liquidity risk**

Liquidity risk arises when the department is unable to meet its financial obligations as and when they fall due.

The department’s exposure to liquidity risk is the carrying amounts of the borrowings associated with the Victorian Desalination Project. The department manages its liquidity risk by ensuring that it has access to sufficient cash in the public account to meet its current liabilities.

The department’s exposure to liquidity risk is deemed insignificant based on prior period data and current assessment of risk. Cash for unexpected events is generally sourced by drawing on amounts receivable from the Victorian government through the Public Account.

The carrying amount detailed in the following table of contractual financial liabilities recorded in the financial statements, represents the department’s maximum exposure to liquidity risk.

**Maturity analysis of contractual financial liabilities**

|  | Carrying amount $’000 | Nominal amount $’000 | Maturity dates Less than 1 month $’000 | Maturity dates  1–3 months $’000 | Maturity dates 3 months –1 year $’000 | Maturity dates  1–5 years $’000 | Maturity dates 5 years + $’000 |
| --- | --- | --- | --- | --- | --- | --- | --- |
| 2024 |  |  |  |  |  |  |  |
| Payable to AquaSure (borrowings) | 3,114,123 | 6,710,149 | 38,335 | 62,317 | 304,506 | 1,658,808 | 4,646,183 |
| 2023 |  |  |  |  |  |  |  |
| Payable to AquaSure (borrowings) | 3,169,562 | 7,119,838 | 38,114 | 65,277 | 306,297 | 1,642,267 | 5,067,883 |

#### Financial instruments: Market risk

The department’s exposures to market risk are primarily through interest rate risk. Objectives, policies and processes used to manage each of these risks is disclosed below.

*Interest rate risk*

The department’s interest bearing liabilities are managed by AquaSure as the borrower of funds from financial institutions for the project. The interest rate risk is mitigated by hedging of the debt. Interest rates are fixed at the inception of the agreement and refinancing options are subject to approval by the Minister for Finance. The department’s exposure to interest rate risk is set out below.

#### Interest rate exposure of financial instruments

|  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- |
|  | Weighted average interest rate % | Carrying amount $’000 | 2024 Interest rate exposure Fixed  interest rate $’000 | Weighted average interest rate % | Carrying amount $’000 | 2023 Interest rate exposure Fixed  interest rate $’000 |
| Financial assets |  |  |  |  |  |  |
| Contractual receivable from Melbourne Water Corporation | 11.28 | 3,464,736 | 3,464,736 | 11.28 | 3,513,023 | 3,513,023 |
| Financial liabilities |  |  |  |  |  |  |
| Payable to AquaSure (borrowings) | 11.29 | 3,114,123 | 3,114,123 | 11.29 | 3,169,562 | 3,169,562 |

#### Fair value of financial instruments

|  |  |  |  |  |
| --- | --- | --- | --- | --- |
|  | Carrying amount $’000 | 2024 Fair value $’000 | Carrying amount $’000 | 2023 Fair value $’000 |
| Contractual financial assets |  |  |  |  |
| Contractual receivable from Melbourne Water Corporation | 3,464,736 | 4,446,829 | 3,513,023 | 4,435,834 |
| Contractual financial liabilities |  |  |  |  |
| Payable to AquaSure (borrowings) | 3,114,123 | 4,006,876 | 3,169,562 | 4,006,328 |

* 1. Restructuring of administrative arrangements in 2022-23 financial year

Reorganisations of assets, liabilities, activities and responsibilities amongst the entities that the government controls that meet the definition of a restructure of administrative arrangements as per AASB 1004 Contributions are accounted for as transfers of contributed capital in accordance with the requirements of FRD 119 Transfers through contributed capital.

There are no admirative arrangements in 2023-24.

During 2022-23, the department underwent the following restructures of administrative arrangements:

#### Recycling Victoria

On 1 July 2022, the Circular Economy (Waste Reduction and Recycling Act 2021 abolished the seven Waste and Resource Recovery Groups (WRRG) and transferred all associated rights, functions, powers, duties, assets and liabilities to the Recycling Victoria business unit in the department. In addition, the infrastructure planning function performed by Sustainability Victoria (SV) transferred to the department.

The income and expenses for these functions for the reporting period 1 July 2022 to 30 June 2023 are reported by the department (as part of the recycling output) and are disclosed in Notes 4.1 and 4.2.

The net assets assumed by the department are recognised in the balance sheet at the carrying amount of those assets in the transferors’ balance sheet immediately before the transfer.

#### Administrative restructure via machinery of government changes

On 5 December 2022, the Government announced a restructure of administrative arrangements via machinery of government changes to take effect from 1 January 2023. As part of the restructure, the following output transfers occurred:

* the department relinquished the Planning and Heritage, Building and Land Use Victoria outputs to Department of Transport an Planning (DTP) (effective date of transfer 1 January 2023)

the department assumed responsibility for the Agriculture and Resources outputs from the Department of Jobs, Skills, Industry an Regions (DJSIR) (effective date of transfer 1 January 2023)

On 20 March 2023, a further determination was made by the Premier to transfer the individual corporate staff supporting the impacted output groups to the new departments. The effective date of this transfer was 27 March 2023. These transfers are disclosed in aggregate with the 1 January 2023 transfers.

The combined income and expenses for outputs for the Planning and Heritage, Building and Land Use Victoria output are reported by the Department of Transport and Planning.

The combined income and expenses for the Agriculture and Resources outputs for the reporting period (including those recognised by DJSIR) are as follows:

|  |  |  |  |
| --- | --- | --- | --- |
|  | Reported by DJSIR  1 Jul 2022 to 31 Dec 2023 $’000 | Reported by DEECA 1 Jan 2023 to 30 Jun 2023 $’000 | Total 2023  $’000 |
| Agriculture and Resources |  |  |  |
| Controlled income and expenses |  |  |  |
| Income | 261,898 | 414,237 | 676,135 |
| Expense | (245,180) | (408,749) | (653,929) |
| Net result from transactions | 16,718 | 5,488 | 22,206 |
| Other economic flows | 987 | 1,719 | 2,706 |
| **Net result** | **17,705** | **7,207** | **24,912** |
| Administered income and expenses |  |  |  |
| Income | 105,922 | 103,367 | 209,289 |
| Expense | (167,983) | (53,482) | (221,465) |

#### Restructuring of administrative arrangements – net asset transfers

The net assets assumed by/transferred to the department for impacted output groups as a result of the administrative restructures is recognised in the balance sheet at the carrying amount of those assets in the transferors’ (DJSIR, WRRG, SV) and the transferee’s (the department) balance sheet immediately before the transfer.

The net asset transfers were treated as contributions/return of capital by/to the state. No income or expense has been recognised by the department in respect of the net assets transferred.

|  |  |  |  |  |
| --- | --- | --- | --- | --- |
|  | Transfer in WRRG & SV $’000 | Transfer  in DJSIR $’000 | Transfer out DTP $’000 | Net impact  $’000 |
| Assets |  |  |  |  |
| Cash and cash deposits | 12,050 | 171,730 | (568,501) | (384,721) |
| Receivables | 14,440 | 309,410 | (63,036) | 260,814 |
| Investments and other financial assets | – | 71 | – | 71 |
| Property, plant and equipment | 740 | 811,468 | (174,676) | 637,532 |
| Non-financial assets classified as held for sale | 40 | – | – | 40 |
| Intangible assets | – | – | (32,983) | (32,983) |
| Prepayments | 37 | – | – | 37 |
| Other non-financial assets | – | 5,445 | (359) | 5,086 |
| Liabilities |  |  |  |  |
| Borrowings | (656) | (409,117) | – | (409,773) |
| Payables | (15,619) | (77,711) | 8,682 | (84,648) |
| Employee provisions | (2,213) | (54,155) | 33,336 | (23,032) |
| Other provisions | (280) | (11,124) | 1,503 | (9,901) |
| Other liabilities | (5,337) | – | 10 | (5,327) |
| **Net assets recognised/(transferred) – capital contributed by/(returned to) the state** | **3,202** | **746,017** | **(796,024)** | **(46,805)** |

#### Administered assets and liabilities transferred

These balances are not reflected in the department’s balance sheet but are provided for information purposes.

|  | Transfer in WRRG & SV  $’000 | Transfer in DJSIR $’000 | Transfer out DTP $’000 | Net  impact  $’000 |
| --- | --- | --- | --- | --- |
| Assets |  |  |  |  |
| Cash and deposits | – | 6,107 | (10,649) | (4,542) |
| Receivables | – | 73,418 | (1,489) | 71,929 |
| Intangible assets | – | – | (510,523) | (510,523) |
| Liabilities |  |  |  |  |
| Payables | – | 1,055 | 2,343 | 3,398 |
| Employee provisions | – | – | – | – |
| Grant of right to operate | – | – | 2,482,078 | 2,482,078 |
| Unearned income | – | – | 71,425 | 71,425 |

1. Key assets available to support output delivery

### Introduction

The department controls property, plant, equipment and other assets that are utilised in fulfilling its objectives and conducting its activities. They represent the resources that have been entrusted to the department to be utilised for the delivery of those outputs.

The department acknowledges that included in the disclosed land values are lands over which native titles claims have been granted. Native title decisions recognise First Peoples’ ongoing connection to their Country and is an important step towards progressing self-determination by recognising rights to access, use and protection of public land in accordance with their traditional laws and custom and the right to be consulted on the use and development of land or its natural resource for the protection of places and areas with cultural importance.

#### Fair value measurement

Where the assets included in this section are carried at fair value, additional information is disclosed in Note 5.1.3 in connection with how those fair values were determined.

#### Structure

5.1 Property, plant and equipment

5.1.1 Reconciliation of movements in carrying values

5.1.2 Depreciation, amortisation and impairment

5.1.3 Fair value determination

5.2 Non-financial assets classified as held for sale

5.2.1 Fair value determination

5.3 Intangible assets

5.4 Joint operations

* 1. Property, plant and equipment

|  | 2024 $’000 | 2023 $’000 |
| --- | --- | --- |
| Land |  |  |
| Freehold land |  |  |
| At fair value | 103,151 | 18,914 |
| **Total freehold land** | **103,151** | **18,914** |
| Crown land |  |  |
| Land, unused roads and government roads at fair value | 4,611,361 | 4,733,936 |
| National parks at fair value | 5,479 | 5,626 |
| State forests at fair value | 2,590,144 | 2,597,568 |
| Conservation reserves at fair value | 159,879 | 116,378 |
| Metropolitan parks at fair value | 117,938 | 17,158 |
| Land used for operational purposes at fair value | 57,099 | 57,061 |
| **Total crown land** | **7,541,900** | **7,527,727** |
| Land purchase in progress |  |  |
| Freehold land | 119,728 | 239,588 |
| Total land purchase in progress | 119,728 | 239,588 |
| **Total land** | **7,764,779** | **7,786,229** |
| Buildings and structures |  |  |
| Buildings and structures at fair value | 1,048,498 | 931,109 |
| Less accumulated depreciation | (54,973) | – |
| Total buildings and structures (net carrying amount) | 993,525 | 931,109 |
| Right-of-use buildings and structures at fair value | 117,366 | 117,275 |
| Less accumulated depreciation | (13,597) | (6,429) |
| Total right-of-use building and structures (net carrying amount) | 103,769 | 110,846 |
| **Total buildings and structures (net carrying amount)** | **1,097,294** | **1,041,955** |
| Roads |  |  |
| At fair value | 843,461 | 841,119 |
| Less accumulated depreciation | (27,900) | – |
| **Total roads (net carrying amount)** | **815,561** | **841,119** |
| Plant and equipment |  |  |
| Plant and equipment at fair value | 236,132 | 235,688 |
| Less accumulated depreciation | (145,442) | (135,741) |
| Total plant and equipment (net carrying amount) | 90,690 | 99,947 |
| Right-of-use plant and equipment at fair value | 102,298 | 88,713 |
| Less accumulated depreciation | (38,596) | (35,453) |
| Total right-of-use plant and equipment (net carrying amount) | 63,702 | 53,260 |
| **Total plant and equipment (net carrying amount)** | **154,392** | **153,207** |
| Assets under construction at cost |  |  |
| Buildings and structures | 60,633 | 75,855 |
| Plant and equipment | 15,504 | 7,147 |
| Roads | 566 | 957 |
| **Total assets under construction at cost** | **76,703** | **83,959** |
| Historic and cultural assets |  |  |
| At fair value | 2,475 | 2,475 |
| Less accumulated depreciation | – | – |
| **Total historic and cultural assets** | **2,475** | **2,475** |
| **Total property, plant and equipment (net carrying amount)** | **9,911,204** | **9,908,944** |

* + 1. Reconciliation of movements in carrying values

|  | Freehold land $’000 | Land and unused roads $’000 | National parks $’000 | State  forests $’000 | Conser-vation reserves $’000 | Metro-politan parks $’000 | Land used for operational purposes  $’000 | Land purchase in progress  $’000 | Buildings and structures other than RoU $’000 | RoU Buildings and structures $’000 | Roads $’000 | Plant and equip-ment other than RoU $’000 | RoU plant and equipment $’000 | Assets under cons-truction $’000 | Historic and cultural assets $’000 | Total $’000 |
| --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- |
| **Balance at 1 July 2023** | **18,914** | **4,733,936** | **5,626** | **2,597,568** | **116,378** | **17,158** | **57,061** | **239,588** | **931,109** | **110,846** | **841,119** | **99,947** | **53,260** | **83,959** | **2,475** | **9,908,944** |
| Additions | – | 9 | – | – | 65 | 387 | – | 27,491 | 2,983 | 613 | 1,365 | – | 27,730 | 66,718 | – | 127,361 |
| Disposals | – | (3,157) | – | – | – | – | (166) | – | (315) | (22) | – | (559) | (5,277) | – | – | (9,496) |
| Reclassification to asset classified as held for sale | 177 | 2,408 | – | – | – | – | – | – | – | – | – | – | (223) | – | – | 2,362 |
| Capital contributions (to)/from owners |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |
| Transfers (to)/ from other government entities | – | (10,013) | – | – | (941) | – | – | – | – | – | – | – | – | – | – | (10,954) |
| Machinery of Government transfers in/(out) | – | – | – | – | – | – | – | – | – | – | – | – | – | – | – | – |
| Transfers to third parties(i) | – | (8,247) | (147) | – | (1,714) | – | – | – | – | – | – | – | – | – | – | (10,108) |
| Net transfers in/(out) – from other categories | 84,060 | (83,505) | – | – | 46,199 | 100,393 | 204 | (147,351) | 65,561 | – | 977 | 7,436 | – | (73,974) | – | – |
| Revaluation increments/ (decrements) | – | – | – | – | – | – | – | – | – | – | – | – | – | – | – | – |
| Recognition/ (derecognition), write-on/(write-down) of assets(ii)(iii) | – | (20,070) | – | (7,424) | (108) | – | – | – | 43,022 | – | 267 | (18) | – | – | – | 15,669 |
| Depreciation expense (refer to Note 5.1.2) | – | – | – | – | – | – | – | – | (48,835) | (7,668) | (28,167) | (16,116) | (11,788) | – | – | (112,574) |
| Balance at  30 June 2024 | 103,151 | 4,611,361 | 5,479 | 2,590,144 | 159,879 | 117,938 | 57,099 | 119,728 | 993,525 | 103,769 | 815,561 | 90,690 | 63,702 | 76,703 | 2,475 | 9,911,204 |

Note:

(i) Land transferred to third parties is treated as a return of equity via administered expenses as per the requirements of FRD 117 Contributions of Existing Non-Financial Assets to Third Parties.

(ii) Net recognitions are treated as Other economic flows included in net result – Net gain on non-financial assets, as outlined in Note 9.2.

(iii) Net recognitions of coastal protection assets worth $45.413 million in included under the asset class Building and Structures other than ROU.

#### 5.1.1 Reconciliation of movements in carrying values (continued)

|  | Freehold land $’000 | Land and  unused roads $’000 | National parks $’000 | State forests $’000 | Conservation reserves $’000 | Metro-politan parks $’000 | Land used for operational purposes  $’000 | Land purchase in progress  $’000 | Buildings and structures other than RoU $’000 | RoU Buildings and structures $’000 | Roads $’000 | Plant and equip-ment other than RoU $’000 | RoU plant and equipment $’000 | Assets under cons-truction $’000 | Historic and cultural assets $’000 | Total $’000 |
| --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- |
| **Balance at 1 July 2022** | **170,710** | **4,463,480** | **5,626** | **2,599,099** | **109,636** | **9,212** | **57,295** | **217,144** | **677,140** | **1,847** | **749,140** | **68,448** | **47,243** | **71,362** | **4,530** | **9,251,912** |
| Additions | 257 | 448 | – | – | 5,036 | 7,706 | – | 22,499 | 48,743 | (66) | 4,089 | 25,416 | 13,442 | (3,469) | 2 | 124,103 |
| Disposals | (2,002) | (5,897) | – | – | – | – | – | – | (2,285) | – | – | (47) | (4,918) | – | – | (15,149) |
| Reclassification to asset classified as held for sale | (177) | 593 | – | – | – | – | – | – | – | – | – | – | 12 | – | – | 428 |
| Capital contributions (to)/from owners |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |
| Transfers (to)/from other government entities | – | (93) | – | – | – | – | – | – | (1,706) | – | – | – | (154) | – | – | (1,953) |
| Machinery of Government transfers in/(out) | (156,715) | 488,891 | – | – | – | – | – | (10) | 150,445 | 113,560 | – | 20,018 | 7,335 | 16,066 | (2,057) | 637,533 |
| Transfers to third parties(i) | – | (13,998) | – | – | (4) | – | – | – | – | – | – | – | – | – | – | (14,002) |
| Net transfers in/(out) – from other categories | (41) | 863 | – | – | – | (1,611) | – | 1,566 | (14,289) | – | 13,979 | 310 | – | – | – | 777 |
| Revaluation increments/ (decrements) | 4,224 | (5,076) | – | (6) | 1,710 | 1,851 | (179) | (1,611) | 85,913 | – | 96,617 | – | – | – | – | 183,443 |
| Recognition/ (derecognition), write-on/(write-down) of assets(ii) | 2,658 | (195,275) | – | (1,525) | – | – | (55) | – | 25,498 | – | 2,467 | (311) | – | – | – | (166,543) |
| Depreciation expense (refer to Note 5.1.2) | – | – | – | – | – | – | – | – | (38,350) | (4,495) | (25,173) | (13,887) | (9,700) | – | – | (91,605) |
| **Balance at 30 June 2023** | **18,914** | **4,733,936** | **5,626** | **2,597,568** | **116,378** | **17,158** | **57,061** | **239,588** | **931,109** | **110,846** | **841,119** | **99,947** | **53,260** | **83,959** | **2,475** | **9,908,944** |

Note:

(i) Land transferred to third parties is treated as a return of equity via administered expenses as per the requirements of FRD 117 Contributions of Existing Non-Financial Assets to Third Parties.

(ii) Net recognitions are treated as Other economic flows included in net result – Net gain on non-financial assets, as outlined in Note 9.2.

#### Property, plant and equipment classifications

**Freehold land**

Freehold land consists of land held or being acquired for the purpose of various government objectives such as planning for community open spaces and delivering other public and environmental purposes.

**Crown land**

The department’s Crown land holdings include land being held or being acquired for the following Crown land categories.

*Land and unused roads*

Reserved and unreserved land acquired and held by the department for future reservation purposes. Unused roads consist of roads that have been closed for public purposes.

*National and metropolitan parks*

The area of public land set aside as national and metropolitan parks, which include state parks, wilderness parks, and other parks established under the National Parks Act 1975, comprises a diverse range of Crown land parcels permanently reserved for the benefit of the public.

*State forests*

State forests include Crown land parcels managed to balance a variety of uses. These uses include conserving flora and fauna, protecting water catchments and water supply, providing timber for sustainable forestry, protecting landscape, archaeological and historic values, and providing recreational and educational opportunities.

*Conservation reserves*

Land conservation reserves include Crown land parcels set aside for conservation of specific ecosystems, animal and plant species, geomorphological features, and significant historical and cultural qualities.

Land used for operational purposes

Crown land used for operational purposes for delivering the department’s objectives. This includes various operational depots around the state of Victoria.

*Land purchase in progress*

Land purchase in progress is land that has been acquired and compulsory acquisitions that are in the process of being acquired by the government to be combined or divided to achieve various government objectives.

**Buildings and structures**

Consist of buildings and structures used to achieve the departments objectives. This includes departmental depot sites, fire towers, bores, crossings and leasehold improvements.

**Plant and equipment**

Consist of vehicles, workshops and other field and office equipment.

**Roads**

The roads, tracks and trails managed by the department are defined as Rural Class 5 and are sub-divided into five sub-classes as follows:

* 5A Primary roads: all-weather road, predominantly two lanes and mainly sealed
* 5B Secondary roads: all-weather two lane road, formed and gravelled or single lane sealed road with gravel shoulders
* 5C Minor roads: generally all-weather, single lane two-way unsealed formed road, usually lightly gravelled
* 5D Access roads: substantially single lane, two-way, generally dry weather formed (natural materials) road

5E Tracks and trails: predominantly single lane, two-way earth tracks (unformed) at or near the natural surface level. Costs are expensed as incurred, because these tracks and trails have a useful life of less than one year.

**Assets under construction**

Consist of cost relating to the construction of building and structures in progress.

**Historic and cultural assets**

The department also hold historic and cultural assets that the department intends to preserve because of their unique historical, cultural or environmental attributes.

Fair value for plant and equipment that are specialised in use (such that it is rarely sold other than as part of a going concern) is determined using the current replacement cost method.

Refer to Note 5.1.3 for information on fair value determination of property, plant and equipment.

#### Measurement

**Initial measurement**

The department capitalises expenditure on individual items of $5,000 (2023: $5,000) or more, and records these as non-financial assets.

All non-financial physical assets are measured initially at cost. When an asset is acquired for no or nominal cost, the cost is its fair value at the date of acquisition. Assets transferred as part of a Machinery of Government change are transferred at their carrying amount.

The cost of constructed non-financial physical assets includes the cost of all materials used in construction, direct labour on the project and an appropriate proportion of directly attributable variable and fixed overheads.

The cost of leasehold improvements is capitalised and depreciated over the shorter of the remaining term of the lease or their estimated useful lives.

Aggregate expenditure on items that will, when completed, result in non-financial assets that provide future economic benefits is recognised as construction in progress.

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 (PPE) 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) and is summarised in Note 5.1.3.

* + 1. Depreciation, amortisation and impairment

Depreciation is an expense that arises from the consumption of a produced physical asset.

All items of property, plant and equipment that have finite useful lives, are depreciated. Exceptions to this rule are assets under construction, assets held for sale and land.

Intangible assets are amortised.

These expenses are classified as a ‘transaction’ and reduce the ‘net result from transactions’.

Depreciation and amortisation are calculated on a straight-line basis, at rates that allocate the asset’s value, less any estimated residual value, over its estimated useful life. The following estimated useful lives for the different asset classes for current and prior years are used in the calculation of depreciation and amortisation:

|  |  |
| --- | --- |
| Asset class | Useful life |
| Buildings and structures (including right-of-use assets) | 1 to 100 years |
| Roads | 80 years |
| Plant and equipment (including right-of-use assets) | 1 to 42 years |
| Intangible assets | 3 to 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 department obtains ownership of the underlying leased asset or if the cost of the right-of-use asset reflects that the entity will exercise a purchase option, the entity depreciates the right-of-use asset over its useful life.

Historic and cultural assets have been assessed to have an indefinite useful life. Depreciation is not recognised in respect of these assets because their service potential has not, in any material sense, been consumed during the reporting period.

|  | 2024 $’000 | 2023 $’000 |
| --- | --- | --- |
| Depreciation and amortisation |  |  |
| Property, plant and equipment |  |  |
| Buildings and structures other than right-of-use | (48,835) | (38,350) |
| Right-of-use buildings and structures | (7,668) | (4,495) |
| Roads | (28,167) | (25,173) |
| Right-of-use motor vehicle assets | (11,788) | (9,700) |
| Plant and equipment other than right-of-use motor vehicle | (16,116) | (13,887) |
| **Total depreciation of property, plant and equipment** | **(112,574)** | **(91,605)** |
| Intangible assets |  |  |
| Software (amortisation) | (2,637) | (4,696) |
| Total amortisation of intangible assets | (2,637) | (4,696) |
| **Total depreciation and amortisation** | **(115,211)** | **(96,301)** |

**Impairment**

The recoverable amount of primarily non-cash generating assets of not-for-profit entities, which are typically specialised in nature and held for continuing use of their service capacity, is expected to be materially the same as fair value determined under AASB 13 Fair Value Measurement, with the consequence that AASB 136 does not apply to such assets that are regularly revalued.

* + 1. Fair value determination

**Fair value measurement hierarchy of property, plant and equipment**

|  | Carrying amount $’000 | Fair value measurement at end of  financial year using: Level 1(i)(ii) $’000 | Fair value measurement at end of  financial year using: Level 2(i)(ii) $’000 | Fair value measurement at end of  financial year using: Level 3(i)(ii) $’000 |
| --- | --- | --- | --- | --- |
| 2024 |  |  |  |  |
| Land at fair value |  |  |  |  |
| Non specialised land |  |  |  |  |
| Freehold land | – | – | – | – |
| Land purchases in progress | – | – | – | – |
| Specialised land |  |  |  |  |
| Freehold land | 103,151 | – | – | 103,151 |
| Crown land – Land, unused roads and government roads | 4,611,361 | – | – | 4,611,361 |
| Crown land – National parks | 5,479 | – | – | 5,479 |
| Crown land – State forests | 2,590,144 | – | – | 2,590,144 |
| Crown land – Conservation reserves | 159,879 | – | – | 159,879 |
| Crown land – Metropolitan parks | 117,938 | – | – | 117,938 |
| Crown land – Land used for operational purposes | 57,099 | – | – | 57,099 |
| Land purchases in progress | 119,728 | – | – | 119,728 |
| Buildings and structures at fair value |  |  |  |  |
| Non-specialised buildings and structures | – | – | – | – |
| Specialised buildings and structures | 993,525 | – | – | 993,525 |
| Right-of-use buildings structures | 103,769 | – | – | 103,769 |
| Roads at fair value |  |  |  |  |
| Roads | 815,561 | – | – | 815,561 |
| Plant and equipment at fair value |  |  |  |  |
| Plant and equipment other than right-of-use | 90,690 | – | – | 90,690 |
| Right-of-use plant and equipment | 63,702 | – | 63,702 | – |
| Historic and cultural assets at fair value |  |  |  |  |
| Artwork and historic assets | 2,475 | – | 2,475 | – |

|  | Carrying amount $’000 | Fair value measurement at end of  financial year  using: Level 1(i)(ii) $’000 | Fair value measurement at end of  financial year  using: Level 2(i)(ii) $’000 | Fair value measurement at end of  financial year  using: Level 3(i)(ii) $’000 |
| --- | --- | --- | --- | --- |
| 2023 |  |  |  |  |
| **Land at fair value** |  |  |  |  |
| Non specialised land |  |  |  |  |
| Freehold land | – | – | – | – |
| Land purchases in progress | – | – | – | – |
| Specialised land |  |  |  |  |
| Freehold land | 18,915 | – | – | 18,915 |
| Crown land – Land, unused roads and government roads | 4,733,936 | – | – | 4,733,936 |
| Crown land – National parks | 5,626 | – | – | 5,626 |
| Crown land – State forests | 2,597,568 | – | – | 2,597,568 |
| Crown land – Conservation reserves | 116,378 | – | – | 116,378 |
| Crown land – Metropolitan parks | 17,158 | – | – | 17,158 |
| Crown land – Land used for operational purposes | 57,061 | – | – | 57,061 |
| Land purchases in progress | 239,588 | – | – | 239,588 |
| Buildings and structures at fair value |  |  |  |  |
| Non specialised buildings and structures | – | – | – | – |
| Specialised buildings and structures | 931,109 | – | – | 931,109 |
| Right-of-use buildings structures | 110,846 | – | – | 110,846 |
| Roads at fair value |  |  |  |  |
| Roads | 841,119 | – | – | 841,119 |
| Plant and equipment at fair value |  |  |  |  |
| Plant and equipment other than right-of-use | 99,947 | – | – | 99,947 |
| Right-of-use plant and equipment | 53,260 | – | 53,260 | – |
| Historic and cultural assets at fair value |  |  |  |  |
| Artwork and historic assets | 2,475 | – | 2,475 | – |

Note:

(i) Classified in accordance with the fair value hierarchy, refer to Note 8.3.

(ii) Assets under construction are excluded from the table above.

The measurement and classification of each class of property, plant and equipment is outlined below. There have been no transfers between levels during the period.

**Specialised land**

The market based direct comparison method is used for specialised land although it is adjusted for a community service obligation (CSO) to reflect the specialised nature of the land being valued.

The CSO adjustment reflects valuer’s assessment of the impact of restrictions associated with an asset to the extent that is also equally applicable to market participants. This approach is in light of the highest and best use consideration required for fair value measurement and takes into account the use of the asset that is physically possible, legally permissible, and financially feasible. As adjustments of CSO are considered as significant unobservable inputs, specialised land is classified as Level 3.

An independent valuation of the department’s specialised land was performed by VGV. The valuation was performed using the market approach adjusted for CSO. The effective date of the valuations was 30 June 2021. Subsequently, a managerial revaluation was recognised in 2022, as the annual assessment of fair value (undertaken in accordance with Financial Reporting Direction 103 Non-financial physical assets) indicated a movement in fair value since the formal revaluation of more than 10 per cent.

The department’s 2024 annual assessment of fair value in accordance to Financial Reporting Direction 103 Non-financial physical assets for specialised land did not result in a revaluation adjustment as the movement in values was less than 10 per cent. Reliance is placed on land indices and building cost indexation factors provided by the VGV to perform the annual assessment.

**Specialised buildings and structures**

For the majority of the department’s specialised buildings, the current replacement cost method is used adjusting for the associated depreciation. As depreciation adjustments are considered significant, unobservable inputs in nature, specialised buildings are classified as Level 3 fair value measurements.

An independent valuation of the department’s specialised buildings within the Public Safety and Environment Purpose Group was performed by VGV. The valuation was performed using the current replacement cost method. The effective date of the valuations was 30 June 2021. Subsequently, a managerial revaluation was recognised in 2023, as the annual assessment of fair value (undertaken in accordance with Financial Reporting Direction 103 Non-financial physical assets) indicated a movement in fair value since the formal revaluation of more than 10 per cent.

Structures are valued using the current replacement cost method. This cost represents the replacement cost of the component after applying depreciation rates on a useful life basis. Replacement costs relate to costs to replace the current service capacity of the asset.

Where it has not been possible to examine hidden works, the use of reasonable materials and methods of construction have been assumed bearing in mind the age and nature of the structures. The estimated cost of reconstruction includes structure services and finishes.

An independent valuation of the department’s structures was performed by VGV. The valuation was performed based on the current replacement cost of the assets. The effective date of the valuations was 30 June 2021.

The department’s 2024 annual assessment of fair value in accordance with Financial Reporting Direction 103 Non-financial physical assets for specialised buildings indicated that fair values had not moved by more than 10 per cent since the 2023 managerial revaluation. Reliance is placed on land indices and building cost indexation factors provided by the VGV to perform the annual assessment and recognise the revaluation adjustment.

**Roads**

Roads are valued using the current replacement cost method. This cost represents the replacement cost of the component after applying depreciation rates on a useful life basis. Replacement costs relate to costs to replace the current service capacity of the asset. As depreciation adjustments are considered significant, unobservable inputs in nature, roads are classified as Level 3.

Where it has not been possible to examine hidden works, the use of reasonable materials and methods of construction have been assumed bearing in mind the age and nature of the roads. The estimated cost of reconstruction includes structure services and finishes.

An independent valuation of the department’s roads was performed by VGV as at 30 June 2021. The valuation was performed based on the current replacement cost of the assets. Subsequently, a managerial revaluation was recognised in 2023, as the annual assessment of fair value (undertaken in accordance with Financial Reporting Direction 103 Non-financial physical assets) indicated a movement in fair value since the formal revaluation of more than 10 per cent.

The department’s 2024 annual assessment of fair value in accordance with Financial Reporting Direction 103 Non-financial physical assets for roads indicated that fair values had not moved by more than 10 per cent since the 2023 managerial revaluation. Reliance is placed on the applicable indices from the Australian Bureau of Statistics – Table 17, Index Number 3101 road and bridge construction Victoria to perform the annual assessment and recognise the revaluation adjustment.

**Plant and equipment**

Plant and equipment are held at fair value. The department completes an annual assessment of fair value and given the movement in fair value was less than 10 per cent there is no requirement to adopt a managerial valuation for 30 June 2024.

When plant and equipment is specialised in use, such that it is rarely sold other than as part of a going concern, fair value is determined using the carrying amount. Given valuation techniques for which the lowest level input that is significant to the fair value measurement is unobservable, these assets are classified as Level 3.

Motor vehicles are valued using the market direct comparison method. Under this valuation method, the vehicles are compared to recent comparable sales. To the extent that motor vehicles under finance lease have an exit price prescribed by the lessor at the start of the lease term, these assets are classified as Level 2 under the market approach.

**Historic and cultural assets**

Historic and cultural assets are valued using the market direct comparison method. Under this valuation method, the historic and cultural assets are determined by a comparison to similar examples of the artist’s work in existence throughout Australia and research on prices paid for similar examples offered at auction or through art galleries in recent years.

To the extent that historic and cultural assets do not contain significant, unobservable adjustments, these assets are classified as Level 2 under the market approach.

An independent valuation of the department’s historic and cultural assets was performed by the VGV. The effective date of the valuations was 30 June 2021.

The department completes an annual assessment of fair value. The movement in fair value was less than 10 per cent therefore a managerial valuation was not adopted for 30 June 2024.

**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.

**Valuation techniques**

There were no changes in valuation techniques throughout the period to 30 June 2024.

For all assets measured at fair value, the current use is considered the highest and best use.

**Reconciliation of Level 3 fair value movements**

|  | Freehold land $’000 | Land and  unused roads $’000 | National parks $’000 | State  forests $’000 | Conservation reserves $’000 | Metropolitan parks $’000 | Land used for operational purposes  $’000 | Land purchase in  progress  $’000 | Buildings and  structures $’000 | RoU  buildings and  structures $’000 | Roads $’000 | Plant and equipment $’000 | Total $’000 |
| --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- |
| **Balance at 1 July 2023** | **18,914** | **4,733,936** | **5,626** | **2,597,568** | **116,378** | **17,158** | **57,061** | **239,588** | **931,109** | **110,846** | **841,119** | **99,947** | **9,769,250** |
| Purchases/(sales) | – | (3,148) | – | – | 65 | 387 | (166) | 27,491 | 2,668 | 591 | 1,365 | (559) | 28,694 |
| Transfers in/(out) of Level 3 – assets classified as held for sale (Note 5.2) | 177 | 2,408 | – | – | – | – | – | – | – | – | – | – | 2,585 |
| Transfers in/(out) – free of charge | – | – | – | – | – | – | – | – | – | – | – | – | – |
| Transfers in/(out)  – from other categories(i) | 84,060 | (83,505) | – | – | 46,199 | 100,393 | 204 | (147,351) | 65,561 | – | 977 | 7,436 | 73,974 |
| Depreciation expense | – | – | – | – | – | – | – | – | (48,835) | (7,668) | (28,167) | (16,116) | (100,786) |
|  | **103,151** | **4,649,691** | **5,626** | **2,597,568** | **162,642** | **117,938** | **57,099** | **119,728** | **950,503** | **103,769** | **815,294** | **90,708** | **9,773,717** |
| Gains/(losses) recognised in net result |  |  |  |  |  |  |  |  |  |  |  |  |  |
| Recognition/ (derecognition), write-on/(write-down) of assets | – | (20,070) | – | (7,424) | (108) | – | – | – | 43,022 | – | 267 | (18) | 15,669 |
|  | **–** | **(20,070)** | **–** | **(7,424)** | **(108)** | **–** | **–** | **–** | **43,022** | **–** | **267** | **(18)** | **15,669** |
| Gains/(losses) recognised in other economic flows – other comprehensive income |  |  |  |  |  |  |  |  |  |  |  |  |  |
| Revaluation increments/ (decrements) | – | – | – | – | – | – | – | – | – | – | – | – | – |
|  | **–** | **–** | **–** | **–** | **–** | **–** | **–** | **–** | **–** | **–** | **–** | **–** | **–** |
| Transfers in/(out) through contributions by owner |  |  |  |  |  |  |  |  |  |  |  |  |  |
| Transfers in/(out)  – third party | – | (8,247) | (147) | – | (1,714) | – | – | – | – | – | – | – | (10,108) |
| Machinery of Government transfers in/(out) | – | – | – | – | – | – | – | – | – | – | – | – | – |
| Transfers in/(out) – other capital contributions | – | (10,013) | – | – | (941) | – | – | – | – | – | – | – | (10,954) |
|  | **–** | **(18,260)** | **(147)** | **–** | **(2,655)** | **–** | **–** | **–** | **–** | **–** | **–** | **–** | **(21,062)** |
| **Balance at 30 June 2024** | **103,151** | **4,611,361** | **5,479** | **2,590,144** | **159,879** | **117,938** | **57,099** | **119,728** | **993,525** | **103,769** | **815,561** | **90,690** | **9,768,324** |

Note:

(i) Net transfers from assets under construction.

Assets under construction are excluded from the table above.

**Reconciliation of Level 3 fair value movements (continued)**

|  | Freehold land $’000 | Land and unused roads $’000 | National parks $’000 | State forests $’000 | Conservation reserves $’000 | Metropolitan parks $’000 | Land used for operational purposes  $’000 | Land purchase in  progress  $’000 | Buildings and structures $’000 | RoU buildings and structures $’000 | Roads $’000 | Plant and equipment $’000 | Total $’000 |
| --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- |
| **Balance at 1 July 2022** | **36,166** | **4,463,480** | **5,626** | **2,599,099** | **109,636** | **9,212** | **57,295** | **217,116** | **652,447** | **1,847** | **749,140** | **68,448** | **8,969,512** |
| Purchases/(sales) | (1,745) | (5,449) | – | – | 5,036 | 7,706 | – | 22.499 | 46,458 | (66) | 4,089 | 25,369 | 103,897 |
| Transfers in/(out) of Level 3 – assets classified as held for sale (Note 5.2) | (177) | 593 | – | – | – | – | – | – | – | – | – | – | 416 |
| Transfers in/(out)  – free of charge | – | – | – | – | – | – | – | – | – | – | – | – | – |
| Transfers in/(out)  – from other categories(i) | (41) | 863 | – | – | – | (1,611) |  | 1,566 | (14,289) | – | 13,979 | 310 | 777 |
| Depreciation expense | – | – | – | – | – | – | – | – | (38,350) | (4,495) | (25,173) | (13,887) | (81,905) |
|  | **34,203** | **4,459,487** | **5,626** | **2,599,099** | **114,672** | **15,307** | **57,295** | **241,181** | **646,266** | **(2,714)** | **742,035** | **80,240** | **8,992,697** |
| Gains/(losses) recognised in net result |  |  |  |  |  |  |  |  |  |  |  |  |  |
| Recognition/ (derecognition), write-on/(write-down) of assets | 2,658 | (195,275) | – | (1,525) | – | – | (55) | – | 25,498 | – | 2,467 | (311) | (166,543) |
|  | **2,658** | **(195,275)** | **–** | **(1,525)** | **–** | **–** | **(55)** | **–** | **25,498** | **–** | **2,467** | **(311)** | **(166,543)** |
| Gains/(losses) recognised in other economic flows – other comprehensive income |  |  |  |  |  |  |  |  |  |  |  |  |  |
| Revaluation increments/ (decrements) | 4,224 | (5,076) | – | (6) | 1,710 | 1,851 | (179) | (1,611) | 85,913 | – | 96,617 | – | 183,443 |
|  | **4,224** | **(5,076)** | **–** | **(6)** | **1,710** | **1,851** | **(179)** | **(1,611)** | **85,913** | **–** | **96,617** | **–** | **183,443** |
| Transfers in/(out) through contributions by owner |  |  |  |  |  |  |  |  |  |  |  |  |  |
| Transfers in/(out)  – third party | – | (13,998) | – | – | (4) | – | – | – | – | – | – | – | (14,002) |
| Machinery of Government transfers in/(out) | (22,171) | 488,891 | – | – | – | – | – | 18 | 175,138 | 113,560 | – | 20,018 | 775,454 |
| Transfers in/(out) – other capital contributions | – | (93) | – | – | – | – | – | – | (1,706) | – | – | – | (1,799) |
|  | **(22,171)** | **474,800** | **–** | **–** | **(4)** | **–** | **–** | **18** | **173,432** | **113,560** | **–** | **20,018** | **759,653** |
| **Balance at 30 June 2023** | **18,914** | **4,733,936** | **5,626** | **2,597,568** | **116,378** | **17,158** | **57,061** | **239,588** | **931,109** | **110,846** | **841,119** | **99,947** | **9,769,250** |

Note:

(i) Net transfers from assets under construction.

Assets under construction are excluded from the table above.

**Description of significant unobservable inputs to Level 3 valuations**

| 2024 and 2023 | Valuation technique | Significant Unobservable Inputs |
| --- | --- | --- |
| Specialised land | Market approach | Community Service Obligation adjustment |
| Specialised buildings | Current replacement cost | Direct cost per square metre  Useful life of specialised buildings |
| Specialised structures | Current replacement cost | Cost per structure  Useful life of specialised structures |
| Roads | Current replacement cost | Cost per kilometre  Useful life of roads |
| Plant and equipment | Current replacement cost | Cost per unit  Useful life of plant and equipment |

* 1. Non-financial physical assets classified as held for sale

|  |  |  |
| --- | --- | --- |
|  | 2024 $’000 | 2023 $’000 |
| Non-financial physical assets classified as held for sale |  |  |
| Land held for sale | 19 | 4,029 |
| Leased motor vehicles held for sale | 748 | 525 |
| Large scale generation certificates held for sale | 283 | 2,722 |
| **Total non-financial physical assets classified as held for sale** | **1,050** | **7,276** |

Land held for sale represents land deemed surplus to the needs of the state and sale is highly probable within the next 12 months.

Motor vehicles held for sale represent vehicles identified for immediate disposal and subsequent sale in their current condition through the VicFleet disposal process. It is anticipated that these disposals will be completed within the next 12 months.

During the year, the department received large scale generation certificates in relation to agreements signed under the Renewable Certificates Purchasing Initiative. These certificates are held for sale as it is expected that the certificates will be sold to retailers within the next 12 months.

**Measurement of non-financial physical assets**

Non-financial physical assets (including disposal group assets) are treated as current and classified as held for sale if their carrying amount will be recovered through a sale transaction rather than through continuing use.

This condition is considered as met only when:

* the asset is available for immediate sale in the current condition; and

the sale is highly probable, and the asset’s sale is expected to be completed within 12 months from the date of classification.

Once classified as held for sale these non-financial physical assets, related liabilities and financial assets are measured at the lower of carrying amount and fair value less costs of disposal and are not subject to depreciation.

* + 1. Fair value determination

**Fair value measurement hierarchy of non-financial physical assets classified as held for sale**

|  | Carrying amount $’000 | Fair value measurement at end of  financial year using: Level 1 $’000 | Fair value measurement at end of  financial year using: Level 2 $’000 | Fair value measurement at end of  financial year using: Level 3 $’000 |
| --- | --- | --- | --- | --- |
| 2024 |  |  |  |  |
| Land held for sale | 19 | – | 19 | – |
| Right-of-use motor vehicles held for sale | 748 | – | 748 | – |
| Large scale generation certificates held for sale | 283 | 283 | – | – |
| **Total** | **1,050** | **283** | **767** | **–** |
| 2023 |  |  |  |  |
| Land held for sale | 4,029 | – | 4,029 | – |
| Right-of-use motor vehicles held for sale | 525 | – | 525 | – |
| Large scale generation certificates held for sale | 2,722 | 2,722 | – | – |
| **Total** | **7,276** | **2,722** | **4,554** | **–** |

There have been no transfers between levels during the period. There were no changes in valuation techniques throughout the period to 30 June 2024.

Land held for sale is measured at the lower of carrying amount and fair value less costs to sell. The market based direct comparison method is used to value land held for sale. Valuation of the land is determined by analysing comparable sales and allowing for share, size, topography, location and other relevant factors specific to the land being valued.

Motor vehicles held for sale are carried at fair value less costs of disposal. To the extent that non-financial physical assets classified as held for sale do not contain significant, unobservable price inputs, these assets are classified as Level 2 under the market approach.

Large scale generation certificates held for sale are carried at fair value less costs to sell. The fair value is determined by the department with reference to observable market prices of large-scale generation certificates currently trading in the market as at reporting date. Given there is an active market for the certificates, these assets are classified as Level 1.

* 1. Intangible assets

|  | 2024 $’000 | 2023 $’000 |
| --- | --- | --- |
| Software |  |  |
| At cost | 36,928 | 42,424 |
| Less accumulated amortisation | (30,390) | (31,157) |
|  | **6,538** | **11,267** |
| Construction in progress – at cost | 3,856 | 1,885 |
| **Total intangible assets** | **10,394** | **13,152** |

**Initial recognition**

Purchased intangible assets are initially recognised at cost. When the recognition criteria in AASB 138 Intangible Assets is met, internally generated intangible assets are recognised at cost. Subsequently, intangible assets with finite useful lives are carried at cost less accumulated amortisation and accumulated impairment losses. Depreciation and amortisation begins when the asset is available for use, that is, when it is in the location and condition necessary for it to be capable of operating in the manner intended by management.

An internally generated intangible asset arising from development (or from the development phase of an internal project) is recognised if, and only if, all of the following are demonstrated:

* the technical feasibility of completing the intangible asset so that it will be available for use or sale;
* an intention to complete the intangible asset and use or sell it;
* the ability to use or sell the intangible asset;
* the intangible asset will generate probable future economic benefits;
* the availability of adequate technical, financial and other resources to complete the development and to use or sell the intangible asset; and

the ability to measure reliably the expenditure attributable to the intangible asset during its development.

Where expenditure exceeds $300,000 (2023: $300,000) on the development of software, the department recognises software as an intangible asset when ready for use and at the value of the total expenditure.

**Subsequent measurement**

Subsequent to initial recognition, intangible assets with finite useful lives are carried at cost less accumulated amortisation and accumulated impairment losses. Amortisation begins when the asset is available for use, that is, when it is in the location and condition necessary for it to be capable of operating in the manner intended by management. Intangible produced assets with finite useful lives, are amortised as an ‘expense from transactions’ on a straight-line basis over their useful lives.

Produced intangible assets have useful lives of between 3 and 10 years.

|  | 2024 $’000 | 2023 $’000 |
| --- | --- | --- |
| Movements in carrying amounts |  |  |
| Balance at 1 July | 13,152 | 46,000 |
| Additions | 1,971 | 4,488 |
| Disposals | (2,092) | – |
| Transfers in/(out) – MoG | – | (32,648) |
| Transfer of assets to administered ledger | – | – |
| Net transfers in/(out) – from other categories | – | 8 |
| Amortisation expense | (2,637) | (4,696) |
| **Balance at 30 June** | **10,394** | **13,152** |

**Impairment of intangible assets**

Intangible assets with indefinite useful lives are tested annually for impairment and whenever there is an indication of impairment is identified.

The policy in connection with testing for impairment is outlined in Note 5.1.2.

* 1. Joint operations

Joint arrangements are contractual arrangements between the department and one or more other parties to undertake an economic activity that is subject to joint control. Joint control is the contractually agreed sharing of control of an arrangement, which exists only when decisions about the relevant activities of the joint arrangement require the unanimous consent of the parties sharing control.

Interests in joint arrangements are classified as either joint operations or joint ventures. The classification depends on the contractual rights and obligations of each investor, rather than the legal structure of the joint arrangement. For joint operations, the department recognises in its financial statements: its assets, including its share of any assets held jointly; its liabilities, including its share of any liabilities that it had incurred; its revenue from the sale of its share of the output from the joint operation and its expenses, including its share of any expenses incurred jointly.

The department has determined that the state’s interest in the entities below are classified as joint operations as per AASB 11 Joint Arrangements.

|  |  |  |  |  |
| --- | --- | --- | --- | --- |
| Name of entity | Principal activity | Country of incorporation | Ownership interest 2024 % | Ownership interest 2023(i) % |
| Royal Melbourne Showgrounds | To host a variety of events for public at the Showgrounds | Australia | 50 | 50 |
| Biosciences Research Centre | To continue to provide a world-class research facility | Australia | 75 | 75 |

(i) DEECA assumed its interest on 1 January 2023 as part of MoG transfers from DJSIR (formerly DJPR)

**Royal Melbourne Showgrounds**

*Background to the arrangement*

The state entered into a joint operation with the Royal Agricultural Society of Victoria Limited (RASV) in October 2003 to redevelop the Royal Melbourne Showgrounds. Two joint operations structures were established, an unincorporated joint operation to carry out and deliver the joint operations project, and an incorporated joint operation entity, Showgrounds Nominees Pty Ltd, to hold the assets of the joint operation and to enter into agreements on behalf of the state and RASV.

In June 2006, Showgrounds Nominees Pty Ltd entered into a Development and Operations Agreement (on behalf of the state and RASV) with the concessionaire, PPP Solutions (Showgrounds) Nominee Pty Ltd, to design, construct, finance and maintain the new facilities at the showgrounds. The project operation term is 25 years from the date of commercial acceptance of completed works which occurred in August 2006. The showgrounds buildings will revert to the joint operation on the conclusion of the arrangement. The PPP arrangement has subsequently been assessed as a lease as per AASB 16. Payments to PPP Solutions (Showgrounds) Nominee Pty Ltd over the term of the arrangement will be accounted for as lease repayments (to cover the design/construct/finance) and operating and maintenance costs for on-going maintenance of the facility. The department’s share of these commitments is reported in Note 7.3.4.

The state’s initial contribution to the joint operation is $100.7 million (expressed in 2004 dollars) while RASV has contributed its freehold title to the showgrounds land valued at $51 million in June 2005.

In May 2020, RASV advised the state that it was unable to meet its share of the quarterly service payments to the Concessionaire. Accordingly, in May 2020, in addition to its share of the joint operations, the controlling department, at the time, (DJPR) recognised a financial guarantee liability amounting to $61.12 million in relation to this obligation. As the guarantee was called upon by RASV it reduced and the balance transferred to DEECA on 1 January 2023 was $45.08 million. This liability is disclosed in Note 6.3. Since June 2020, the state has provided RASV with a loan to fulfil its obligation to pay RASV’s proportion of quarterly service fee payments to the Concessionaire.

**Biosciences Research Centre**

*Background to the arrangement*

In April 2008, the state entered into a joint operation agreement with La Trobe University (La Trobe) to establish a world class research facility on the University’s campus in Bundoora, AgriBio, Centre for AgriBioscience. The project operation term is 25 years from the date of commercial acceptance of completed works which occurred in August 2006. The joint operation project is being delivered under the Partnerships Victoria Policy framework.

A similar structure to the Showgrounds Joint operation has been adopted comprising an unincorporated joint operation to carry out and deliver the joint operation project. An incorporated joint operation entity, Biosciences Research Centre Pty Ltd holds the assets of the joint operation and enters into agreements on behalf of the State and La Trobe. The State’s contribution to the joint operation is $227.3 million (expressed in May 2009 dollars).

On 30 April 2009, Biosciences Research Centre Pty Ltd entered into a project agreement (on behalf of the state and La Trobe) with Plenary Research Pty Ltd (the Concessionaire) to design, construct, finance and maintain the facility over the project’s operating term. The project’s operating term is 25 years from the date of commercial acceptance which occurred 18 July 2012. The PPP arrangement has subsequently been assessed as a lease as per AASB 16. Payments to Plenary Research Pty Ltd over the term of the arrangement will be accounted for as lease repayments (to cover the design/construct/finance) and operating and maintenance costs for on-going maintenance of the facility. The department’s share of these commitments is reported in Note 7.3.4.

In accordance with the joint operation agreement, the participants are required to fund the administration expenses of the joint operation in equal shares of 50 per cent each. In addition, La Trobe contributes on a quarterly basis, 25 per cent of the general facilities management, maintenance and minor work costs associated with the services.

The department pays quarterly service payments in full each quarter as they fall due. In December 2015, La Trobe exercised the right to pay all of its remaining service payments, hence its share of funding obligation in full. Accordingly, the state (via the controlling department) has recognised a 100% share in the joint operation’s lease liability.

**Department’s interest in joint operations**

The department’s interest in assets, liabilities, income, and expenses in the above joint operations is detailed below. The amounts are included in the department’s financial statements in the same financial statement line. Contingent liabilities and commitments arising from the department’s interests in joint operations are disclosed in Note 7.5 – Commitments for expenditure and Note 8.2 – Contingent assets and contingent liabilities.

|  | Royal Melbourne Showgrounds 2024 $’000 | Royal Melbourne Showgrounds 2023 $’000 | Bioscience Research Centre 2024 $’000 | Bioscience Research Centre 2023 $’000 |
| --- | --- | --- | --- | --- |
| Assets |  |  |  |  |
| Current assets |  |  |  |  |
| Cash and deposits | 318 | 348 | – | – |
| Receivables | 474 | 8 | 4,484 | 369 |
| Accrued income | 267 | 252 | 7,249 | 7,489 |
| Prepayments | 184 | – | – | – |
| **Property, plant and equipment – at fair value** | **111,179** | **112,493** | **80,966** | **79,494** |
| Liabilities |  |  |  |  |
| Leases | 29,027 | 31,704 | 228,029 | 234,812 |
| Payables | 1,769 | 1,769 | 7,249 | 7,489 |
| Other liabilities | 1,927 | 1,982 | – | – |
| **Net assets recognised** | **79,699** | **77,646** | **(142,579)** | **(154,949)** |
| Income | 785 | 743 | 38,942 | 39,270 |
| Expenses | (5,309) | (5,519) | (40,779) | (35,774) |
| **Net (loss)/gain** | **(4,524)** | **(4,776)** | **(1,837)** | **3,496** |

1. Other assets and liabilities

### Introduction

This section sets out those assets and liabilities that arose from the department’s operations.

### Structure

6.1 Receivables

6.2 Derivative financial instruments

6.3 Payables

6.3.1 Maturity analysis of contractual payables

6.4 Prepayments

6.5 Other non-financial assets

6.6 Other provisions

6.6.1 Reconciliation of movement in other provisions

6.7 Other financial liabilities

* 1. Receivables

|  | 2024 $’000 | 2023 $’000 |
| --- | --- | --- |
| Current receivables |  |  |
| Contractual |  |  |
| Trade and other receivables | 32,850 | 40,428 |
| Concessional loans – Solar Victoria(i) | 92,033 | 95,654 |
| Allowance for impairment losses of contractual receivables | (3,821) | (3,656) |
| Accrued income | 21,420 | 8,173 |
|  | **142,482** | **140,599** |
| Statutory |  |  |
| Amounts owing from Victorian government(iii) | 652,476 | 638,429 |
| Landfill levies receivable | 250,556 | 258,330 |
| Other receivables | 6,573 | 13,427 |
| GST input tax credit recoverable | 27,961 | 20,356 |
|  | **937,566** | **930,542** |
| **Total current receivables** | **1,080,048** | **1,071,141** |
| Non-current receivables |  |  |
| Contractual |  |  |
| Other receivables | 19,726 | 19,726 |
| Other loans – Rural Assistance Commissioner(ii) | 95,291 | 115,437 |
|  | **115,017** | **135,163** |
| Statutory |  |  |
| Amounts owing from Victorian government(iii) | 197,709 | 191,869 |
| **Total non-current receivables** | **312,726** | **327,032** |
| **Total receivables** | **1,392,774** | **1,398,173** |

Note

(i) Relates to concessional loan provided by the state as part of the Solar Homes Program.

(ii) Loans provided by the Rural Assistance Commissioner as part of rural assistance schemes provided to farmers which is guaranteed by the Commonwealth. See Note 7.2 – Borrowings for advances from Commonwealth relating to the Federal Government’s concessional loan scheme with the Department of Agriculture and Water Resources.

(iii) 2023 comparatives for current and non-current balances for amounts owing from Victorian government has been reclassified by $226.331 million.

Contractual receivables (consisting of trade receivables, concessional loans and accrued income) are classified as financial instruments and categorised as ‘financial assets at amortised cost’. They are initially recognised at fair value plus any directly attributable transaction costs. The department determines the present value of the concessional loans receivable by discounting the future expected cash flows at a market comparable interest rate. The department holds the contractual receivables with the objective to collect the contractual cash flows (comprising of interest and principal for concessional loans) and therefore subsequently measured at amortised cost using the effective interest method, less any impairment.

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 department applies AASB 9 for initial measurement of the statutory receivables. As a result, statutory receivables 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 department’s impairment policies, the department’s exposure to credit risk, and the calculation of the loss allowance are set out in Note 8.1.3.

The movement in the allowance of $165,000 (2023: increase of $1,011,000) was recognised in the operating result for the current financial year. The average credit period on sales of goods and services and for other receivables is 30 days. No interest is charged on trade receivables for the first 30 days from the date of the invoice. Thereafter, interest is charged at 10.0 percent (2023: 10.0 percent) on the outstanding balance of invoices relating to land licences. The interest rate is determined under the Penalty Interest Rate Act 1983.

No interest is charged on accrued income for the outstanding balance. An allowance is made for estimated irrecoverable amounts from the sale of goods, determined by reference to past default experience. No such allowance has been made in this financial year for accrued receivables.

* 1. Derivative financial instruments

|  |  |  |
| --- | --- | --- |
|  | 2024 $’000 | 2023 $’000 |
| Financial assets |  |  |
| Derivative financial instruments | 68,901 | 147,127 |
| Liabilities |  |  |
| Derivative financial instruments | 14,913 | 20,394 |

#### Financial instruments: Categorisation

To assist Victoria achieve its legislated renewable energy use targets (VRET), the department entered into contracts to support the construction of renewable energy generators to feed into the National Electricity Market (NEM). The contracts, which include future settlements of Contract for Differences and rights to large-scale generation certificates (LGCs) from/to proponents, have been classified as financial derivative instruments and are measured at fair value through profit and loss (net result) in accordance with AASB 9.

**Initial recognition**

Derivative financial instruments are initially recognised in the balance sheet at their fair value at the time the department becomes party to the contractual provisions of the instrument. This is when the proponent has satisfied the contract’s conditions precedent. Income or expense recognised represents the fair value of the expected future settlements at the initial recognition.

Initial recognition of off-market instruments may be delayed until such point in time when the department is able to reliably estimate the fair value for those derivatives for which unobservable data inputs are used as part of the valuation techniques.

**Subsequent measurement**

After initial recognition, the department measures the financial instruments at fair value. Derivatives are carried as assets when their fair value is positive and as liabilities when their fair value is negative.

Any gains or losses arising from changes in the fair value of derivatives after initial recognition are recognised in the comprehensive operating statement as an ‘other economic flow’ included in the net result (refer to Note 9.2).

#### Financial instruments: Net holding gain/(loss) on financial instruments by category

Refer to Note 8.1.2 for the net holding gain/(loss) from derivative financial instruments.

#### Financial risk management objectives and policies

Refer to Note 8.1.3 for further financial instrument disclosure relating to risk management objectives and policies.

**(a) Financial instruments: Credit risk**

Credit risk refers to the possibility of the department’s counterparty defaulting on their contractual obligations resulting in financial loss to the department. Credit risk is measured at fair value and is monitored on a regular basis.

The department’s credit risk arises mainly from in-the-money receipts due from renewable energy generators (consisting of both the Contracts for Difference and the delivery of LGCs). The present value of the future cash flows relating to in-the-money receipts are reflected on the balance sheet as a favourable derivative financial instrument (asset position).

The department determines its maximum exposure to credit risk relating to derivative financial instruments on each reporting date as the sum of the nominal values of all forecasted net cash receipts where the floating price due by the proponent exceeds the fixed price payable by the state over the remaining contract term. The department reduces some of its exposure to credit risk from derivative financial instruments contracted with unrated renewable energy generators by obtaining collateral security in the form of a bank guarantee or security deposit. Collateral is obtained annually in advance and is only valid for a year from issue date. The value of each year’s collateral is determined as the estimate net cash inflows from proponents in the year. The credit risk associated to the market-to-market of the remaining term of the contracts not covered by collateral is managed on the basis of the department’s net exposure to each proponent’s group of financial assets and financial liabilities.

|  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- |
|  | External credit rating | Maximum exposure(i) $’000 | Collateral held $’000 | Collateral type | 2024 Net carrying value(ii) $’000 |
| Contractual financial assets |  |  |  |  |  |
| Derivative financial instruments | Unrated | 100,654 | 5,710 | Bank guarantee | 68,901 |
| **Total contractual financial assets** |  | **100,654** | **5,710** |  | **68,901** |

Note:

(i) This represents the sum of all in-the-money cash receipts due in respect to the Contract for Difference.

(ii) The carrying value of $68.901 million represents a derivative asset position which is the net present value of the sum of all net cash receipts, net cash payments and LGCs. LGCs are not linked to cash flows.

|  | External credit rating | Maximum exposure(i) $’000 | Collateral held $’000 | Collateral type | 2023 Net carrying value(ii) $’000 |
| --- | --- | --- | --- | --- | --- |
| Contractual financial assets |  |  |  |  |  |
| Derivative financial instruments | Unrated | 60,309 | 7,000 | Bank guarantee | 147,127 |
| **Total contractual financial assets** |  | **60,309** | **7,000** |  | **147,127** |

Note:

(i) This represents the sum of all in-the-money cash receipts due in respect to the Contract for Difference.

(ii) The carrying value of $147.127 million represents a derivative asset position which is the net present value of the sum of all net cash receipts, net cash payments and LGCs. LGCs are not linked to cash flows.

**(b) Financial instruments: Liquidity risk**

Liquidity risk arises from being unable to meet financial obligations as they fall due. The department is exposed to liquidity risk mainly through the financial liabilities as disclosed in the face of the balance sheet and the amounts related to financial derivative settlements. Refer to Note 8.1.3(b) for further financial instrument disclosures relating to liquidity risk.

The carrying amount recorded in the following table represents the department’s maximum exposure to liquidity risk relating to derivative financial instruments.

|  | Up to 1 year $’000 | Between 1 to 5 years $’000 | 5 Years or more $’000 | 2024  Total(i) $’000 |
| --- | --- | --- | --- | --- |
| Contractual financial liabilities |  |  |  |  |
| Derivative financial instruments | 72,603 | 246,784 | 186,374 | 505,761 |

|  | Up to 1 year $’000 | Between 1 to 5 years $’000 | 5 Years or more $’000 | 2023 Total(i) $’000 |
| --- | --- | --- | --- | --- |
| Contractual financial liabilities |  |  |  |  |
| Derivative financial instruments | 29,940 | 187,957 | 213,759 | 431,657 |

Note:

(i) The amount disclosed in the above table is the nominal amount. This represents the sum of all out-of-money cash payments due in respect to the Contract for Difference.

**(c) Financial instruments: Market risk**

The department’s exposures to market risk are primarily through interest rate risk and market conditions. Objectives, policies and processes used to manage each of these risks is disclosed below and also in Note 8.1.3(c).

*Interest rate risk*

Fair value interest rate risk is the risk that the fair value of a financial instrument will fluctuate because of changes in market interest rates. The department manages the fair value interest rate risks relating to the derivative financial instruments by placing a Payment Cap clause in its contractual agreements with proponents to limit the value of the department’s liability over the term of the contracts. The respective Payment Caps applied to contractual arrangements are determined as part of the department’s Auction tender processes and escalate at a fixed 4 percent per annum.

*Equity price risk*

The department is exposed to equity market price risk through its derivative forward sale contracts of large-scale generation certificates with external market participants. The entering of forward sale contracts forms part of the department’s risk management policies to ensure that potential losses on sale of excess large-scale generation certificates are limited to forward contract values, reducing exposure to significant market volatility resulting from the expected oversupply of large-scale generation certificates.

There were no open and unsettled forward sale or purchase transactions for the year ended 30 June 2024 or 30 June 2023.

In the absence of an active market, the fair value of the department’s derivative contracts for difference and the large scale generation certificates receivable are valued using unobservable inputs such as wholesale electricity prices provided by an independent advisory firm. The forecast wholesale electricity price is considered a significant input to the valuation technique applied.

**Fair value determination**

The fair value of derivative financial instruments is based on the discounted cash flow technique. The selection of variables requires significant judgement and therefore there is a range of reasonably possible assumptions in respect of these variables that could be used in estimating the fair value of derivatives. Significant inputs in applying this technique include wholesale electricity price forecasts, LGC price forecasts, discount rate and credit value adjustment as outlined in the table below.

The assumptions underpinning the wholesale electricity prices forecast used for performing the fair value assessment for the current financial year, included detailed consideration of factors influencing demand and supply fluctuations in the energy market, including the energy market’s transition into a renewable energy future. The rising interest rates and inflation rates also have significant impact on the fair value movement.

In the absence of an active market, the fair value of the department’s derivative contracts for difference and the LGCs receivable are valued using unobservable inputs such as wholesale electricity prices forecast provided by an independent advisory firm and comparable risk free rates of zero coupon government bonds. In addition, assumptions are applied to forecast the renewable energy generation volumes over the life of the instrument. Adjustments are made to the valuations when necessary to recognise differences in the instrument’s terms. To the extent that the significant inputs are unobservable, the department categorises these investments as Level 3.

|  |  |  |  |  |
| --- | --- | --- | --- | --- |
|  | Carrying amount $’000 | Fair value measurement at end of reporting period  using: Level 1 $’000 | Fair value measurement at end of reporting period  using: Level 2 $’000 | Fair value measurement at end of reporting period  using: Level 3 $’000 |
| 2024 |  |  |  |  |
| Derivative financial assets | 68,901 | – | – | 68,901 |
| Derivative financial liabilities | 14,913 | – | – | 14,913 |
| 2023 |  |  |  |  |
| Derivative financial assets | 147,127 | – | – | 147,127 |
| Derivative financial liabilities | 20,394 | – | – | 20,394 |

There have been no transfers between levels during the period.

*Reconciliation of Level 3 fair value movements*

|  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- |
|  | Financial asset at fair value through net result  2024 $’000 | Financial asset at fair value through net result  2023 $’000 | Financial liability at fair value through net result  2024 $’000 | Financial liability at fair value through net result  2023 $’000 | Total  2024 $’000 | Total  2023 $’000 |
| Opening balance | 147,127 | 429,933 | (20,394) | – | 126,733 | 429,933 |
| Total gains or losses recognised in:  Net result | (29,081) | (187,143) | 11,393 | (20,394) | (17,688) | (207,537) |
| Other comprehensive income | – | – | – | – | – | – |
| Settlements | (55,057) | (95,663) | – | – | (55,057) | (95,663) |
| Reclassification to liability | 5,912 | – | (5,912) | – | – | – |
| **Closing balance** | **68,901** | **147,127** | **(14,913)** | **(20,394)** | **53,988** | **126,733** |

**Description of Level 3 valuation techniques used and key inputs to valuation – 2024**

|  | Valuation technique(i) | Significant unobservable inputs(i) | Sensitivity(i) | Range | Increase $’000 | Decrease $’000 |
| --- | --- | --- | --- | --- | --- | --- |
| Financial derivative instruments | Discounted cash flow method | Wholesale electricity price forecasts | 10% | $17.15 – $155.02 / MWh | 104,849 | (71,518) |
| Financial derivative instruments | Discounted cash flow method | LGC price forecasts | 10% | $0 – $51.26 / MWh | 36,751 | (36,746) |
| Financial derivative instruments | Discounted cash flow method | Discount rate – Risk free rates of zero coupon government bonds (2,3,5,10 years tenors) | 1% | 5.31% – 3.07% | 1,064 | (1,172) |
| Financial derivative instruments | Discounted cash flow method | Credit value adjustment – Australian Corporate Bond Spreads and Yields FNFSBBB10M | 1% | 2.69% – 0.69% | (1,091) | 1,156 |

**Description of Level 3 valuation techniques used and key inputs to valuation – 2023**

|  | Valuation technique(i) | Significant unobservable inputs(i) | Sensitivity(i) | Range | Increase $’000 | Decrease $’000 |
| --- | --- | --- | --- | --- | --- | --- |
| Financial derivative instruments | Discounted cash flow method | Wholesale electricity price forecasts | 10% | $11.84 – $136.24/ MWh | 111,225 | (103,514) |
| Financial derivative instruments | Discounted cash flow method | LGC price forecasts | 10% | $0 – $63.23/ MWh | 39,309 | (37,657) |
| Financial derivative instruments | Discounted cash flow method | Discount rate – Risk free rates of zero coupon government bonds (2,3,5,10 years tenors) | 1%, -1% | 5.185% – 2.95% | 3,647 | (4,214) |
| Financial derivative instruments | Discounted cash flow method | Credit value adjustment – Australian Corporate Bond Spreads and Yields FNFSBBB10M | 1%, -1% | 3.21% – 1.21% | (711) | 715 |

Note:

(i) Illustrations on the valuation techniques, significant unobservable inputs and the related quantitative range of those inputs are indicative and should not be directly used without consultation with entities’ independent valuer.

* 1. Payables

|  | 2024 $’000 | 2023 $’000 |
| --- | --- | --- |
| Current payables |  |  |
| Contractual |  |  |
| Trade creditors | 10,731 | 13,716 |
| Accrued grants and other transfers | 86,243 | 148,693 |
| Capital accruals | 7,073 | 5,405 |
| Other payable and accrued expenses | 131,229 | 156,008 |
| Financial guarantee | 42,369 | 42,369 |
|  | **277,645** | **366,191** |
| Statutory |  |  |
| Advances | 25,768 | 16,159 |
| Taxes payables | 2,741 | 9,297 |
|  | **28,509** | **25,456** |
| **Total payables** | **306,154** | **391,647** |
| Represented by: |  |  |
| Current payables | 263,785 | 349,278 |
| Non-current payables | 42,369 | 42,369 |
| **Total payables** | **306,154** | **391,647** |

Payables includes short and long term trade debt and accounts payable, grants, taxes and interest payable, and other financial liabilities.

Payables consist of:

* Contractual payables, such as trade creditors and accruals, classified as financial instruments and measured at amortised cost. Trade creditors and accruals represent liabilities for goods and services provided to the department prior to the end of the financial year that are unpaid.

Statutory payables, such as goods and services tax and fringe benefits tax payables, and advances from the Public Account, that 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 contracts.

The average credit period is 30 days. No interest is charged on the trade creditors or other payables for the first 30 days from the date of the invoice. Thereafter, interest may be charged at differing rates determined by the individual trade arrangements entered into. In response to the COVID-19 pandemic, the department is mostly in compliance with the whole of government policy of making payments to suppliers in 10 business days.

#### Financial guarantees

In May 2020, RASV advised the state that it was unable to meet its share of the quarterly service payments to the Concessionaire. Accordingly in May 2020, the controlling department at the time (DJPR) recognised a financial guarantee liability amounting to $61.12 million in relation to this obligation. On 1 January 2023, as part of the MoG arrangements, this liability was transferred to the department at its carrying value of $45.08 million. Since June 2020, the state has provided RASV with a loan to fulfil its obligation to pay RASV’s proportion of quarterly service fee payments to the Concessionaire. The loan is recognised as a non-current contractual receivable.

Payments that are contingent under financial guarantee contracts are recognised as a liability, at fair value, at the time the guarantee is issued. Subsequently, should there be a material increase in the likelihood that the guarantee may have to be exercised, the liability is recognised at the higher of the amount determined in accordance with the expected credit loss model under AASB 9 Financial Instruments and the amount initially recognised less, when appropriate, cumulative amortisation recognised.

In the determination of fair value, consideration is given to factors including the overall capital management/prudential supervision framework in operation, the protection provided by the State Government by way of funding should the probability of default increase, probability of default by the guaranteed party and the likely loss to the department in the event of default.

#### Advances

Advances mainly include advances from the Public Account made pursuant to section 37 of the Financial Management Act 1994 and represent payments made in advance of receiving appropriation funding. These advances are recognised at the gross value of amounts owing and are not discounted to the present value of future cash flows.

* + 1. Maturity analysis of contractual payables

|  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- |
|  | Carrying amount  $’000 | Nominal amount $‘000 | Less than 1 month(i)(ii) Maturity $‘000 | 1 month–3 months(i)(ii) Maturity $‘000 | 3 months–1 year(i)(ii) Maturity $‘000 | 1–5 years(i)(ii) Maturity $‘000 | 5+ years(i)(ii) Maturity $‘000 |
| 2024 |  |  |  |  |  |  |  |
| Trade creditors | 10,731 | 10,731 | 8,911 | 333 | 1,487 | – | – |
| Accrued grants and other transfers | 86,243 | 86,243 | 86,243 | – | – | – | – |
| Capital accruals | 7,073 | 7,073 | 7,073 | – | – | – | – |
| Other payables and accrued expenses | 131,229 | 131,012 | 131,012 | – | – | – | – |
| Financial guarantee | 42,369 | 43,015 | – | 1,478 | 4,440 | 23,863 | 13,234 |
| **Total** | **277,645** | **278,074** | **233,239** | **1,811** | **5,927** | **23,863** | **13,234** |
| 2023 |  |  |  |  |  |  |  |
| Trade creditors | 13,716 | 13,716 | 13,300 | 11 | 405 | – | – |
| Accrued grants and other transfers | 148,693 | 148,693 | 148,693 | – | – | – | – |
| Capital accruals | 5,405 | 5,405 | 5,405 | – | – | – | – |
| Other payable and accrued expenses | 156,008 | 156,008 | 156,008 | – | – | – | – |
| Financial guarantee | 42,369 | 48,913 | – | 1,473 | 4,426 | 29,780 | 13,234 |
| **Total** | **366,191** | **372,735** | **323,406** | **1,484** | **4,831** | **29,780** | **13,234** |

Note:

(i) Maturity analysis is presented using the contractual undiscounted cash flows.

(ii) Maturity analysis for 2023 comparatives has been updated. There is no change to nominal or carrying amount.

* 1. Prepayments

|  | 2024 $’000 | 2023 $’000 |
| --- | --- | --- |
| Prepayment |  |  |
| Information technology services | 8,326 | 2,635 |
| Solar Homes program | 22,587 | 47,334 |
| Other | – | 1,737 |
| **Total prepayments** | **30,913** | **51,706** |

Prepayments represent payments in advance of receipt of goods or services, or the payments made for services covering a term extending beyond that financial accounting period.

* 1. Other non-financial assets

|  | 2024 $’000 | 2023 $’000 |
| --- | --- | --- |
| Current inventories |  |  |
| Supplies and consumables – at cost |  |  |
| Fire stores | 14,373 | 19,852 |
| Seed bank | 1,437 | 1,437 |
| Publications held for distribution and other stores | 3,166 | 2,979 |
|  | **18,976** | **24,268** |
| Inventories held for distribution |  |  |
| Publications held for sale – at cost | 8 | - |
| **Total inventories** | **18,984** | **24,268** |
| Biological assets |  |  |
| Biological assets | 2,212 | 4,004 |
| **Total other non-financial assets** | **21,196** | **28,272** |

Fire stores are items held to respond to fire and emergency situations. Items include fire retardant, phoscheck and personal protective equipment.

Inventories include goods and other items held either for sale or for distribution at zero or nominal cost, or for consumption in the ordinary course of business operations.

Inventories held for distribution are measured at cost, adjusted for any loss of service potential. All other inventories are measured at the lower of cost and net realisable value. Where inventories are acquired for no cost or nominal consideration, they are measured at current replacement cost at the date of acquisition.

Bases used in assessing loss of service potential for inventories held for distribution include current replacement cost and technical or functional obsolescence. Technical obsolescence occurs when an item still functions for some or all of the tasks it was originally acquired to do, but no longer matches existing technologies. Functional obsolescence occurs when an item no longer functions the way it did when it was first acquired.

Biological assets comprise livestock and are valued at fair value.

* 1. Other provisions

|  | 2024 $’000 | 2023 $’000 |
| --- | --- | --- |
| Current other provisions |  |  |
| Land purchases | 66,918 | 74,143 |
| Solar programs | 15,535 | 22,023 |
| Onerous lease contracts | 936 | 442 |
| Other provisions | 19,289 | 3,388 |
| Mine site rehabilitation | 8,885 | 11,114 |
| **Total current other provisions** | **111,563** | **111,110** |
| Non-current other provisions |  |  |
| Onerous lease contracts | 6,203 | 6,884 |
| **Total non-current other provisions** | **6,203** | **6,884** |
| **Total other provisions** | **117,766** | **117,994** |

Other provisions are recognised when the department has a present obligation, the future sacrifice of economic benefits is probable, and the amount of the provision can be measured reliably.

The future sacrifice of economic benefits includes costs associated with land purchases, Solar programs, LGCs, onerous lease contracts, insurance claims, restoration and rehabilitation related to bushfire activities involving the department, mine site rehabilitation and other environmental activities such as native vegetation offsets.

The amount recognised as a liability is the best estimate to settle the present obligation at reporting date, taking into account the risks and uncertainties surrounding the obligation.

#### Onerous contracts

An onerous contract is considered to exist when the unavoidable cost of meeting the contractual obligations exceeds the estimated economic benefits to be received.

Present obligations arising under onerous contracts are recognised as a provision to the extent that the present obligation exceeds the estimated economic benefits to be received. This provision represents the present value of the future lease payments that the department is presently obligated to make in respect of onerous lease contracts under lease agreements, less income expected to be earned on the lease including estimated future sublease income. The estimate may vary as a result of changes in utilisation of the leased premises and sublease arrangements where applicable. The unexpired term of the leases vary up to a maximum of 15 years.

* + 1. Reconciliation of movement in other provisions

|  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- |
|  | Land purchases $’000 | Solar programs  $’000 | Onerous lease contracts $’000 | Mine site rehabilitation  $’000 | Other  $’000 | Total $’000 |
| **Balance at 1 July 2023** | **74,143** | **22,023** | **7,326** | **11,114** | **3,388** | **117,994** |
| Additional provisions recognised | – | 12,681 | 786 | 57 | 21,015 | 34,539 |
| Reductions arising from payments/other sacrifices of future economic benefits | (7,225) | (19,169) | – | (2,286) | (5,114) | (33,794) |
| Increase/(reductions) resulting from re-measurement or settlement without cost | – | – | (1,754) | – | – | (1,754) |
| Unwind of discount and effect of changes in the discount rate | – | – | 781 | – | – | 781 |
| **Balance at 30 June 2024** | **66,918** | **15,535** | **7,139** | **8,885** | **19,289** | **117,766** |
| Current | 66,918 | 15,535 | 936 | 8,885 | 19,289 | 111,563 |
| Non-current | – | – | 6,203 | – | – | 6,203 |
| **Balance at 30 June 2024** | **66,918** | **15,535** | **7,139** | **8,885** | **19,289** | **117,766** |

* 1. Other financial liabilities

|  | 2024 $’000 | 2023 $’000 |
| --- | --- | --- |
| Other financial liabilities |  |  |
| Other financial liabilities | 211,014 | 207,672 |
| **Total other financial liabilities** | **211,014** | **207,672** |

The liability relates to support to secure Victoria’s energy supply and support for the transition to renewable energy generation. Other financial liabilities are recognised on the date on which DEECA entered into these contracts and are measured at amortised cost.

The department’s policy in managing the risks inherent in these arrangements is disclosed in Note 8.1.3.

1. How we financed our operations

### Introduction

This section provides information on the sources of finance utilised by the department during its operations, along with interest expenses, the cost of borrowings and other information related to financial activities of the department. This section includes disclosures of balances that are financial instruments and Note 8.1 and 8.3 provides additional, specific financial instrument disclosures.

### Structure

7.1 Cash flow information and balances

7.1.1 Reconciliation of net result for the period to net cash flow from operating activities

7.1.2 Interest income

7.2 Borrowings

7.2.1 Maturity analysis of borrowings

7.2.2 Interest expense

7.3 Lease liabilities (department as lessee)

7.3.1 Right-of-use assets

7.3.2 Amounts recognised in the comprehensive operating statement

7.3.3 Amounts recognised in the cash flow statement

7.3.4 Commissioned public private partnerships accounted for as leases

7.4 Trust account balances

7.5 Commitments for expenditure

7.5.1 Public private partnership (PPP) commitment

* 1. Cash flow information and balances

Cash and deposits, including cash equivalents, comprise cash on hand and cash at bank, deposits at call and those highly liquid investments with an original maturity of three months or less, which are held for the purpose of meeting short-term cash commitments rather than for investment purposes, and which are readily convertible to known amounts of cash and are subject to an insignificant risk of changes in value.

For cash flow statement presentation purposes, cash and cash equivalents includes cash and short term investments, as indicated in the reconciliation below.

|  | 2024 $’000 | 2023 $’000 |
| --- | --- | --- |
| Cash and cash deposits |  |  |
| Cash at bank and on hand | 2,209 | 3,163 |
| Funds held in trust – cash | 853,184 | 800,655 |
| Funds held in trust – deposits on call | 594,342 | 446,719 |
| **Total cash and deposits disclosed in the balance sheet** | **1,449,735** | **1,250,537** |
| **Balance as per cash flow statement** | **1,449,735** | **1,250,537** |

Due to the state of Victoria’s investment policy and government funding arrangements, the department does not hold a large cash reserve in its bank accounts. Cash received by the department from the generation of income is generally paid into the state’s bank account, known as the Public Account. Similarly, any departmental expenditure, including those in the form of cheques drawn by the department for the payment of goods and services to its suppliers and creditors are made via the Public Account. The process is such that, the Public Account would remit to the department the cash required for the amount drawn on the cheques. This remittance by the Public Account occurs upon the presentation of the cheques by the department’s suppliers or creditors. These funding arrangements often result in the department having a notional shortfall in the cash at bank required for payment of unpresented cheques at reporting date.

Funds held in trust include cash and term deposits and include a number of trust accounts managed and controlled by the department. Refer to Note 7.4.

* + 1. Reconciliation of net result for the period to net cash flow from operating activities

|  | 2024 $’000 | 2023 $’000 |
| --- | --- | --- |
| **Net result for the period** | **180,599** | **(81,783)** |
| Non-cash movements |  |  |
| Depreciation and amortisation | 115,211 | 96,301 |
| Net (gain)/loss on disposal of property, plant and equipment and large-scale generation certificates held for sale | (6,880) | (9,630) |
| Net recognition of non-financial assets | (15,668) | 166,543 |
| Write-down of property, plant, equipment and intangible assets | 1,539 | 2,037 |
| Concessional loan interest | 2,907 | – |
| Net (gain)/loss on financial instruments | 29,852 | 176,999 |
| Net gain arising from revaluation of employee benefits | (3,395) | 239 |
| Net (gain)/loss on disposal of biological assets | 953 |  |
| Fair value of assets or services received free of charge | – | (9) |
| Initial recognition (income)/expense from financial instruments | – | 22,218 |
| Other provision discount rate adjustments | (188) | 1,781 |
| Movements in assets and liabilities |  |  |
| (Increase)/decrease in receivables | (36,314) | 34,431 |
| (Increase)/decrease in inventories | 5,284 | 2,844 |
| (Increase)/decrease in prepayments | 24,423 | 9,117 |
| Increase/(decrease) in payables | (94,665) | (9,032) |
| Increase/(decrease) in provisions | 21,840 | (5,913) |
| Increase/(decrease) in other liabilities | 3,371 | 2,242 |
| **Net cash flows from operating activities** | **228,869** | **408,385** |

* + 1. Interest income

|  |  |  |
| --- | --- | --- |
|  | 2024 $’000 | 2023 $’000 |
| Interest income from financial assets not at fair value through profit and loss: |  |  |
| Interest on cash deposits and investments | 21,755 | 13,880 |
| Interest accretion on concessional loans | 7,620 | 7,617 |
| **Total interest income** | **29,375** | **21,497** |

Interest income includes interest received on bank term deposits and other investments and the unwinding over time of the discount on financial assets. Interest income is recognised using the effective interest method which allocates the interest over the relevant period.

* 1. Borrowings

|  |  |  |
| --- | --- | --- |
|  | 2024 $’000 | 2023 $’000 |
| Current Borrowings(i) |  |  |
| Lease liabilities – motor vehicle | 20,666 | 19,007 |
| Lease liabilities – buildings and structures(iv) | 1,252 | 1,577 |
| Lease liabilities – Public private partnership (PPP)(ii)(iv) | 11,697 | 10,190 |
| Advances from the Commonwealth(iii) | 30 | 700 |
| **Total current borrowings** | **33,645** | **31,474** |
| Non-Current Borrowings(i) |  |  |
| Lease liabilities – motor vehicle | 43,743 | 34,613 |
| Lease liabilities – buildings and structures(iv) | 184 | 107 |
| Lease liabilities – Public private partnership (PPP)(ii)(iv) | 245,361 | 257,058 |
| Advances from the Commonwealth(iii) | 96,831 | 116,976 |
| **Total non-current borrowings** | **386,119** | **408,754** |
| **Total borrowings** | **419,764** | **440,228** |

Note:

(i) Secured by the leased assets.

(ii) The department’s share of PPPs as part of joint operations. Refer to Note 5.4.

(iii) Relate to Rural Assistance Commission concessional loans. Refer to Note 9.4.

(iv) 2023 comparatives for current and non-current lease liabilities – buildings and structures and lease liabilities – public private partnership (PPP) has been amended by $7.519 million to reclassify the leases between the two categories.

Borrowings refer to interest bearing liabilities which are lease liabilities that relate to buildings and structures, and motor vehicles leased through the VicFleet and Fleet Plus lease facilities.

Borrowings are classified as financial instruments. The department classifies its interest-bearing liabilities as financial liabilities at amortised cost subsequent to initial recognition.

During the current and prior year, there were no defaults and breaches.

* + 1. Maturity analysis of borrowings

|  | Carrying amount  $’000 | Nominal amount $‘000 | Less than 1 month Maturity $‘000 | 1 month – 3 months Maturity $‘000 | 3 months – 1 year Maturity $‘000 | 1–5 years Maturity $‘000 | 5+ years Maturity $‘000 |
| --- | --- | --- | --- | --- | --- | --- | --- |
| 2024 |  |  |  |  |  |  |  |
| Lease liabilities | 322,903 | 476,035 | 7,665 | 10,919 | 37,283 | 181,584 | 238,584 |
| Advances from the Commonwealth | 96,861 | 96,861 | – | 400 | – | 95,631 | 830 |
| **Total** | **419,764** | **572,896** | **7,665** | **11,319** | **37,283** | **277,215** | **239,414** |
| 2023 |  |  |  |  |  |  |  |
| Lease liabilities | 322,552 | 450,001 | 7,846 | 10,143 | 35,632 | 170,561 | 225,819 |
| Advances from the Commonwealth | 117,676 | 117,676 | – | 700 | – | 103,672 | 13,304 |
| **Total** | **440,228** | **567,677** | **7,846** | **10,843** | **35,632** | **274,233** | **239,123** |

* + 1. Interest expense

|  | 2024 $’000 | 2023 $’000 |
| --- | --- | --- |
| Interest expense |  |  |
| Interest on leases | (2,354) | (1,212) |
| Interest on leases – PPP | (23,889) | (12,022) |
| Interest foregone on concessional loans | (10,353) | (6,109) |
| Other interest expense | (4,120) | (2,712) |
| **Total interest expense** | **(40,716)** | **(22,055)** |

Interest expense is costs incurred in connection with leasing arrangements and the wind back of interest relating to make good provisions.

Concessional loan discount on initial recognition includes interest expense calculated using the effective interest method as described in AASB 9 Financial Instruments.

Interest expense is recognised in the period in which it is incurred.

* 1. Leases liabilities (department as lessee)

Information about leases for which the department is a lessee is presented below.

#### The department’s leasing activities

The department leases office accommodation, motor vehicles, and various other assets for fire emergency purposes.

Office accommodation is mostly leased from the Accommodation, Carpool and Library Services (ACLS), part of the Department of Government Services.

Motor vehicles are leased through the VicFleet and Fleet Plus lease facilities. The lease term is the period over which the vehicle is to be leased. Generally, vehicles must be retained for three years or 60,000 kilometres for VicFleet vehicles and 15 years for FleetPlus vehicles, whichever occurs first. On disposal of the vehicle any profit or loss on sale is borne by the department.

Other leased assets include airport hangars, and emergency management system hosting and storage. These assets are leased to assist the department in delivering its fire and emergency management outputs. The assets are leased for a period between 1 and 3 years.

The other leases the department recognises relates to its share of public private partnership (PPP) arrangements which have been determined to meet the definition of a lease. Refer to Note 7.3.4.

At 30 June 2024, the department was committed to short term leases. The total commitment at the end of the financial year is disclosed in Note 7.5.

#### Leases at significantly below-market terms and conditions

From 1 January 2023, the department holds land under a concessionary lease arrangement through its Biosciences Research Centre joint operation. The Biosciences research facility is constructed on this land. The concessionary lease has a term of 25 years concluding in August 2036 with an option to renew for another 25 years. Rental charge is $1 per annum.

* + 1. Right-of-use assets

Right-of-use assets are presented in Note 5.

* + 1. Amounts recognised in the comprehensive operating statement

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

|  |  |  |
| --- | --- | --- |
|  | 2024 $’000 | 2023 $’000 |
| Interest on lease liabilities | (2,354) | (1,212) |
| Interest on PPP related lease liabilities | (23,889) | (12,022) |
| Expenses relating to low value and short term leases | (1,476) | (424) |
| **Total amount recognised in the comprehensive operating statement** | **(27,719)** | **(13,658)** |

* + 1. Amounts recognised in the cash flow statement

The following amounts are recognised in the cash flow statement for the year ended 30 June 2024 relating to leases:

|  |  |  |
| --- | --- | --- |
|  | 2024 $’000 | 2023 $’000 |
| **Total cash outflow for leases** | **(25,288)** | **(23,776)** |

For any new contracts entered into the department 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 department 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 department and for which the supplier does not have substantive substitution rights;
* the department 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 department has the right to direct the use of the identified asset throughout the period of use.

the department 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**

*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 department’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.

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

The department has elected to account for short-term leases and leases of low value assets using the practical expedients. Instead of recognising a right-of-use asset and lease liability, the payments in relation to these are recognised as an expense in profit or loss on a straight line basis over the lease term.

*Presentation of right-of-use assets and lease liabilities*

The department 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.

* + 1. Commissioned public private partnerships accounted for as leases

Public private partnerships (PPP) involve 2 payments streams:

* Service fee payments which relate to the financing building of the asset

Operating and maintenance costs which relate to the on-going operation and maintenance of the assets

The department has determined that its share of PPP service fee payments that relate to the below project facilities are accounted for as leases and disclosed in Note 7.3 and its share of operating and maintenance costs are expensed when incurred and disclosed as commitments in Note 7.5.

**Royal Melbourne Showground**

The department received a share in the Royal Melbourne Showgrounds joint operation as part of the machinery of government changes which took effect on 1 January 2023. The joint operation entity, in 2006 had entered into a PPP arrangement with PPP Solutions (Showgrounds) Nominee Pty Ltd to design, construct, finance and maintain the new facilities at the showgrounds. The PPP arrangement has been assessed as lease under the requirements of AASB 16. For more information on the arrangement refer to Note 5.4.

**Biosciences Research Centre**

The department received a share in the Biosciences Research Centre joint operation as part of the machinery of government changes which took effect on 1 January 2023. The joint operation entity, in 2009 had entered into a PPP arrangement with Plenary Research Pty Ltd (the Concessionaire) to design, construct, finance and maintain the Biosciences Research Centre. The PPP arrangement has been assessed as lease under the requirements of AASB 16. For more information on the arrangement refer to Note 5.4.

|  | Minimum future lease payments 2024 $’000 | Minimum future lease payments 2023 $’000 | Present value of minimum future lease payments 2024 $’000 | Present value of minimum future lease payments 2023 $’000 |
| --- | --- | --- | --- | --- |
| Commissioned PPP related finance lease liabilities payable |  |  |  |  |
| Not longer than 1 year | 32,414 | 31,853 | 30,786 | 30,252 |
| Longer than 1 year but not longer than 5 years | 135,501 | 133,104 | 105,016 | 103,142 |
| Longer than 5 years | 238,586 | 273,423 | 121,256 | 133,854 |
| **Minimum future lease payments** | **406,501** | **438,380** | **257,058** | **267,248** |
| Less: future finance charges | (149,443) | (171,132) | – | – |
| **Present value of minimum lease payments** | **257,058** | **267,248** | **257,058** | **267,248** |
| Included in the financial statements as:  Current borrowings lease liabilities (Note 7.2) | – | – | 11,697 | 10,190 |
| Non‑current borrowings lease liabilities (Note 7.2) | – | – | 245,361 | 257,058 |
| **Total** | **–** | **–** | **257,058** | **267,248** |

* 1. Trust account balances

The department has responsibility for transactions and balances relating to trust funds held. No third party funds were held under management for either 2024–23 or 2022–23. The following is a listing of trust account balances in cash and deposits relating to trust accounts controlled and administered by the department.

|  | Balance at 1 July 2023 $’000 | Total receipts $’000 | Total payments $’000 | 2024 Balance at 30 June 2024 $’000 | Balance at 1 July 2022 $’000 | MoG transfer in $’000 | Total receipts $’000 | Total payments $’000 | MoG transfer out $’000 | 2023 Balance at 30 June 2023 $’000 |
| --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- |
| Controlled trusts |  |  |  |  |  |  |  |  |  |  |
| Cash, deposits and investments |  |  |  |  |  |  |  |  |  |  |
| Albury Wodonga Land Transfer  Operates under s19(2) of the Financial Management Act 1994 as a specific purpose operating account. It receives funding and earns interest for the appropriate management and protection of land transferred from the Albury Wodonga Corporation. | 570 | 25 | (4) | 591 | 553 | – | 17 | – | – | 570 |
| Animals In Research and Teaching Welfare Fund  Established under the Prevention of Cruelty to Animals Act 1986 to record the receipt and disbursement of funds collected for monitoring and reporting on compliance by animal research and teaching establishments. | 2,619 | 3,450 | (3,747) | 2,322 | – | 3,796 | 12 | (1,189) | – | 2,619 |
| Building New Communities Fund  Operates under s201VB of the Planning & Environment Act 1987 to provide assistance for capital works for state funded infrastructure in any growth area. | – | – | – | – | 158,349 | – | 34,371 | – | (192,720) | – |
| Bulgana Green Power Hub Trust Account  Operates under s19(2) of the Financial Management Act 1994 for the delivery of the Bulgana Green Power Hub. It is the single point of administration for receipt and holding of revenues received, net Contract for Difference net payments received by and paid to proponent and settlement of Base payments due to the proponent. | 38,607 | 10,049 | (7,889) | 40,767 | 7,691 | – | 33,620 | (2,704) | – | 38,607 |
| Casino Area Works Trust  Operates under schedule 5 of the Casino (Management Agreement) (Amendment) Act 1996 to be applied to works for the general improvement of facilities in the Melbourne casino area. | – | – | – | – | 149 | – | – | – | (149) | – |
| Department Suspense  Operates under s19(2) of the Financial Management Act 1994 as a working account. It holds all generic unclaimed funds until they have been identified. | 142 | 5 | – | 147 | 142 | – | – | – | – | 142 |

|  | Balance at 1 July 2023 $’000 | Total receipts $’000 | Total payments $’000 | 2024 Balance at 30 June 2024 $’000 | Balance at 1 July 2022 $’000 | MoG transfer in $’000 | Total receipts $’000 | Total payments $’000 | MoG transfer out $’000 | 2023 Balance at 30 June 2023 $’000 |
| --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- |
| Controlled trusts |  |  |  |  |  |  |  |  |  |  |
| Cash, deposits and investments |  |  |  |  |  |  |  |  |  |  |
| Disease Compensation Funds  Established under section 5 of the Livestock Disease Control Act 1994 to support the control and eradication of any outbreak and to provide compensation for livestock destroyed due to suffering or suspected of suffering from diseases. | 50,709 | 11,623 | (4,941) | 57,391 | – | 47,063 | 6,058 | (2,412) | – | 50,709 |
| DTF VicFleet  Operates under s19(2) of the Financial Management Act 1994 as a specific purpose operating account. It receives funding and makes payments in relation to the government motor vehicle pool. | 1,304 | 2,951 | (2,711) | 1,544 | 1,016 | – | 5,395 | (4,460) | (647) | 1,304 |
| Goulburn Murray Water Connections Project Trust  Operates under s19(2) of the Financial Management Act 1994 as a specific purpose operating account. It receives fees and disburses payments in relation to the delivery of the Goulburn Murray Water connections and irrigations modernisation program. | 546 | 2 | – | 548 | 545 | – | 1 | – | – | 546 |
| Growth Areas Public Transport Fund  Operates under s201VA of the Planning & Environment Act 1987 to provide assistance for the state funded public transport infrastructure works in any growth areas. | – | – | – | – | 282,383 | – | 34,333 | (6,277) | (310,439) | – |
| Inter-departmental Transfer Trust  Operates under s19(2) of the Financial Management Act 1994 to record inter-departmental transfers when no other trust arrangement exists. | 87,009 | 16,288 | (38,238) | 65,059 | 29,364 | 58,145 | 38,616 | (35,996) | (3,120) | 87,009 |
| Melbourne Strategic Assessment Trust Account  Operates under s19(2) of the Financial Management Act 1994 as a specific purpose operating account. It receives fees and disburses payments in relation to the delivery of the Melbourne Strategic Assessment Program. | 108,718 | 55,517 | (46,199) | 118,036 | 68,012 | – | 54,677 | (13,971) | – | 108,718 |

|  | Balance at 1 July 2023 $’000 | Total receipts $’000 | Total payments $’000 | 2024 Balance at 30 June 2024 $’000 | Balance at 1 July 2022 $’000 | MoG transfer in $’000 | Total receipts $’000 | Total payments $’000 | MoG transfer out $’000 | 2023 Balance at 30 June 2023 $’000 |
| --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- |
| Controlled trusts |  |  |  |  |  |  |  |  |  |  |
| Cash, deposits and investments |  |  |  |  |  |  |  |  |  |  |
| Municipal and Industrial Landfill Levy Trust Account  Established under s70F of the Environment Protection Act 1970 and operates under s19 of the Financial Management Act 1994 as a specific purpose operating account. It receives municipal and industrial landfill levies from the Environment Protection Authority as specified in s448 of the Environment Protection Act 2017 and manages payments to environmental agencies with the remaining balance transferred to the Sustainability Fund Trust Account in accordance with s449(2) of the Act. | – | 482,175 | (482,175) | – | – | – | 457,119 | (457,119) | – | – |
| Parks and Reserves Trust Account  Operates under s153A of the Water Industry Act 1994 as a specific purpose operating account. It receives the Metropolitan Parks Improvement Rate and makes payments for the management and control of open spaces, parks and waterways in metropolitan area. | 202,167 | 207,403 | (182,000) | 227,570 | 184,965 | – | 212,517 | (195,315) | – | 202,167 |
| Plant and Machinery Trust Account  Operates under s23 of the Conservation, Forests and Lands Act 1987 as a specific purpose operating account. It receives funding and makes payments for the renewal, replacement, operation, maintenance and repair of plant and machinery. | 41,415 | 7,368 | (35,207) | 13,576 | 38,092 | 1,106 | 19,049 | (16,832) | – | 41,415 |
| Project Trust Account  Operates under s19(2) of the Financial Management Act 1994 as a specific purpose operating account. It receives income and makes payments associated with services the department has been contracted to supply on a fee for service basis. | 394,525 | 315,809 | (314,828) | 395,506 | 383,820 | 66,030 | 313,420 | (311,957) | (56,788) | 394,525 |
| Renewable Energy Certificate Purchasing Initiative Trust Account  Operates under s19(2) of the Financial Management Act 1994 as a specific purpose operating account. Maintains a single point of administration for revenue holding, consultancy fee, administrative costs, staffing and training. Payments are received from the Sustainability Fund for implementing the Renewable Certificate Purchasing Initiative and for purchasing Large-scale Generation Certificates | 39,632 | 7,629 | (2,728) | 44,533 | 37,593 | – | 7,095 | (5,056) | – | 39,632 |

|  | Balance at 1 July 2023 $’000 | Total receipts $’000 | Total payments $’000 | 2024 Balance at 30 June 2024 $’000 | Balance at 1 July 2022 $’000 | MoG transfer in $’000 | Total receipts $’000 | Total payments $’000 | MoG transfer out $’000 | 2023 Balance at 30 June 2023 $’000 |
| --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- |
| Controlled trusts |  |  |  |  |  |  |  |  |  |  |
| Cash, deposits and investments |  |  |  |  |  |  |  |  |  |  |
| Recycling Victoria Fund  Established under the Circular Economy (Waste Reduction and Recycling) Act 2021 to record the receipt and disbursement of funds for the container deposits scheme and the waste to energy scheme. | – | 6 | (6) | – | – | – | – | – | – | – |
| Recycling Victoria Trust Account  Operates under s19(2) of the Financial Management Act 1994 as a specific purpose operating account. It holds funds as security to ensure all obligations are met in relation to the tripartrite contracts between DEECA, contractors in the waste and recycling industry and local governments. | – | 3,703 | – | 3,703 | – | – | – | – | – | – |
| Revenue Suspense  Operates under s19(2) of the Financial Management Act 1994 as a departmental account. It records all unknown revenue receipts; funds are held until receipts are identified. | 26 | 3 | – | 29 | 4,663 | 4 | – | – | (4,641) | 26 |
| State Development Special Projects  Established under section 19 of the Financial Management Act 1994, to assist in facilitating, encouraging, promoting and carrying out activities leading to a balanced economic development of the State of Victoria. | 237 | – | – | 237 | – | 241 | 1 | (5) | – | 237 |
| Stores Suspense  Operates under s23 of the Conservation, Forests and Lands Act 1987 as a specific purpose operating account. It receives funding and makes payments for the purchase of stores and the cost of manufacturing articles for stock. | 1,332 | 5,887 | (1,463) | 5,756 | 6,294 | – | 481 | (5,443) | – | 1,332 |
| Sustainability Fund Trust Account  Established under s70F of the Environment Protection Act 1970 and operates under s19 of the Financial Management Act 1994 as a specific purpose operating account. It manages grants fostering environmentally sustainable uses of resources, waste management best practice, greenhouse gas reduction and adapting to climate change. | 201,065 | 349,365 | (156,765) | 393,665 | 66,849 | – | 302,798 | (168,582) | – | 201,065 |
| Treasury Trust – Floods  Operates under s19 of the *Financial Management Act 1994* as a shared operating account. It makes state funds available for the restoration of assets and public facilities damaged in floods. | 1,494 | – | (570) | 924 | 1,297 | – | 370 | (173) | – | 1,494 |
| Victorian Renewable Energy Target Auction Trust Account  Operates under s19(2) of the *Financial Management Act 1994* for the delivery of the *Victorian Renewable Energy Target 2017* Reverse Auction Support Agreements. It is the single point of administration for receipt and holding of revenues received, net Contract for Difference net payments received by and paid to proponents and settlement of Base payments due to the proponents. | 75,257 | 19,845 | (19,480) | 75,622 | 9,739 | – | 65,781 | (263) | – | 75,257 |
| **Total controlled trusts** | **1,247,374** | **1,499,103** | **(1,298,951)** | **1,447,526** | **1,281,516** | **176,385** | **1,585,731** | **(1,227,754)** | **(568,504)** | **1,247,374** |

|  | Balance at 1 July 2023 $’000 | Total receipts $’000 | Total payments $’000 | 2024 Balance at 30 June 2024 $’000 | Balance at 1 July 2022 $’000 | MoG transfer in $’000 | Total receipts $’000 | Total payments $’000 | MoG transfer out $’000 | 2023 Balance at 30 June 2023 $’000 |
| --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- |
| Controlled trusts |  |  |  |  |  |  |  |  |  |  |
| Cash, deposits and investments |  |  |  |  |  |  |  |  |  |  |
| CH Barbour Forestry Foundation  Operates under s19(2) of the Financial Management Act 1994 as a specific purpose operating account. It manages funds for prizes, scholarships, research and private donations. | 9 | – | – | 9 | 9 | – | – | – | – | 9 |
| J Gilmore Farm Water Supply and Hanslow Cup  Operates under s19(2) of the Financial Management Act 1994 as a specific purpose operating account. It manages funds for prizes, scholarships, research and private donation. | 47 | 1 | – | 48 | 46 | – | 1 | – | – | 47 |
| Land Registry Commercialisation Trust Account  Operates under s19(1) of the Financial Management Act 1994 as a holding account. It manages funds, in accordance with the Concession Deed, collected by the Victorian Land Registry Services from customers following commercialisation of part of the State’s land titles and registry functions. | – | – | – | – | 61,634 | – | 2,167 | (53,154) | (10,647) | – |
| Paid Parental Leave Treasury Trust Fund  Operates under s19(2) of the Financial Management Act 1994 as a working account. It receives funds from the Commonwealth to meet the eligible costs of parental leave for departmental employees. | 61 | 34 | – | 95 | 69 | – | – | (8) | – | 61 |
| Public Service Commuters’ Club  Operates under s19 of the Financial Management Act 1994 as a working account. It services loans to staff for the purchase of yearly tickets and funds are recouped through staff salaries and wages. | 374 | 5 | – | 379 | 361 | – | 13 | – | – | 374 |
| Securities Trust Fund  Operates under s19 of the Financial Management Act 1994 as a working account. It receives and holds bonds for use by third parties of public land. | 111 | 1 | – | 112 | 16 | 94 | 3 | – | (2) | 111 |
| Sidney Plowman Award  Operates under s19(2) of the Financial Management Act 1994 as a specific purpose operating account. It manages funds for prizes, scholarships, research and private donations. | 26 | 1 | – | 27 | 25 | – | 1 | – | – | 26 |
| Treasury Trust  Operates under s19(2) of the Financial Management Act 1994 as a working account. It records the receipt and disbursement of unclaimed and unidentified monies such as unpresented cheques, surplus cash, unidentified remittances etc. | 368 | 10 | (225) | 153 | 373 | – | 48 | (53) | – | 368 |
| Victorian Desalination Project Trust Account  Operates under s19(2) of the *Financial Management Act 1994* as a specific purpose operating account. It manages and quarantines adjustment payments to AquaSure and any associated efficiencies and savings that arise relating to water orders placed with the Victorian Desalination Plant. | 36,026 | 1,611 | (128) | 37,509 | 40,784 | – | 1,772 | (6,530) | – | 36,026 |
| Victorian State Foresters’ Association  Operates under s19(2) of the *Financial Management Act 1994* as a specific purpose operating account. It manages funds for prizes, scholarships, research and private donation. | 9 | – | – | 9 | 9 | – | – | – | – | 9 |
| Lysterfield Reclamation Levy  Established under section 7 of the *Extractive Industries (Lysterfield) Act 1986* for the purposes of applying monies received in the trust to the reclamation of certain lands in accordance with the Act. | 4,978 | 463 | – | 5,441 | – | 6,012 | – | (1,034) | – | 4,978 |
| **Total administered trusts** | **42,009** | **2,126** | **(353)** | **43,782** | **103,326** | **6,106** | **4,005** | **(60,779)** | **(10,649)** | **42,009** |

#### Trust Accounts opened or closed by the department during 2023-24

*Opened*

Recycling Victoria Fund Recycling Victoria Trust Account

*Closed*

No trust accounts were closed during the year.

#### Treasury trust

The following is a subset of the Treasury Trust and relates to the Victorian floods of 2011.

The state has made funds available for the restoration of assets and public facilities damaged in floods through the Treasury Trust Fund.

|  |  |  |
| --- | --- | --- |
|  | 2024 $’000 | 2023 $’000 |
| Treasury trust – Victorian floods |  |  |
| Cash at bank at 30 June | 1,297 | 1,297 |
| **Total funds under management** | **1,297** | **1,297** |
| Treasury trust – Victorian floods |  |  |
| **Opening balance** | **1,297** | **1,297** |
| Other contributions |  | – |
| **Total receipts** | **1,297** | **1,297** |
| Payments to portfolio agencies | – | – |
| Other payments | – | – |
| **Total payments** | **–** | **–** |
| **Cash at bank 30 June** | **1,297** | **1,297** |

#### Third party funds under management

No third party funds were held under management for either 2023–24 or 2022–23.

* 1. Commitments for expenditure

Commitments for future expenditure include operating and capital commitments arising from contracts.

Operating commitments represents future expenditure arising from contracts and include commitments for future good and services. Capital commitments represents future expenditure arising from contracts and include construction of buildings, roads, structures and software and the purchase of plant, equipment and intangible assets.

The department’s lease commitment relates to short-term leases (with lease term equal or less than 12 months) and low value leases (with asset value equal or less than $10,000) on various plant and equipment.

These commitments are recorded below at nominal value and inclusive of GST. Where it is considered appropriate and provides additional relevant information to users, the net present values of significant individual projects are stated. These future expenditures cease to be disclosed as commitments once the related liabilities are recognised in the balance sheet.

|  | Less than 1 year $’000 | 1-5 years $’000 | Nominal amounts 5+ years $’000 | Nominal amounts Total $’000 |
| --- | --- | --- | --- | --- |
| 2024 |  |  |  |  |
| Operating commitments payable | 191,330 | 265,729 | 9,977 | 467,036 |
| Lease and accommodation commitments payable | 35,332 | 518 | 1,085 | 36,935 |
| Grant commitments payable | 218,486 | 137,601 | 5,531 | 361,618 |
| Capital expenditure commitments payable | 57,726 | 53,764 | – | 111,490 |
| PPP commitments payable | 14,773 | 81,981 | 150,217 | 246,971 |
| **Total commitments (inclusive of GST)** | **517,647** | **539,593** | **166,810** | **1,224,050** |
| Less GST recoverable from the Australian Taxation Office |  |  |  | (111,277) |
| **Total commitments (exclusive of GST)** |  |  |  | **1,112,773** |
| 2023 |  |  |  |  |
| Operating commitments payable(i) | 154,093 | 127,256 | 17,274 | 298,623 |
| Lease and accommodation commitments payable | 34,327 | – | – | 34,327 |
| Grant commitments payable | 100,930 | 18,457 | 7,819 | 127,206 |
| Capital expenditure commitments payable | 49,645 | 85,989 | – | 135,634 |
| PPP commitments payable | 12,894 | 75,103 | 168,303 | 256,300 |
| **Total commitments (inclusive of GST)** | **351,889** | **306,805** | **193,396** | **852,090** |
| Less GST recoverable from the Australian Taxation Office |  |  |  | (71,359) |
| **Total commitments (exclusive of GST)** |  |  |  | **780,731** |

Note:

(i) 2023 comparative figures for the operating commitments payable has been amended to include a contract value of $67.138 million.

* + 1. Public private partnership (PPP) commitments

The department sometimes enters into arrangements with private sector participants to design and construct or upgrade assets used to provide public services. These arrangements usually include the provision of operational and maintenance services for a specified period of time. These arrangements are often referred to as PPPs.

In the more common form used for these arrangements, the department pays the operator over the arrangement period, subject to specified performance criteria being met. At the date of commitment to the principal provisions of the arrangement, these estimated periodic payments are allocated between a component related to the design and construction or upgrading of the asset and components related to the ongoing operation and maintenance of the asset. The former component is accounted for as either a lease, a service concession arrangement or construction of an item of property, plant and equipment. The remaining components are accounted for as commitments for operating costs, which are expensed in the comprehensive operating statement as they are incurred. At the end of the concession period, the land and state works, together with the constructed facilities, will be returned to the department. The table below shows the commitments for operating and maintaining the asset. Refer to Note 7.3.4 for information on the financing component of the PPP.

|  | Other commitments(i) Present value 2024 $’000 | Other Commitments Nominal value 2024 $’000 | Other commitments(i) Present value 2023 $’000 | Other Commitments(i) Nominal value 2023 $’000 |
| --- | --- | --- | --- | --- |
| Commissioned PPP commitments payable |  |  |  |  |
| Royal Melbourne Showgrounds(ii) | 16,031 | 22,870 | 16,359 | 24,455 |
| Biosciences Research Centre(iii) | 132,443 | 224,101 | 129,844 | 231,845 |
| **Total commitments payable to PPP** | **148,475** | **246,971** | **146,203** | **256,300** |
| Commissioned PPP commitments receivable |  |  |  |  |
| Royal Melbourne Showgrounds(ii) | 8,016 | 11,435 | 8,179 | 12,227 |
| Biosciences Research Centre(iii) | 9,670 | 16,339 | 9,827 | 17,297 |
| GST recoverable from the Australian Taxation Office | 13,498 | 22,452 | 15,585 | 23,300 |
| **Total commitments receivable for PPP** | **31,183** | **50,226** | **33,591** | **52,824** |
| **Net commitments for PPPs** | **117,291** | **196,745** | **112,612** | **203,476** |

(i) Commitments relate to operating maintenance and life cycle costs. For the Biosciences Research Centre this excludes pass through costs related to utilities, waste management and insurance on the basis that they are variable in nature and cannot be reliably estimated.

(ii) The figures represent 100 per cent of the total commitment under the terms of the PPP with the concessionaire offset by a 50 per cent of the quarterly service payment recoupment under the terms of the joint arrangement with Royal Melbourne Showgrounds. DEECA has recognised a financial guarantee liability in relation to the receivable from Royal Melbourne Showgrounds refer Note 7.2.1.

(iii) The figures represent 100 per cent of the operating commitment under the terms of the PPP with the concessionaire, offset by a 25 per cent of the general operating costs recoupment from La Trobe University under the terms of the joint arrangement. In 2016, La Trobe University has prepaid the net present value of its commitment to fund 25 per cent of the Biosciences Research Centre operating costs resulting in the DJPR (the department that controlled the joint operations at the time) recognising a liability for this prepayment that will be offset against the Bioscience Research Centre operating costs over the remaining contract term. This liability was transferred to DEECA on 1 January 2023.

1. Risks, contingencies and valuation judgements

### Introduction

The department is exposed to risk from its activities and outside 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 sets out financial instruments’ specific information (including exposures to financial risks) as well as those items that are contingent in nature or require a higher level of judgement to be applied, which for the department related mainly to fair value determination.

### Structure

8.1 Financial instruments specific disclosures

8.1.1 Financial instruments: Categorisation

8.1.2 Financial instruments: Net holding gain/(loss) on financial instruments by category

8.1.3 Financial risk management objectives and policies

8.2 Contingent assets and contingent liabilities

8.3 Fair value determination

8.3.1 Fair value determination of financial assets and liabilities

### Use of judgements and estimates

The fair value of derivative financial instruments is determined based on prices directly observable in the market, where available, or, for unlisted financial instruments, using specific valuation techniques (mainly based on present value) that maximize the use of observable market inputs. In circumstances where this is not possible, management assess the complexity of assumptions and methodologies used to estimate input data as complex and engage third party industry experts to assist with the development of the most appropriate range of estimations.

Judgement was required in determining how to best obtain market data inputs for the fair value calculations. The department elected to appoint a third party expert to provide price forecast data estimations. Specific decisions were made with the third-party expert to incorporate some of the observable assumptions and adopt a return on investment approach to estimate the wholesale electricity price forecasts.

Management considers that the data relating to wholesale electricity price forecasts are the most significant inputs used in determining the fair value of derivative financial instruments.

Wholesale electricity price is considered one of the key areas of estimation involved in the valuation. Management undertook a detailed process to understand the method.

The calculation of the fair value of certain financial assets and liabilities require the judgements, estimates and assumptions relating to future events.

The estimates and assumptions made are based on previous experience and other factors that management considers reasonable in the circumstances, but that are inherently uncertain and unpredictable. Unexpected events or circumstances may arise. Furthermore, the department is subject to risks and uncertainties which may result in the actual amounts deviating from the estimates.

It may become necessary to change estimates made previously due to changes in the assumptions on which the previous estimates were based or due to knowledge or subsequent events.

Management revises the estimates and assumptions periodically and the effects of any changes are reflected through profit and loss if they only involve that period. If the revision involves both the current and the future periods, the change is recognised in the period in which the revision is made and in the related future periods.

### Derivative financial instruments

Methodologies and assumptions used by external providers to determine the appropriate forecast to apply as part of the valuation.

In accordance with AASB 13, the department includes a measurement of credit risk, both counterparty (Credit Valuation Adjustment or CVA) and its own (Debit Valuation Adjustment or DVA), to adjust the fair value of financial instruments for the corresponding amount of counterparty risk, using the method discussed in Note 6.2 Derivative financial instruments.

### Expected credit losses on contractual receivables at amortised cost

The loss allowances for contractual receivables are based on assumptions about risk of default and expected loss rates. The department uses judgement in making these assumptions and selecting the inputs to the expected credit loss calculation, based on the department’s past history and existing market conditions as well as forward-looking estimates at the end of each reporting period.

* 1. Financial instruments specific disclosures

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. Due to the nature of the department’s activities, certain financial assets and financial liabilities arise under statute rather than a contract (for example taxes, fines and penalties). Such assets and liabilities do not meet the definition of financial instruments in AASB 132 Financial Instruments: Presentation.

#### Categories of financial assets

**Financial assets at amortised cost**

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

* the assets are held by the department to collect the 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 method less any impairment.

The department recognises the following assets in this category:

* cash and deposits; and

receivables (excluding statutory receivables).

**Financial assets at fair value through net result**

Equity instruments that are held for trading as well as derivative instruments are classified as fair value through net result. Other financial assets are required to be measured at fair value through net result unless they are measured at amortised cost or fair value through other comprehensive income as explained above.

However, as an exception to those rules above, the department may, at initial recognition, irrevocably designate financial assets as measured at fair value through net result if doing so eliminates or significantly reduces a measurement or recognition inconsistency (‘accounting mismatch’) that would otherwise arise from measuring assets or liabilities or recognising the gains and losses on them on different bases.

#### Categories of financial liabilities

Financial liabilities at fair value through net result are categorised as such at trade date if they are classified as held for trading or designated as such upon initial recognition.

Financial instrument assets are designated at fair value through profit or loss on the basis that the financial assets form part of a group of financial assets that are managed based on their fair values, and have their performance evaluated in accordance with documented risk management and investment strategies. Financial instruments at fair value through profit and loss are initially measured at fair value; attributable transaction costs are expensed as incurred. Subsequent to initial recognition, any changes in fair value are recognised in the net result as other economic flows.

Financial liabilities at amortised cost are initially recognised on the date they originate. 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 net result over the period of the interest-bearing liability, using the effective interest method (refer to Note 9.12 Glossary of technical terms).

Derivative financial instruments are classified as fair value through net result. Refer to Note 6.2 for further details on derivative financial instruments.

#### 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 contractual rights to receive cash flows from the asset have expired; or
* the department 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 department has transferred its rights to receive cash flows from the asset and either:

1. has transferred substantially all the risks and rewards of the asset
2. has neither transferred nor retained substantially all the risks and rewards of the asset but has transferred control of the asset.

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

#### 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.

#### Reclassification of financial instruments

Subsequent to initial recognition, reclassification of financial liabilities is not permitted. Financial assets are required to be reclassified between fair value through net result, fair value through other comprehensive income and amortised cost when and only when the department’ business model for managing its financial assets has changed such that its previous model would no longer apply.

If under rare circumstances an asset is reclassified, the reclassification is applied prospectively from the reclassification date and previously recognised gains, losses or interest should not be restated. If the asset is reclassified to fair value, the fair value should be determined at the reclassification date and any gain or loss arising from a difference between the previous carrying amount and fair value is recognised in net result.

* + 1. Financial instruments: Categorisation

|  | Financial assets at amortised cost $’000 | Financial assets/ liabilities designated at fair value through profit/loss $’000 | Financial liabilities at amortised cost $’000 | 2024 Total $’000 | Financial assets at amortised cost $’000 | Financial assets/ liabilities designated at fair value through profit/loss $’000 | Financial liabilities at amortised cost $’000 | 2023 Total $’000 |
| --- | --- | --- | --- | --- | --- | --- | --- | --- |
| Contractual financial assets |  |  |  |  |  |  |  |  |
| Cash and deposits |  |  |  |  |  |  |  |  |
| Cash, deposits on call and term deposits less than 3 months | 1,449,735 | – | – | 1,449,735 | 1,250,537 | – | – | 1,250,537 |
| **Receivables(i)** |  |  |  |  |  |  |  |  |
| Trade and other receivables | 52,576 | – | – | 52,576 | 60,153 | – | – | 60,153 |
| Concessional loans – Solar | 92,033 | – | – | 92,033 | 95,654 | – | – | 95,654 |
| Other loans – RAC | 95,291 | – | – | 95,291 | 115,437 | – | – | 115,437 |
| **Derivative financial instruments** | **–** | **68,901** | **–** | **68,901** | **–** | **147,127** | **–** | **147,127** |
| **Total contractual financial assets** | **1,689,635** | **68,901** | **–** | **1,758,536** | **1,521,781** | **147,127** | **–** | **1,668,908** |
| Contractual financial liabilities |  |  |  |  |  |  |  |  |
| Payables(ii) |  |  |  |  |  |  |  |  |
| Trade creditors | – | – | 10,731 | 10,731 | – | – | 13,716 | 13,716 |
| Accrued grants and other transfers | – | – | 86,243 | 86,243 | – | – | 148,693 | 148,693 |
| Capital accruals | – | – | 7,073 | 7,073 | – | – | 5,405 | 5,405 |
| Other payable and accrued expenses | – | – | 131,229 | 131,229 | – | – | 156,008 | 156,008 |
| Financial guarantee | – | – | 42,369 | 42,369 | – | – | 42,369 | 42,369 |
| **Other financial liabilities** | **–** | **–** | **211,014** | **211,014** | **–** | **–** | **207,672** | **207,672** |
| Borrowings |  |  |  |  |  |  |  |  |
| **Lease liabilities** | **–** | **–** | **322,903** | **322,903** | **–** | **–** | **322,552** | **322,552** |
| Advances from Commonwealth | – | – | 96,861 | 96,861 | – | – | 117,676 | 117,676 |
| **Derivative financial instruments** | **–** | **14,913** | **–** | **14,913** | **–** | **20,394** | **–** | **20,394** |
| **Other liabilities** | **–** | **–** | **11,513** | **11,513** | **–** | **–** | **15,859** | **15,859** |
| **Total contractual financial liabilities** | **–** | **14,913** | **919,936** | **934,849** | **–** | **20,394** | **1,029,950** | **1,050,344** |

Note:

(i) The amount of receivables disclosed excludes accrued income and statutory receivables (i.e., amounts owing from Victorian Government, landfill levies receivable and GST input tax credit receivable) totalling $1,152.874 million (2023: $1,130.584 million) – Refer to Note 6.1 Receivables.

(ii) The amount of payables disclosed excludes statutory payables (i.e. Advances from the Public Account and taxes payable) totalling $28.509 million (2023: $25.456 million) – Refer to Note 6.3 Payables.

* + 1. Financial instruments: Net holding gain/(loss) on financial instruments by category

|  | Net holding gain/(loss) $’000 | Total interest income/ (expense) $’000 | Impairment loss $’000 | 2024 Total $’000 |
| --- | --- | --- | --- | --- |
| Contractual financial assets |  |  |  |  |
| Financial assets at amortised cost – other than on derecognition | – | 29,375 | (196) | 29,179 |
| Financial assets at fair value through net result | (28,538) | – | – | (28,538) |
| **Total contractual financial assets** | **(28,538)** | **29,375** | **(196)** | **641** |
| Contractual financial liabilities |  |  |  |  |
| Financial liabilities at amortised cost | – | (26,243) | – | (26,243) |
| Financial guarantees | – | (4,120) | – | (4,120) |
| Financial liabilities designated at fair value through net result | – | – | – | – |
| **Total contractual financial liabilities** | **–** | **(30,363)** | **–** | **(30,363)** |

|  |  |  |  |  |
| --- | --- | --- | --- | --- |
|  | Net holding gain/(loss) $’000 | Total interest income/ (expense) $’000 | Impairment loss $’000 | 2023 Total $’000 |
| Contractual financial assets |  |  |  |  |
| Financial assets at amortised cost – other than on derecognition | – | 21,497 | (500) | 20,997 |
| Financial assets at fair value through net result | (176,499) | – | – | (176,499) |
| **Total contractual financial assets** | **(176,499)** | **21,497** | **(500)** | **(155,502)** |
| Contractual financial liabilities |  |  |  |  |
| Financial liabilities at amortised cost | – | (15,946) | – | (15,946) |
| Financial guarantee | – | (508) | – | (508) |
| Financial liabilities designated at fair value through net result | – | – | – | – |
| **Total contractual financial liabilities** | **–** | **(16,454)** | **–** | **(16,454)** |

The net holding gains or losses disclosed above are determined as follows:

* for cash and cash equivalents and financial assets at amortised cost, the net gain or loss is calculated by taking the movement in the fair value of the asset, the interest income, plus or minus foreign exchange gains or losses arising from revaluation of the financial assets, and minus any impairment recognised in the net result;
* for financial liabilities measured at amortised cost, the net gain or loss is calculated by taking the interest expense, plus or minus foreign exchange gains or losses arising from the revaluation of financial liabilities measured at amortised cost; and

for financial assets and liabilities designated at fair value through net result, the net gain or loss is calculated by taking the movement in the fair value of the financial asset or liability.

* + 1. Financial risk management objectives and policies
* Financial risks
* Credit risk
* Liquidity risk
* Market risk
  + Interest rate risk
  + Foreign currency risk
  + Equity price risk

As a whole, the department’s financial risk management program seeks to manage these risks and the associated volatility of its financial performance.

Details of the significant accounting policies and methods adopted, including the criteria for recognition, the basis of measurement, and the basis on which income and expenses are recognised, with respect to each class of financial asset, financial liability and equity instrument above is disclosed throughout the financial statement notes.

The main purpose in holding financial instruments is to prudently manage the department’s financial risks within the government policy parameters.

The department’s main financial risks include credit risk, liquidity risk and market risk. The department manages these financial risks in accordance with its financial risk management policy.

The department uses different methods to measure and manage the different risks to which it is exposed. Primary responsibility for the identification and management of financial risks rests with the accountable officer of the department.

#### (a) Financial instruments: Credit risk

Credit risk refers to the possibility of the department’s counter party defaulting on their contractual obligations resulting in financial loss to the department. Credit risk is measured at fair value and is monitored on a regular basis.

Credit risk associated with contractual financial assets with the main debtor as the Victorian Government is considered minimal. For all other contractual financial assets other than those with government, credit assessments are required where $5,000 or more of goods and services are provided. If a customer has a credit rating of less than a Triple-B rating, collateral security in the form of a bank guarantee or security deposit is obtained to reduce the department’s credit risk exposure. The collateral security does not apply to the Solar Victoria loans as these loans are less than $5,000. Refer to Note 6.2 for credit risk relating to derivative financial instruments.

**Credit quality of financial assets**

|  | Financial institution  (AA credit rating) $’000 | Government  agencies  (AA credit rating) $’000 | Government  agencies (BBB credit rating) $’000 | Other (min BBB credit rating) $’000 | Other unrated $’000 | 2024 Total $’000 |
| --- | --- | --- | --- | --- | --- | --- |
| Contractual financial assets |  |  |  |  |  |  |
| Financial assets with loss allowance measured at 12-month expected credit loss: |  |  |  |  |  |  |
| Cash and deposits (not assessed for impairment due to materiality) | 1,449,735 | – | – | – | – | 1,449,735 |
| Concessional loans – Solar | – | – | – | – | 92,033 | 92,033 |
| Other loans – RAC | – | – | – | – | 95,291 | 95,291 |
| Financial assets with loss allowance measured at lifetime expected credit loss: |  |  |  |  |  |  |
| Trade receivables applying the simplified approach for impairment | – | – | – | – | 52,576 | 52,576 |
| **Total contractual financial assets(i)** | **1,449,735** | **–** | **–** | **–** | **239,900** | **1,689,635** |

Note:

(i) The total amounts disclosed here exclude statutory amounts (e.g., amounts owing from Victorian Government and GST input tax credit recoverable) and derivatives.

|  | Financial institution  (AA credit rating) $’000 | Government  agencies (AA credit rating) $’000 | Government  agencies (BBB credit rating) $’000 | Other (min BBB credit rating) $’000 | Other unrated $’000 | 2023 Total $’000 |
| --- | --- | --- | --- | --- | --- | --- |
| Contractual financial assets |  |  |  |  |  |  |
| Financial assets with loss allowance measured at 12-month expected credit loss: |  |  |  |  |  |  |
| Cash and deposits (not assessed for impairment due to materiality) | 1,250,537 | – | – | – | – | 1,250,537 |
| Concessional loans – Solar | – | – | – | – | 95,654 | 95,654 |
| Other loans – RAC | – | – | – | – | 115,437 | 115,437 |
| Financial assets with loss allowance measured at lifetime expected credit loss: |  |  |  |  |  |  |
| Trade receivables applying the simplified approach for impairment | – | – | – | – | 60,154 | 60,154 |
| **Total contractual financial assets(i)** | **1,250,537** | **–** | **–** | **–** | **271,245** | **1,521,782** |

Note:

(i) The total amounts disclosed here exclude statutory amounts (e.g., amounts owing from Victorian Government and GST input tax credit recoverable) and derivatives.

*Impairment of financial assets under AASB 9*

The department records the allowance for expected credit loss for the relevant financial instruments applying AASB 9’s Expected Credit Loss approach. Subject to AASB 9 impairment assessment include the department’s contractual receivables and statutory receivables.

Equity instruments are not subject to impairment under AASB 9. Other financial assets designated at fair value through net result are not subject to impairment assessment under AASB 9. While cash and cash equivalents are also subject to the impairment requirements of AASB 9, the identified impairment loss was immaterial.

*Contractual receivables at amortised cost*

The maximum exposure to credit risk at balance date for receivables is the gross carrying amount of those assets. No collateral is held as security and there are no other credit enhancements relating to the department’s receivables.

The department applies both the AASB 9 simplified approach and the general approach to measure expected credit losses.

**Simplified approach**

The simplified approach is applied for all contractual receivables that result from transactions within the scope of AASB 15 Revenue from Contracts (i.e., trade receivables) using a lifetime expected loss allowance based on the assumptions about risk of default and expected loss rates.

The department has grouped contractual receivables on shared credit risk characteristics and days past due and select the expected credit loss rate based on the department’s past history, existing market conditions, as well as forward looking estimates at the end of the financial year.

On this basis, the department determines the closing loss allowance at end of the financial year as follows:

**Contractual receivables**

|  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- |
|  | Current | Less than 1 month | 1–3  months | 3–6 months | 6 month –1 year | 1–5 years | Total |
| 2024 |  |  |  |  |  |  |  |
| Expected loss rate – Public Bodies | 0.00% | 0.00% | 0.00% | 0.00% | 0.00% | 0.00% |  |
| Expected loss rate – Individual / Commercial customers | 0.00% | 0.00% | 0.10% | 1.54% | 3.20% | 13.50% |  |
| Gross carrying amount of contractual receivables ($’000) | 31,892 | 2,990 | 1,556 | 68 | 795 | 15,954 | 53,255 |
| **Loss allowance ($’000)** | **–** | **–** | **–** | **–** | **18** | **166** | **184** |
| 2023 |  |  |  |  |  |  |  |
| Expected loss rate – Public Bodies | 0.00% | 0.00% | 0.00% | 0.00% | 0.00% | 0.00% |  |
| Expected loss rate – Individual / Commercial customers | 0.00% | 0.00% | 0.00% | 0.90% | 2.00% | 11.90% |  |
| Gross carrying amount of contractual receivables ($’000) | 27,984 | 1,863 | 1,499 | 76 | 1,965 | 26,767 | 60,154 |
| **Loss allowance ($’000)** | **–** | **–** | **–** | **–** | **37** | **68** | **106** |

**General approach – Solar concessional loans**

The general approach is applied to contractual receivables that contain a significant financing component such as concessional loans advanced to customers. The general approach defines the expected credit loss (ECL) to be function of the risk dimensions, being the probability of default (PD), loss given default (LGD) and exposure at default (EAD). In addition, the department considers the time value of money by applying an appropriate discount factor to the expected credit loss model.

In assessing the ECL for the current financial year, the department considered the impact that current economic conditions might have on the ability of customers to make future repayments on their outstanding concessional loan balances. This was done through utilisation of an estimated unemployment rate in the ECL calculation. The estimated unemployment rate for the State of Victoria was published by the Australian Bureau of Statistics in June 2024.

The department considers the probability of default upon initial recognition of a contractual asset containing a significant financing component and whether there has been a significant increase in credit risk on an ongoing basis throughout each reporting period. To assess whether there is a significant increase in credit risk, the department compares the risk of a default occurring on the asset as at the reporting date with the risk of default as at the date of initial recognition. It considers available reasonable and supportive forwarding-looking information.

Regardless of the analysis above, a significant increase in credit risk is presumed if a customer under the concessional loan scheme is more than 90 days past due in making a contractual payment.

**Contractual assets containing a significant financing component**

|  | Outstanding balance $’000 | Expected credit loss $’000 | Coverage ratio % |
| --- | --- | --- | --- |
| 2024 |  |  |  |
| Stage 1 – Performing loans | 98,794 | 361 | 0.37 |
| Stage 2 – Underperforming loans | 2,171 | 546 | 25.15 |
| Stage 3 – Non-performing loans | 2,836 | 2,068 | 72.92 |
| **Loss allowance** | **103,801** | **2,975** | **2.87** |
| 2023 |  |  |  |
| Stage 1 – Performing loans | 98,254 | 334 | 0.34 |
| Stage 2 – Underperforming loans | 2,066 | 639 | 30.96 |
| Stage 3 – Non-performing loans | 2,566 | 2,064 | 80.38 |
| **Loss allowance** | **102,886** | **3,037** | **2.95** |

Reconciliation of the movement in the loss allowance for contractual receivables is shown as follows:

|  |  |  |
| --- | --- | --- |
|  | 2024 $’000 | 2023 $’000 |
| **Balance at 1 July** | **3,656** | **2,645** |
| Reversal of unused provision recognised in the net result | (62) | – |
| Reversal of provision of receivables written off during the year as uncollectible | – | – |
| Increase in provision recognised in the net result | 227 | 265 |
| Increase in provision transferred in MoG | – | 746 |
| **Balance at 30 June** | **3,821** | **3,656** |

Credit loss allowance is classified as other economic flows in the net result. Contractual receivables are written off when there is no reasonable expectation of recovery and impairment losses are classified as a transaction expense. Subsequent recoveries of amounts previously written off are credited against the same line item.

*Statutory receivables at amortised cost*

The department’s non-contractual receivables arising from statutory requirements are not financial instruments. However, they are nevertheless recognised and measured in accordance with AASB 9 requirements as if those receivables are financial instruments.

The statutory receivables are considered to have low credit risk, taking into account the counterparty’s credit rating, risk of default and capacity to meet contractual cash flow obligations in the near term. As the result, the loss allowance recognised for these financial assets during the period was limited to 12 months expected losses. The department has recognised no loss allowance.

#### (b) Financial instruments: Liquidity risk

Liquidity risk arises from being unable to meet financial obligations as they fall due. The department operates under the government fair payments policy of settling financial obligations within 30 days and in the event of a dispute, making payments within 30 days from the date of resolution.

The department is exposed to liquidity risk mainly through the financial liabilities as disclosed in the face of the balance sheet. The department manages its liquidity risk by:

* close monitoring of its short-term and long-term borrowings and financial exposure by senior management, including monthly reviews on current and future borrowing levels and financial exposure requirements;
* maintaining an adequate level of uncommitted funds that can be drawn at short notice to meet its short-term obligations;
* holding investments and other contractual financial assets that are readily tradeable in the financial markets;
* careful maturity planning of its financial obligations based on forecasts of future cash flows; and

a high credit rating for the State of Victoria (Moody’s Investor Services and Standard & Poor’s double-A, which assists in accessing debt market at a lower interest rate).

The department’s exposure to liquidity risk is deemed insignificant based on prior periods’ data and current assessment of risk.

The carrying amount detailed for contractual payables in Note 6.3.1, and the carrying amount of derivative financial instruments recorded in Note 6.2(b) represents the department’s maximum exposure to liquidity risk.

#### (c) Financial instruments: Market risk

The department’s exposures to market risk are primarily through interest rate and equity price risk with insignificant exposure to foreign currency risks. Objectives, policies and processes used to manage each of these risks is disclosed below.

*Sensitivity disclosure analysis and assumptions*

Taking into account past performance, future expectations, economic forecasts, and management’s knowledge and experience of the financial markets, the department believes the following movements are ‘reasonably possible’ over the next 12 months (the cash rate is sourced from the Reserve Bank of Australia):

movement of 100 basis points up and 100 basis points down (2023: 100 basis points up and 100 basis points down) in market interest rates (AUD);

The tables that follow show the impact on the department’s net result and equity for each category of financial instrument held by the department at the end of the reporting period, if the above movements were to occur.

**Interest rate risk**

Fair value interest rate risk is the risk that the fair value of a financial instrument will fluctuate because of changes in market interest rates.

Cash flow interest rate risk is the risk that the future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The department has minimal exposure to cash flow interest rate risks through cash and deposits in the Centralised Banking System (CBS). The interest rate paid on surplus account balances are the cash rate plus 15 basis points and funds are all at call.

The department’s borrowings are office accommodation, motor vehicle leases and other asset leases as disclosed in Note 7.3. The department’s motor vehicles leases are managed by VicFleet and Fleet Plus and interest rates are fixed at the inception of the lease. Office accommodation and other asset leases liabilities are determined using the interest rate implicit in the lease if that rate is readily determinable.

The department leases office accommodation, motor vehicles, and various other assets for fire emergency purposes.

Office accommodation is mostly leased from the Shared Service Provider (SSP), part of the Department of Treasury and Finance. As a result of the Central Accommodation Management initiative implemented in the current financial year, the department has entered into two year lease agreements with SSP for all its office accommodation.

Motor vehicles are leased through the VicFleet and Fleet Plus lease facilities. The lease term is the period over which the vehicle is to be leased. Generally, vehicles must be retained for three years or 60,000 kilometres for VicFleet vehicles and 15 years for FleetPlus vehicles, whichever occurs first. On disposal of the vehicle any profit or loss on sale is borne by the department.

Other leased assets include the department’s share in joint operations PPPs (Showgrounds and AgriBio Centre), airport hangars, and emergency management system hosting and storage. These assets are leased to assist the department in delivering its fire and emergency management outputs. The assets are leased for a period between 1 and 3 years.

The carrying amounts of financial assets and financial liabilities that are exposed to interest rates and the department’s sensitivity to interest rate risk are set out in the table that follows.

**Interest rate exposure of financial instruments**

|  | Weighted average effective interest rate | Interest rate exposure Carrying amount $‘000 | Interest rate exposure Fixed  interest rate $‘000 | Interest rate exposure Variable  interest rate $‘000 | Interest rate exposure Non-interest bearing $‘000 |
| --- | --- | --- | --- | --- | --- |
| 2024 |  |  |  |  |  |
| Financial assets |  |  |  |  |  |
| Cash and deposits |  |  |  |  |  |
| Cash and deposits on call | 4.40% | 1,449,735 | – | 594,342 | 855,393 |
| Receivables(i) |  |  |  |  |  |
| Trade and other receivables |  | 52,576 | – | – | 52,576 |
| Concessional loans – Solar |  | 92,033 | – | – | 92,033 |
| Other loans – RAC | 4.37% | 95,291 | – | – | 95,291 |
| **Derivative financial Instruments** |  | **68,901** | **–** | **–** | **68,901** |
| **Total financial assets** |  | **1,758,536** | **–** | **594,342** | **1,164,194** |
| Financial liabilities |  |  |  |  |  |
| Payables(ii) |  |  |  |  |  |
| Trade creditors |  | 10,731 | – | – | 10,731 |
| Accrued grants and other transfers |  | 86,243 | – | – | 86,243 |
| Capital accruals |  | 7,073 | – | – | 7,073 |
| Other payables and accrued expenses |  | 131,229 | – | – | 131,229 |
| Financial guarantee |  | 42,369 | – | – | 42,369 |
| Other financial liabilities |  | 211,014 | – | – | 211,014 |
| Borrowings |  |  |  |  |  |
| Lease liabilities | 3.48% | 322,903 | 322,903 | – | – |
| Advances from Commonwealth | 4.37% | 96,861 | – | – | 96,861 |
| **Derivative financial Instruments** |  | **14,913** | **–** | **–** | **14,913** |
| **Other liabilities** |  | **11,513** | **–** | **–** | **11,513** |
| **Total financial liabilities** |  | **934,849** | **322,903** | **–** | **611,946** |

Note:

(i) The amount of receivables disclosed excludes accrued income and statutory receivables (i.e. amounts owing from Victorian Government, landfill levies receivable and GST input tax credit receivable) totalling $1,152.874 million – Refer to Note 6.1 Receivables

(ii) The amount of payables disclosed excludes statutory payables (i.e., advances from the Public Account and taxes payable) totalling $28.509 million – Refer to Note 6.3 Payables.

**Interest rate exposure of financial instruments (continued)**

|  | Weighted average effective interest rate | Interest rate exposure Carrying amount $‘000 | Interest rate exposure Fixed  interest rate $‘000 | Interest rate exposure Variable  interest rate $‘000 | Interest rate exposure Non-interest bearing $‘000 |
| --- | --- | --- | --- | --- | --- |
| 2023 |  |  |  |  |  |
| Financial assets |  |  |  |  |  |
| Cash and deposits |  |  |  |  |  |
| Cash and deposits on call | 2.98% | 1,250,537 | – | 446,719 | 803,818 |
| Receivables(i) |  |  |  |  |  |
| Trade and other receivables |  | 60,154 | – | – | 60,154 |
| Concessional loans – Solar |  | 95,654 | – | – | 95,654 |
| Other loans – RAC |  | 115,437 | – | – | 115,437 |
| **Derivative financial Instruments** |  | **147,127** | **–** | **–** | **147,127** |
| **Total financial assets** |  | **1,668,909** | **–** | **446,719** | **1,222,190** |
| Financial liabilities |  |  |  |  |  |
| Payables(ii) |  |  |  |  |  |
| Trade creditors |  | 13,716 | – | – | 13,716 |
| Accrued grants and other transfers |  | 148,693 | – | – | 148,693 |
| Capital accruals |  | 5,405 | – | – | 5,405 |
| Other payables and accrued expenses |  | 156,008 | – | – | 156,008 |
| Financial guarantee |  | 42,369 | – | – | 42,369 |
| Other financial liabilities |  | 207,672 | – | – | 207,672 |
| Borrowings |  |  |  |  |  |
| Lease liabilities | 2.63% | 322,552 | 322,552 | – | – |
| Advances from Commonwealth |  | 117,676 | – | – | 117,676 |
| **Derivative financial Instruments** |  | **20,394** | **–** | **–** | **20,394** |
| **Other liabilities** |  | **15,859** | **–** | **–** | **15,859** |
| **Total financial liabilities** |  | **1,050,344** | **322,552** | **–** | **727,792** |

Note

(i) The amount of receivables disclosed excludes accrued income and statutory receivables (i.e. amounts owing from Victorian Government, landfill levies receivable and GST input tax credit receivable) totalling $1,130.584 million – Refer to Note 6.1 Receivables

(ii) The amount of payables disclosed excludes statutory payables (i.e., advances from the Public Account and taxes payable) totalling $25.456 million – Refer to Note 6.3 Payables.

**Interest rate risk sensitivity**

|  |  |  |  |
| --- | --- | --- | --- |
|  | Carrying amount $’000 | 2024 Interest rate risk  -1.0%  (-100 basis points) Net result $‘000 | 2024 Interest rate risk  +1.0% (100 basis points) Net result $‘000 |
| Contractual financial assets: |  |  |  |
| Cash and cash deposits(i) | 1,449,735 | (5,943) | 5,943 |
| **Total impact** |  | **(5,943)** | **5,943** |
| Contractual financial liabilities: |  |  |  |
| Borrowings(ii) | 322,903 | – | – |
| **Total impact** |  | **–** | **–** |

|  | Carrying amount  $’000 | 2023 Interest rate risk  -1.0%  (-100 basis points) Net result $‘000 | 2023 Interest rate risk  +2.0% (+200 basis points) Net result $‘000 |
| --- | --- | --- | --- |
| Contractual financial assets: |  |  |  |
| Cash and cash deposits(i) | 1,250,537 | (4,467) | 4,467 |
| **Total impact** |  | **(4,467)** | **4,467** |
| Contractual financial liabilities: |  |  |  |
| Borrowings(ii) | 322,552 | – | – |
| **Total impact** |  | **–** | **–** |

Note:

(i) All cash and cash equivalents are held in Australian dollars. $594.342 million (2023: $446.719 million) cash and cash equivalents were held on deposit at variable interest rates. The remainder of the balance was held in non-interest bearing accounts. This item is not subject to any other identified risk sensitivities.

(ii) Borrowings relate to lease liabilities associated with office accommodation, other assets, motor vehicles and PPP arrangements. Office accommodation and other assets have incremental borrowings rates applied. Motor vehicle leases have interest fixed at the inception of the lease. This item is not subject to identified risk sensitivities.

**Foreign currency risk**

The department had no exposure to foreign currency risk as at either 30 June 2024 or 30 June 2023.

*Equity price risk*

The department’s exposure to equity price risk is outlined in Note 6.2 Derivative financial instruments.

* 1. Contingent assets and contingent liabilities

Contingent assets and contingent liabilities are not recognised in the balance sheet but are disclosed in the notes to the financial statement and, if quantifiable, are measured at nominal value.

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

**Contingent assets**

Contingent assets are possible assets that arise from past events, whose existence will be confirmed only by the occurrence or non- occurrence of one or more uncertain future events not wholly within the control of the entity.

These are classified as either quantifiable, where the potential economic benefit is known, or non-quantifiable.

**Contingent liabilities**

Contingent liabilities are:

* possible obligations that arise from past events, whose existence will be confirmed only by the occurrence or non-occurrence of one or more uncertain future events not wholly within control of the entity
* present obligations that arise from past events but are not recognised because:
* it is not probable that an outflow of resources embodying economic benefits will be required to settle the obligations
* the amount of the obligations cannot be measured with sufficient reliability.

Contingent liabilities are also classified as either quantifiable or non-quantifiable.

|  | 2024 $’000 | 2023 $’000 |
| --- | --- | --- |
| Quantifiable contingent assets |  |  |
| The department does not have any contingent assets | – | – |
| Other | – | – |
| Quantifiable contingent liabilities |  |  |
| Damages claims | 225 | 670 |
| Public liability insurance claims(i) | 1,066 | 1,449 |
| Other contingent liabilities(ii) | 2,500 | 3,170 |
| Mining site rehabilitation bonds(iii) | 310,618 | 247,803 |
| **Total quantifiable contingent liabilities** | **314,409** | **253,092** |

**Quantifiable contingent liabilities**

1. Public liability insurance claims

These claims relate to various personal expense matters resulting from serious injury and natural disasters.

1. Other contingent liabilities

The other contingent liabilities relate to various compensation claims.

1. Mining site rehabilitation bonds

This contingent liability has been raised as per the requirements under the Mineral Resources (Sustainable Development) Act 1990, which stipulate that the holders of an exploration or mining licence, or extractive industry work authority are required to rehabilitate their earth resources sites (details of responsibility in the Act), and failure to do so by them, may result in the state being liable to rehabilitate the sites under the Act. The contingent liability represents an estimate of the State’s possible financial exposure, in the event that authority holders with a rehabilitation bond shortfall default on their obligations and the state makes a determination to rehabilitate the sites.

During 2023-24 Mining site rehabilitation bonds contingent liability has increased by $62.815 million to $310.618 million (2023:$247.803 million). This reflects a review and update of site rehabilitation costs and the probability of default by the licence holder as compared to the rehabilitation bond in place. $44.400 million of the total increase is associated with extractives sites across the state for four licence holders. For gold mineral licences the % probability of default has increased from 0.3 to 0.5 from the previous reporting period, resulting in higher contingent amounts for Stawell and Fosterville gold mines ($5.0 million).

#### Unquantifiable contingent liabilities

The department has the following unquantifiable contingent liabilities.

**Native Titles**

There have been three new native title claims made in relation to Victorian land and resources totalling of seven active native title claims in 2023-24. (2023: four native title claims). No material losses are anticipated in respect of any of these contingencies.

**Yallourn Power Station safety net**

The government has reached an agreement with Energy Australia (EA) to ensure an orderly transition as EA implements the closure of the Yallourn Power Station in June 2028.

The agreement includes, should it be needed, a safety net to avoid an unplanned exit from Yallourn. As part of this safety net, under certain scenarios, the State agrees to provide partial support to EA in the event of exceptional costs incurred in the operation of the Yallourn Power Station.

This support will help to ensure Yallourn’s workers and Victoria’s energy system have sufficient time to plan for the plant’s closure. The possible liability depends on a number of future events and cannot be reliably and readily quantified.

**Royal Melbourne Showgrounds redevelopment**

The state has entered into an agreement with Royal Agricultural Society of Victoria (RASV) pursuant to which the state agrees to support certain payment obligations of RASV that may arise under the Non-Core Development Agreement subject to the RASV complying with certain obligations as set out in that Deed. The possible liability depends on a number of future events and cannot be reliably and readily quantified.

**Planning scheme compensation**

A claim under section 98 of the Planning and Environment Act 1987 in relation to land located within the Western Grasslands Reserve is in progress at 30 June 2024. The amount of any compensation payable still depends on a number of factors and cannot be reliably quantified.

* 1. Fair value determination

This section sets out information on how the department determined fair value for financial reporting purposes. Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date.

The following assets and liabilities are carried at fair value:

* Contractual financial assets and liabilities at fair value through net result (financial derivatives)
* Property, plant and equipment

Non-financial physical assets classified as held for sale (refer to Note 5.2)

In addition, the fair values of other assets and liabilities which are carried at amortised cost, also need to be determined for disclosure purposes.

The department determines the policies and procedures for determining fair values for both financial and non-financial assets and liabilities as required.

**Fair value hierarchy**

In determining fair values, a number of inputs are used. To increase consistency and comparability in the financial statements, these inputs are categorised into three levels, also known as the fair value hierarchy. The levels are as follows:

* Level 1 – Quoted (unadjusted) market prices in active markets for identical assets or liabilities
* Level 2 – Valuation techniques for which the lowest level input that is significant to the fair value measurement is directly or indirectly observable

Level 3 – Valuation techniques for which the lowest level input that is significant to the fair value measurement is unobservable.

The department determines whether transfers have occurred between levels in the hierarchy by reassessing categorisation (based on the lowest level input that is significant to the fair value measurement as a whole) at the end of each financial year.

#### How fair value disclosures are structured

For those assets and liabilities for which fair values are determined, the following disclosures are provided:

* carrying amount and the fair value (which would be the same for those assets measured at fair value)
* which level of the fair value hierarchy was used to determine the fair value
* in respect of those assets and liabilities subject to fair value determination using Level 3 inputs
* a reconciliation of the movements in fair values from the beginning of the year to the end
* details of significant unobservable inputs used in the fair value determination.

This is divided between disclosures in connection with fair value determination for financial assets and liabilities (refer to Note 8.3.1 and Note 6.2) and non-financial physical assets (refer to Note 5.1.3 and Note 5.2.1).

* + 1. Fair value determination of financial assets and liabilities

The fair value of the financial assets and liabilities is included at the amount at which the instrument could be exchanged in a current transaction between willing parties, other than in a forced or liquidation sale.

The fair values and net fair values of financial instrument assets and liabilities are determined as follows:

* Level 1 – the fair value of financial instrument with standard terms and conditions and traded in active liquid markets are determined with reference to quoted market prices.
* Level 2 – the fair value is determined using inputs other than quoted prices that are observable for the financial asset or liability, either directly or indirectly.

Level 3 – the fair value is determined in accordance with generally accepted pricing models based on discounted cash flow analysis using unobservable market inputs.

The department currently holds a range of financial instruments that are recorded in the financial statements where the carrying amounts approximate to fair value, due to their short-term nature or with the expectation that they will be paid in full by the end of the 2023-24 reporting period. These financial instruments include:

| Financial assets | Financial liabilities |
| --- | --- |
| Cash and deposits  Receivables   * Trade and other receivables | Payables   * Trade creditors * Accrued grants and other transfers * Capital accruals * Other payables and accrued expenses   Borrowings   * Lease liabilities   Other liabilities |

1. Other disclosures

### Introduction

This section includes additional material disclosures required by accounting standards or otherwise, for the understanding of this financial report.

### Structure

9.1 Ex gratia expenses

9.2 Other economic flows included in net result

9.3 Equity

9.3.1 Physical asset revaluation surplus

9.3.2 Capital contributions transferred to portfolio entities

9.4 Entities consolidated pursuant to section 53(1)(b) of the FMA

9.5 Responsible persons

9.6 Remuneration of executive officers

9.7 Remuneration of auditors

9.8 Related parties

9.9 Other accounting policies

9.10 Post balance date events

9.11 Australian Accounting Standards issued that are not yet effective

9.12 Style conventions

9.13 Glossary of technical terms

* 1. Ex gratia expenses

The department made ex gratia payments of $45,000 (2023 $9,705) – note amount is not rounded to $’000.

* 1. Other economic flows included in net result

Other economic flows are changes in the volume or value of an asset or liability that do not result from transactions. Other gains/(losses) from other economic flows include the gains or losses from:

* disposals of financial assets and derecognition of financial liabilities
* realised and unrealised gains and losses from revaluations of financial instruments at fair value
* the revaluation of the present value of the long service leave liability due to changes in the bond interest rates

re-measurement of other provisions.

|  | 2024 $’000 | 2023 $’000 |
| --- | --- | --- |
| Net gain/(loss) on non-financial assets |  |  |
| Net gain/(loss) on disposal of property, plant and equipment and large scale generation certificates held for sale | 6,880 | 7,268 |
| Net recognition/(de-recognition) of non-financial assets | 15,668 | (166,543) |
| Write-on/(write-down) of property, plant and equipment, intangible assets and inventories | (1,539) | (2,037) |
| Net gain/(loss) on disposal of biological assets | (953) | – |
| Net gain/(loss) arising from revaluation of biological assets | – | 2,362 |
| **Total net gain/(loss) on non-financial assets** | **20,056** | **(158,950)** |
| Net gain/(loss) on financial instruments |  |  |
| Impairment of receivables | (197) | (500) |
| Impairment of loans receivables | (1,117) | – |
| Net gain/(loss) arising from the revaluation of financial assets and liabilities at fair value | (28,538) | (176,499) |
| **Total net gain/(loss) on financial instruments** | **(29,852)** | **(176,999)** |
| Other gains from other economic flows |  |  |
| Net gain arising from revaluation of employee benefits | 3,395 | (239) |
| Other provision discount rate adjustments | 188 | (1,776) |
| **Total other gains/(losses) from other economic flows** | **3,583** | **(2,015)** |
| **Total other economic flows included in net result** | **(6,213)** | **(337,964)** |

The net gain/(loss) on non-financial assets and liabilities includes realised and unrealised gains and losses as follows:

#### Net gain/(loss) on disposal of property, plant and equipment

Any gain or loss on the disposal of property, plant and equipment is recognised at the date of disposal and is the difference between the proceeds and the carrying value of the asset at the time.

#### Recognition and derecognition of non-financial assets

Land is recognised under the categories set out at Note 5.1 Property, plant and equipment when the department identifies specific parcels of land, park, forest or reserve that it controls, and their cost can be reliably determined. The department considers relevant information from land management databases and systems, such as the use and purpose for which a particular parcel has been reserved for, to determine the parcels of Crown land over which it has control and responsibility. Where land has been received at no cost the fair value is determined by the Valuer-General Victoria.

Other government entities are able to change the status of Crown land through grants and reservations made under legislation that is not administered by either of the Ministers who hold portfolio responsibility (for example, Crown grants may be issued under the Project Development and Construction Management Act 1994). The department’s policy is to recognise the effect of such changes when it is made aware of the change in status.

Land is derecognised when it is not eligible to be treated as a return of equity to other government entities or when the information is available in the Land Information Management System regarding changes to area size. Gains or losses on the recognition or derecognition of land are recognised in the net result (other economic flows).

#### Write-down of property, plant and equipment and intangible assets

The department will recognise a write-down of property, plant and equipment and intangible assets when there is evidence that there is a change in the market or an equipment breakdown. This is identified through impairment and life reviews.

#### Net gain/(loss) arising from the revaluation of financial assets at fair value.

Any gains or losses arising from changes in the fair value of derivatives after initial recognition are recognised in the comprehensive operating statement as an ‘other economic flow’ included in the net result.

* 1. Equity
     1. Asset revaluation surplus

|  | 2024 $’000 | 2023 $’000 |
| --- | --- | --- |
| Physical asset revaluation surplus |  |  |
| Balance at 1 July | 6,692,330 | 6,615,663 |
| Increment/(decrement) on revaluation during the year resulting from: |  |  |
| Buildings and structures | – | 85,913 |
| Road | – | 96,617 |
| Historic and cultural assets | – | – |
| Crown land – Land, unused roads | – | (5,076) |
| Freehold land | – | 4,224 |
| Crown land – Land used for operational purposes | – | (179) |
| Crown land – State forests | – | (6) |
| Crown land – National parks | – | – |
| Crown land – Conservation reserves | – | 1,710 |
| Crown land – Metropolitan parks | – | 1,851 |
| Land purchase in progress | – | (1,611) |
| **Subtotal** | **–** | **183,443** |
| **Biological asset revaluation** | **–** | **1,076** |
| Total increment/(decrement) on revaluation during the year to be included in Operating Statement under other economic flows: | – | 184,519 |
| Transfer to accumulated surplus on MoG transfer to DTP | – | (107,852) |
| **Balance at 30 Jun** | **6,692,330** | **6,692,330** |
| **Net change in physical asset revaluation surplus** | **–** | **76,667** |

**Nature and purpose of physical asset revaluation surplus**

The physical asset revaluation surplus is used to record increments and decrements on the revaluation of non-current physical assets.

* + 1. Capital contributions transferred to portfolio entities

|  | 2024 $’000 | 2023 $’000 |
| --- | --- | --- |
| Capital contributions transferred to portfolio entities |  |  |
| Contributions to Parks Victoria | 7,467 | 37,071 |
| Contributions to water authorities | 50,120 | 66,680 |
| Contributions to Zoological Parks and Gardens Board of Victoria | 2,800 | 25,875 |
| Contribution to Alpine Resort Management Boards | – | 1,000 |
| Contribution to Royal Botanic Gardens Board | 2,414 | 966 |
| Contribution to Victorian Building Authority | – | 2,182 |
| Contribution to SEC Victoria Pty Ltd | 336,000 | – |
| Contribution to Administered entity (for Marinus Link Pty Ltd) | 55,676 | – |
| **Total capital contributions transferred to portfolio entities** | **454,477** | **133,774** |

Consistent with the requirements of AASB 1004 Contributions, contributions by owners (that is, contributed capital and its repayment) are treated as equity transactions and, therefore, do not form part of the income and expenses of the department.

Additions to net assets that have been designated as contributions by owners are recognised as contributed capital. Other transfers that are in the nature of contributions to or distributions by owners have also been designated as contributions by owners.

Transfers of net assets arising from administrative restructurings are treated as distributions to or contributions by owners. Transfers of net liabilities arising from administrative restructurings are treated as distributions to owners.

* 1. Entities consolidated pursuant to section 53(1)(b) of the FMA

From 1 January 2023, the following two entities have been combined into the department’s financial statements pursuant to a determination made by the Assistant Treasurer under section 53(1)(b) of the Financial Management Act 1994:

* Rural Assistance Commissioner (RAC)

Mine Land Rehabilitation Authority (MLRA)

|  | DEECA 2024 $’000 | DEECA 2023 $’000 | RAC 2024 $’000 | RAC 2023 $’000 | MLRA 2024 $’000 | MLRA 2023 $’000 | Eliminations and  adjustments 2024 $’000 | Eliminations and  adjustments 2023 $’000 | DEECA combined group 2024 $’000 | DEECA combined group 2023 $’000 |
| --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- |
| Total income/(expense) from transactions | 3,498,173 | 4,370,049 | (1) | 78 | (171) | 673 | – | – | 3,498,001 | 4,370,800 |
| Net result from transactions | 186,983 | 256,280 | – | (99) | (171) | – | – | – | 186,812 | 256,181 |
| **Total assets(c)** | **12,788,903** | **12,687,195** | **99,327** | **120,350** | **201** | **196** | **–** | **–** | **12,888,431** | **12,807,741** |
| **Total liabilities** | **1,216,958** | **1,294,075** | **96,808** | **117,660** | **221** | **216** | **–** | **–** | **1,313,987** | **1,411,951** |

The following is provided for information purposes.

|  |  |  |
| --- | --- | --- |
|  | Reported by DEECA 1 Jul 2023 to 30 Jun 2024 $’000 | Reported by DEECA & DJSIR 1 July 2022 to 30 Jun 2023  $’000 |
| RAC |  |  |
| Income | – | 120 |
| Expense | (1) | (354) |
| Net result from transactions | (1) | (234) |
| Other economic flows | 1 | – |
| **Net result** | **–** | **(234)** |
| MLRA |  |  |
| Income | 173 | 1,590 |
| Expense | (344) | (1,590) |
| Net result from transactions | (171) | – |
| Other economic flows | – | – |
| **Net result** | **(171)** | **–** |

* 1. Responsible persons

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

The persons who held the positions of Ministers and Accountable Officers in the department are as follows:

| Name | Position | Period |
| --- | --- | --- |
| The Hon. Lily D’Ambrosio MP | Minister for Climate Action  Minister for Energy and Resources  Minister for the State Electricity Commission | 1 July 2023 to 30 June 2024 |
| The Hon. Harriet Shing MP | Minister for Water | 1 Jul 2023 to 30 June 2024 |
| The Hon. Ingrid Stitt MP | Minister for Environment | 1 July 2023 to 1 October 2023 |
| The Hon. Steve Dimopoulos MP | Minister for Environment | 2 October 2023 to 30 June 2024 |
| The Hon. Gayle Tierney MP | Minister for Agriculture | 1 July 2023 to 1 October 2023 |
| The Hon. Ros Spence MP | Minister for Agriculture | 2 October 2023 to 30 June 2024 |
| John Bradley PSM | Secretary | 1 Jul 2023 to 30 Jun 2024 |

#### Remuneration

Remuneration received or receivable by the Accountable Officer in connection with the management of the department during the reporting period was in the range: $630,000 – $640,000 ($620,000 – $630,000 in 2022-23(i)).

Note: (i) 2022-23 comparative figure for remuneration of the Accountable Officer has been amended to include all employee benefits.

#### Acting arrangements

| Minister | Dates | Acting Minister |
| --- | --- | --- |
| Minister Lily D’Ambrosio MP | 10 Jul – 16 Jul 2023 | Minister Ingrid Stitt MP |
| Minister Lily D’Ambrosio MP | 17 Sep – 24 Sep 2023 | Minister Ingrid Stitt MP |
| Minister Lily D’Ambrosio MP | 7 Jan – 28 Jan 2024 | Minister Harriet Shing MP |
| Minister Lily D’Ambrosio MP | 24 Feb – 25 Feb 2024 | Minister Harriet Shing MP |
| Minister Harriet Shing MP | 7 Dec – 6 Jan 2024 | Minister Lily D’Ambrosio MP |
| Minister Ingrid Stitt MP | 1 Jul – 9 Jul 2023 | Minister Lily D’Ambrosio MP |
| Minister Ingrid Stitt MP | 28 Sep – 1 Oct 2023 | Minister Lily D’Ambrosio MP |
| Minister Steve Dimopoulos MP | 28 Dec – 5 Jan 2024 | Minister Ros Spence MP |
| Minister Steve Dimopoulos MP | 29 Jun – 30 Jun 2024 | Minister Harriet Shing MP |
| Minister Gayle Tierney MP | 4 Sep – 17 Sep 2023 | Minister Harriet Shing MP |
| Minister Ros Spence MP | 6 Jan – 6 Jan 2024 | Minister Lily D’Ambrosio MP |
| Minister Ros Spence MP | 7 Jan – 21 Jan 2024 | Minister Harriet Shing MP |

* 1. Remuneration of executive officers (including executives defined as Key Management Personnel)

The number of executive officers, other than ministers and the accountable officer, and their total remuneration during the reporting period are shown in the table below. Total annualised employee equivalents provide a measure of full time equivalent executive officers over the reporting period.

Remuneration comprises employee benefits (as defined in AASB 119 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 superannuation contributions and other retirement benefits paid or payable on a discrete basis when employment has ceased.

Other long-term benefits include long service leave and deferred compensation.

Termination benefits include termination of employment payments, such as severance packages.

|  | 2024 $’000 | 2023 $’000 |
| --- | --- | --- |
| Remuneration of executive officers |  |  |
| Short-term employee benefits | 46,444 | 39,399 |
| Post-employment benefits | 4,763 | 4,007 |
| Other long-term benefits | 1,218 | 1,634 |
| Termination benefits | 534 | 416 |
| **Total remuneration of executive officers(I)(III)(IV)** | **52,959** | **45,456** |
| **Total number of executives(IV)** | **247** | **214** |
| **Total annualised employee equivalent (AEE)(II)(IV)** | **210** | **193** |

Note

(i) The total number of executive officers includes persons who meet the definition of Key Management Personnel (KMP) of the department under AASB 124 Related Party Disclosures and are also reported within the related parties note disclosure (Note 9.8).

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

(iii) Remuneration for staff who have acted in executive positions over two months have been included in the table above.

(iv) Totals include the cost incurred on executives that delivered services, as executive officers, under secondment or similar arrangements to the department, but that are employed by another public sector body.

* 1. Remuneration of auditors

|  | 2024 $’000 | 2023 $’000 |
| --- | --- | --- |
| Victorian Auditor-General’s Office |  |  |
| Audit of the financial statements | 585 | 570 |
| **Total remuneration of auditors** | **585** | **570** |

The remuneration of auditors is recognised in other operating expenses.

* 1. Related parties

The department is a wholly owned and controlled entity of the State of Victoria. Related parties of the department 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

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

The following transactions are considered to be related parties with significant transactions with the department.

The department receives parliamentary and special appropriation to draw funds out of the Consolidated Funds to be applied towards departmental outputs (see Note 2.2 Appropriations and Note 2.2.1 Summary of compliance with annual parliamentary appropriations) and income from government related entities such as grant income (see Note 2.3.4 Grants), landfill levy (see Note 2.3.2 Municipal and Industrial Waste Levy) and parks charge (see Note 2.3.3 Metropolitan Parks Improvement Rate). In addition, the department oversees administered items on behalf of the state with reference to Payments made on behalf of the state (see Note 2.2 Appropriations and Note 2.2.1 Summary of compliance with annual parliamentary appropriations) and detailed in (Note 4.2 Administered (non-controlled) items).

The department transacts with other portfolio and government agencies through transactions such as grants (Note 3.1.2 Grants and other transfers), supplies and services (Note 3.1.4 Supplies and services) and capital appropriations (Note 9.3.2 Capital contribution transferred to portfolio entities) in line with budgeted allocations.

The department has advances from government, such as those related to GST payments (required to account for timing differences). These advances are unsecured loans which bear no interest (see Note 6.3 Payables). In addition, the department leases motor vehicles for operating purposes from VicFleet (Note 7.2 Borrowings).

#### Other related parties – Key management personnel (KMP)

KMP of the department includes the Portfolio Ministers (see Note 9.5), members of DEECA’s executive board and other key leadership positions. This report also discloses the KMP of VicGrid, an administrative office incorporated into the financial statements pursuant to section 45(4) of the FMA and agencies whose financial statements have been consolidated pursuant to section 53(1)(b) of the FMA. The following table shows the department’s KMP:

| Position | Name | Period |
| --- | --- | --- |
| Secretary | Mr John Bradley PSM | 1 Jul 2023 to 30 Jun 2024 |
| Deputy Secretary Corporate Services | Dr Graeme Emonson PSM | 1 Jul 2023 to 4 Jul 2023 |
| Deputy Secretary Corporate Services | Mr Barney Bodroza (acting) | 5 Jul 2023 to 11 Dec 2023 |
| Deputy Secretary Corporate Services | Ms Sally Fensling | 12 Dec 2023 to 30 Jun 2024 |
| Deputy Secretary Energy | Ms Elizabeth Molyneux | 1 Jul 2023 to 30 Jun 2024 |
| Deputy Secretary, Regions, Environment, Climate Action and First Peoples | Ms Carolyn Jackson | 1 Jul 2023 to 30 Jun 2024 |
| Deputy Secretary Forest, Fire and Regions Deputy Secretary, Bushfire and Forest Services | Ms Christine Ferguson PSM | 1 Jul 2023 to 7 Jul 2023 |
| Deputy Secretary Forest, Fire and Regions Deputy Secretary, Bushfire and Forest Services | Ms Kelly Crosthwaite | 10 Jul 2023 to 30 Jun 2024 |
| Deputy Secretary Water and Catchments | Ms Helen Vaughan PSM | 1 Jul 2023 to 22 Sep 2023 |
| Deputy Secretary Water and Catchments | Mr Andrew Fennessy (acting) | 23 Sep 2023 to 22 Jan 2024 |
| Deputy Secretary Water and Catchments | Ms Kirsten Shelly | 22 Jan 2024 to 30 Jun 2024 |
| Deputy Secretary Forestry and Resources | Mr Paul Smith | 1 Jul 2023 to 23 Sep 2024 |
| Deputy Secretary Forestry and Resources | Ms Phuong Tram (acting) | 24 Sep 2023 to 30 Jun 2024 |
| Deputy Secretary Agriculture Victoria | Mr Matt Lowe | 1 Jul 2023 to 22 Dec 2023 |
| Deputy Secretary, CEO Agriculture Victoria | Mr Dougal Purcell (acting) | 29 Jan 2024 to 30 Jun 2024 |
| Head Recycling Victoria | Mr Tony Circelli | 1 Jul 2023 to 30 Jun 2024 |
| Chief Executive Officer Resources Victoria | Mr Chris Webb (acting) | 24 Sep 2023 to 10 Dec 2023 |
| Chief Executive Officer Resources Victoria | Mr Matt Vincent | 4 Dec 2023 to 30 Jun 2024 |
| Chief Executive Officer Solar Homes | Mr Stan Krpan PSM | 1 Jul 2023 to 30 Jun 2024 |
| Chief Fire Officer | Mr Chris Hardman | 1 Jul 2023 to 30 Jun 2024 |
| Interim CEO State Electricity Implementation Officer | Mr Chris Miller | 1 Jul 2023 to 30 Jun 2024 |
| Personnel of administrative office incorporated pursuant to Section 45(4) of the FMA |  |  |
| Chief Executive Officer, VicGrid and Administrative Office | Mr Alistair Parker | 1 Mar 2024 to 30 Jun 2024 |
| Entities consolidated pursuant to Section 53(1)(b) of the FMA |  |  |
| Rural Assistance Commissioner | Mr Peter Tuohey | 1 Jul 2023 to 30 Jun 2024 |
| Chief Executive Officer Mine Land Rehabilitation Authority | Ms Jennifer Brerton | 1 Jul 2023 to 30 Jun 2024 |
| Chair of the Mine Land Rehabilitation Authority | Mr Rae Mackay | 1 Jul 2023 to 31 Dec 2023 |
| Chair of the Mine Land Rehabilitation Authority | Ms Therese Ryan | 1 Jan 2024 to 30 Jun 2024 |

#### Remuneration of key management personnel

The compensation detailed below excludes the salaries and benefits the Portfolio Ministers receive. The Ministers’ remuneration and allowances is set by the Parliamentary Salaries and Superannuation Act 1968 and is reported within the State’s Annual Financial Report.

|  | 2024 $’000 | 2023 $’000 |
| --- | --- | --- |
| Compensation of key management personnel |  |  |
| Short-term employee benefits | 6,525 | 5,255 |
| Post-employment benefits | 427 | 330 |
| Other long-term benefits | 196 | 136 |
| Termination benefits | 322 | – |
| **Total compensation of key management personnel** | **7,470** | **5,721** |

Note: The above remuneration amounts have also been disclosed in Note 9.6 Remuneration of executive officers.

Remuneration for staff who have acted in the executive position for over two months have been included in the table above and Note 9.6.

The increase in KMP remuneration is due to additional roles being assessed as KMP as well as a full year of disclosure for KMP from groups transferred as part of the 2023 administrative restructure.

#### 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 e.g., stamp duty and other government fees and charges.

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 department, there were no related party transactions that involved key management personnel and their close family members. No provision has been required, nor any expense recognised, for impairment of receivables from related parties.

The Secretary is also the president of the Institute of Public Administration Australian (Victorian Division Inc) to which the department paid services fees and charges on normal commercial terms during the reporting period.

* 1. Other accounting policies

#### Accounting for goods and services tax (GST)

Income, expenses and non-financial assets and liabilities are recognised net of the amount of associated GST, except where the GST incurred is not recoverable from the taxation authority. In this case, the GST payable is recognised as part of the cost of acquisition of the asset or as part of the expense. Receivables and payables are stated inclusive of the amount of GST receivable or payable. The net amount of GST recoverable from, or payable to, the Australian Taxation Office is included with other receivables or payables in the balance sheet.

Cash flows are presented on a gross basis. The GST components of cash flows arising from investing or financing activities which are recoverable from, or payable to the taxation authority, are presented as operating cash flows.

Commitments for expenditure and contingent assets and liabilities are also stated inclusive of GST.

* 1. Post balance date events

Subsequent events are events that occur after the reporting period and before the date the financial statements are authorised for issue. The department recognises/discloses these events as follows:

* adjustments are made to amounts recognised in the financial statements for events where those events provide information about conditions that existed at the reporting date (i.e. adjusting events)

disclosure is made where the events relate to conditions that arose after the end of the reporting period that are considered to be of material interest (i.e. non-adjusting events).

The department has determined the following are non-adjusting events:

On 1 July 2024, the following legislation was proclaimed, abolishing the respective entities and transferring their remaining assets, liabilities and commitments to the department:

The Sustainable Forests (Timber) Repeal Act 2024 abolished VicForests. Its remaining assets, liabilities and commitments were transferred to the department via contributed capital in accordance with FRD 119. The estimated value of the net liability transfer is $14.7 million.

The State Electricity Commission Amendment Act 2023 abolished the legacy entity State Electricity Commission of Victoria. Its remaining assets, liabilities and commitments were transferred to the department via contributed capital in accordance with FRD 119. The estimated value of the net asset transfer is $4.3 million.

The Victorian Public Service Enterprise Agreement 2024 (Agreement) was formally approved by the Fair Work Commission on 12 August 2024. The agreement has a nominal expiry date of 9 April 2028.

Now that the agreement has been approved, all VPS staff employed at DEECA are entitled to:

3% salary increase backed to 1 May 2024 with an estimated cost of $3.0 million for the period 1 May 2024 to 30 June 2024

Once off cost of living lump sum payment of $5,600 per full time employee (as at 28 June 2024) and prorated for part-time employees. The estimated cost is $29.1 million.

On 1 August 2024, Marinus Link Pty Limited (a company in which DEECA administers the State’s 33.3% equity interest) signed a contract with Italian company Prysmian to supply high-voltage direct current (HVDC) cables. This contract covers the design, manufacture, supply and installations for Stage 1 of the Marinus Link interconnector project, a 750-megawatt HVDC cable system. Awarding the contract to Prysmian provides greater certainty around the targeted construction start date in 2026. See Note 4.2.3(b) for more information on the arrangement.

There are no other subsequent events to disclose.

* 1. Australian Accounting Standards issued that are not yet effective

Certain new and revised accounting standards have been issued but are not effective for the 2023-24 reporting period. These accounting standards have not been applied to these financial statements. DEECA is reviewing its existing policies and assessing the potential implications of these accounting standards which include:

| Standard/ Interpretation | Summary | Applicable for annual reporting periods beginning on | Impact on financial statements |
| --- | --- | --- | --- |
| AASB 2022-10 Amendments to Australian Accounting Standards – Fair Value Measurement of Non- Financial Assets of Not-for- Profit Public Sector Entities | AASB 2022-10 amends AASB 13 Fair Value Measurement by adding authoritative implementation guidance and illustrative examples for fair value measurements of nonfinancial assets of not-for-profit public sector entities not held primarily for their ability to generate net cash inflows.  The Standard:   * specifies that an entity needs to consider whether an asset’s highest and best use differs from its current use only when it is held for sale or held for distributions to owners under AASB 5 Non-current Assets Held for Sale and Discontinued Operations or if it is highly probable that it will be used for an alternative purpose; * clarifies that an asset’s use is ‘financially feasible’ if market participants would be willing to invest in the asset’s service capacity, considering both the capacity to provide needed goods or services and the resulting costs of those goods and services; * specifies that if both market selling price and some market participant data required to fair value the asset are not observable, an entity needs to start with its own assumptions and adjust them to the extent that reasonably available information indicates that other market participants would use different data; and * provides guidance on the application of the cost approach to fair value, including the nature of costs to be included in a reference asset and identification of economic obsolescence. | 01 January 2024 | The department is assessing the impact of this standard. |
| AASB 17 Insurance Contracts  AASB 2022-8 Amendments to Australian Accounting Standards – Insurance Contracts: Consequential Amendments  AASB 2022-9 Amendments to Australian Accounting Standards – Insurance Contracts in the Public Sector | AASB 17 replaces AASB 4 Insurance Contracts, AASB 1023 General Insurance Contracts and AASB 1038 Life Insurance Contracts for not-for-profit public sector entities for annual reporting periods beginning on or after 1 July 2026.  AASB 2022-9 amends AASB 17 to make public sector-related modifications (for example, it specifies the pre-requisites, indicators and other considerations in identifying arrangements that fall within the scope of AASB 17 in a public sector context). This Standard applies for annual reporting periods beginning on or after 1 July 2026.  AASB 2022-8 makes consequential amendments to other Australian Accounting Standards so that public sector entities are permitted to continue to apply AASB 4 and AASB 1023 to annual periods before 1 July 2026. | 01 July 2026 | Department is assessing the impact of this standard. |

In addition to the new standards and amendments above, the AASB has issued a number of other amending standards that are not effective for the 2023-24 reporting period. These standards are not expected to have any significant impact on public sector entities and thus have not been included in the table.

* 1. Style conventions

Figures in the tables and in the text have been rounded. Discrepancies in tables between totals and sums of components reflect rounding. Percentage variations in all tables are based on the underlying unrounded amounts.

The notation used in the tables is as follows:

(xxx.x) negative numbers

20xx year period

20xx–xx year period

* 1. Glossary of technical terms

**Administered item**

Refers to a department lacking the capacity to benefit from that item in the pursuit of the entity’s objectives and to deny or regulate the access of others to that benefit.

**Amortisation**

Amortisation is the expense that results from the consumption, extraction or use over time of a non-produced physical or intangible asset. This expense is classified as an ‘other economic flow’.

**Biological assets**

Mainly comprise commercial forests and also any living animal, plant or agricultural produce that is the harvested product of biological assets.

**Borrowings**

Refers to interest-bearing liabilities mainly raised from public borrowings raised through lease liabilities, service concession arrangements and other interest-bearing arrangements. Borrowings also include non interest-bearing advances from government that are acquired for policy purposes.

**Commitments**

Include those operating, capital and other outsourcing commitments arising from non-cancellable contractual or statutory sources.

**Comprehensive result**

This is the amount included in the operating statement representing total change in net worth other than transactions with owners as owners.

**Controlled item**

Refers to the capacity of a department to benefit from that item in the pursuit of the entity’s objectives and to deny or regulate the access of others to that benefit.

**Depreciation**

This is an expense that arises from the consumption through wear or time of a produced physical or intangible asset. This expense is classified as a ‘transaction’ and so reduces the ‘net result from transaction’.

**Effective interest method**

The method used to calculate the amortised cost of a financial asset and of allocating interest income over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash receipts through the expected life of the financial asset or, where appropriate, a shorter period.

**Employee benefits expenses**

Include all costs related to employment including wages and salaries, fringe benefits tax, leave entitlements, redundancy payments, defined benefits superannuation plans, and defined contribution superannuation plans.

**Ex gratia expenses**

The voluntary payment of money or other non-monetary benefit (e.g. a write off) that is not made either to acquire goods, services or other benefits for the entity or to meet a legal liability, or to settle or resolve a possible legal liability or claim against the entity.

**Finance lease**

This is a lease that transfers substantially all the risks and rewards incidental to ownership of an underlying asset.

**Financial instrument**

Financial instrument is any contract that gives rise to a financial asset of one entity and a financial liability or equity instrument of another entity.

**General government sector**

Comprises all government departments, offices and other bodies engaged in providing services free of charge or at prices significantly below their cost of production. General government services include those that are mainly non-market in nature, those that are largely for collective consumption by the community and those that involve the transfer or redistribution of income. These services are financed mainly through taxes, or other compulsory levies and user charges.

**Grants for on-passing**

All grants paid to one institutional sector (e.g., a state general government entity) to be passed on to another institutional sector (e.g., local government or a private non-profit institution).

**Intangible assets**

Represent identifiable non-monetary assets without physical substance.

**Interest expense**

Represents costs incurred in connection with borrowings. It includes interest on advances, loans, overdrafts, bonds and bills, deposits, interest components of lease repayments, service concession financial liabilities and amortisation of discounts or premiums in relation to borrowings.

**Interest income**

Includes unwinding over time of discounts on financial assets and interest received on bank term deposits and other investments.

**Joint ventures**

Joint ventures are contractual arrangements between the department and one or more other parties to undertake an economic activity that is subject to joint control and have right to the net assets of the arrangement. Joint control only exists when the strategic financial and operating decisions relating to the activity require the unanimous consent of the parties sharing control (the venturers).

**Leases**

These are rights conveyed in a contract, or part of a contract, the right-to-use an asset (the underlying asset) for a period of time in exchange for consideration.

**Net result**

Net result is a measure of financial performance of the operations for the period. It is the net result of items of revenue, gains and expenses (including losses) recognised for the period, excluding those that are classified as ‘other economic flows – other comprehensive income’.

**Net result from transactions/net operating balance**

Net result from transactions or net operating balance is a key fiscal aggregate and is income from transactions minus expenses from transactions. It is a summary measure of the ongoing sustainability of operations. It excludes gains and losses resulting from changes in price levels and other changes in the volume of assets. It is the component of the change in net worth that is due to transactions and can be attributed directly to government policies.

**Net worth**

Net worth is assets less liabilities, which is an economic measure of wealth.

**Non-financial assets**

Non-financial assets are all assets that are not ‘financial assets. It includes inventories, land, buildings, road networks, land under roads, plant and equipment, cultural and heritage assets, intangible and biological assets.

**Non-produced assets**

Non-produced assets are assets needed for production that have not themselves been produced. They include land, subsoil assets, and certain intangible assets. Non-produced intangibles are intangible assets needed for production that have not themselves been produced. They include constructs of society such as patents.

**Other economic flows included in net result**

Other economic flows included in net result are changes in the volume or value of an asset or liability that do not result from transactions. It includes:

* gains and losses from disposals, revaluations and impairments of non-financial physical and intangible assets

fair value changes of financial instruments and agricultural assets.

**Other economic flows – other comprehensive income**

Other economic flows – other comprehensive income comprises items (including reclassification adjustments) that are not recognised in net result as required or permitted by other Australian Accounting Standards.

1. changes in physical asset revaluation surplus
2. gains and losses on remeasuring available-for-sale financial assets.

**Payables**

Includes short and long-term trade debt and accounts payable, grants, taxes and interest payable.

**Produced assets**

Produced assets include buildings, plant and equipment, inventories, cultivated assets and certain intangible assets. Intangible produced assets may include computer software, motion picture films and research and development costs (which does not include the start-up costs associated with capital projects).

**The public non-financial corporation (PNFC) sector**

Comprises bodies mainly engaged in the production of goods and services (of a non-financial nature) for sale in the marketplace at prices that aim to recover most of the costs involved (e.g. water and port authorities). In general, PNFCs are legally distinguishable from the governments that own them.

**Receivables**

Include amounts owing from government through appropriation receivable, short and long-term trade credit and accounts receivable, accrued investment income, grants, taxes and interest receivable.

**Sales of goods and services**

Refers to income from the direct provision of goods and services and includes fees and charges for services rendered, sales of goods and services, fees from regulatory services and work done as an agent for private enterprises. It also includes rental income under operating leases and on produced assets such as buildings and entertainment but excludes rent income from the use of non-produced assets such as land. User charges includes sale of goods and services income.

**Taxation income**

Taxation income represents income received from the state’s taxpayers and includes:

* levies (including the environmental levy) on statutory corporations in other sectors of government
* the Metropolitan Parks Improvement Rate

other taxes, including landfill levies, licence and concession fees.

**Transactions**

Transactions are those economic flows that are considered to arise as a result of policy decisions, usually an interaction between two entities by mutual agreement. They also include flows into an entity such as depreciation where the owner is simultaneously acting as the owner of the depreciating asset and as the consumer of the service provided by the asset. Taxation is regarded as mutually agreed interactions between the government and taxpayers. Transactions can be in kind (e.g., assets provided/given free of charge or for nominal consideration) or where the final consideration is cash. In simple terms, transactions arise from the policy decisions of the government.