2021–22 Annual Report

Volume 2 – Audited Financial Statements

Contents

1.1 Department of Communities and Justice

Financial statements for the year ended 30 June 2022

INDEPENDENT AUDITOR'S REPORT

Department of Communities and Justice

To Members of the New South Wales Parliament

Opinion

I have audited the accompanying financial statements of the Department of Communities and Justice (the Department), which comprise the Statement by the Secretary, the Statement of Comprehensive Income for the year ended 30 June 2022, the Statement of Financial Position as at 30 June 2022, the Statement of Changes in Equity and the Statement of Cash Flows for the year then ended, notes comprising a Statement of Significant Accounting Policies and other explanatory information of the Department and the consolidated entity. The consolidated entity comprises the Department and the entities it controlled at the year's end or from time to time during the financial year.

In my opinion, the financial statements:

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

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

Basis for Opinion

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

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

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

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

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

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

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

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Key Audit Matters

Key audit matters are those matters that, in my professional judgement, were of most significance in my audit of the financial statements for the year ended 30 June 2022. These matters were addressed in the context of my audit of the financial statements as a whole, and in forming my opinion thereon. I do not provide a separate opinion on these matters.

Key Audit Matter	How my audit addressed the matter
Fair value measurement of property, plant and equipment	
At 30 June 2022, the Department reported $8.2 billion in property, plant and equipment measured at fair value. In 2021–22 the Department: • deferred the comprehensive revaluation of Correctional and Youth Justice land and buildings to 2023-24 to align with its other land and buildings portfolio • determined the fair value of its land and buildings through indexation, resulting in an increase of $511 million. I considered this to be a key audit matter because of the: • financial significance of the land and building assets within property, plant and equipment to the Statement of Financial Position • extent of significant management judgements underpinning key assumptions used in the indexation process • impact of inflation on the fair value of constructed assets using the current replacement cost valuation technique • specialised and unique nature of the assets • judgement and complexities associated with the application of AASB 13 'Fair Value Measurement' requirements. Further information on the fair value measurement of property, plant and equipment is included in Notes 12 and 16 of the financial statements.	Key audit procedures included the following: • assessed the competency, capability and objectivity of the valuer • assessed the accuracy and completeness of assets subject to indexation • reviewed the appropriateness of the key assumptions and estimations used in the indexation and assessed these against the requirements of relevant accounting standards and NSW Treasury Policy Papers • ensured the valuer considered the impact of inflation on the fair value of constructed assets using the current replacement cost valuation technique • confirmed an assessment of the remaining useful lives and impairment indicators was performed • reviewed adjustments made to the fixed asset register and general ledger • evaluated the revised timing of comprehensive revaluation of Correctional and Youth Justice land and buildings against the requirements of AASB 116 'Property, Plant and Equipment' • assessed the adequacy of the financial statement disclosures against the requirements of applicable Australian Accounting Standards.
Treatment of configuration or customisation costs in a cloud computing arrangement	
In April 2021, the International Financial Reporting Standards Interpretations Committee issued an agenda decision on 'Configuration or customisation costs in a cloud computing arrangement' (the Decision). The Decision discusses the treatment of expenditure on configuring and customising cloud computing arrangements. The Department previously capitalised some or all costs related to cloud computing arrangements as intangible assets. It adopted a two phased approach in implementing the Decision: • the initial implementation in 2020–21 covered $115 million of the $338 million (net book value) intangible asset balance at 30 June 2021	Key audit procedures included the following: • evaluated the Department's assessment of its cloud computing arrangements against the Decision, including the reasonableness of key assumptions • reviewed key terms in the vendor agreements against the Department's impact assessment • reviewed the Department's treatment of the adjustments against the requirements of AASB 108 'Accounting Policies, Changes in Accounting Estimates and Errors' • tested the mathematical accuracy of the adjustments recognised upon adoption of the Decision

<table>
<tr><th>Key Audit Matter</th><th>How my audit addressed the matter</th></tr>
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- the continued implementation in 2021–22 covered the remaining arrangements, with a net book value of $233 million at 30 June 2021.

On continued implementation in 2021–22, the Department recognised an expense (through accumulated funds) of $106 million at 1 July 2020, relating to previously capitalised intangible assets.

I considered this to be a key audit matter because of the:

- financial significance of intangible assets to the Statement of Financial Position
- complexity and judgement involved in interpreting the Department's cloud computing agreements
- number of agreements and extent of information within them relevant to the complete and accurate calculation and reporting of configuration or customisation costs.

Details on the recognition and measurement of intangible assets and the Department's cloud computing arrangements are disclosed in Notes 1(l) and 14 of the financial statements.

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- assessed the adequacy of the financial statement disclosures against the requirements of applicable Australian Accounting Standards.

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<tr><td colspan="2">Estimation of Victims Support Scheme (VSS) claims liabilities</td></tr>
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The liability for VSS claims relates to lodged but not yet paid claims and incurred but not reported (IBNR) claims.

At 30 June 2022, the Department reported:

- a liability for lodged but not yet paid claims and IBNR claims related to domestic violence and other offences of $162 million and $230 million respectively, which are based on management's judgement and actuarial expertise
- a contingent liability for IBNR claims related to child sexual assault. There is significant uncertainty associated with the estimation of the potential liability.

I considered this to be a key audit matter because:

- of the financial significance of the liability and contingent liability
- of the extent of significant management judgements used in estimating and reliably measuring VSS claims liabilities
- a minor change in assumptions can result in a material change in the liability and corresponding change to the net result
- management engaged an independent actuary to determine the Department's outstanding claims liability.

Details on the liabilities for VSS claims, together with the estimation uncertainties, are disclosed in Notes 19 and 23 of the financial statements.

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Key audit procedures included the following:

- evaluated the design and implementation of relevant controls over the claims handling process (including data inputs and data quality)
- assessed the competence, capability and objectivity of management's independent actuary
- evaluated the nature and extent of management's oversight and review of the estimates determined by their actuary
- with the assistance of our own independent expert, assessed:
  - the reasonableness of the valuation methodology and key actuarial assumptions and judgements used by management's actuary in estimating the liability for lodged but not yet paid claims and IBNR claims related to domestic violence and other offences
  - the accuracy and completeness of the lodgements and payments data
  - the key actuarial assumptions and judgements used in forecasting expected IBNR claims related to child sexual assault
  - the appropriateness of management's conclusion that IBNR claims related to child sexual assault cannot yet be reliably measured
- assessed the adequacy of the financial statement disclosures against the requirements of applicable Australian Accounting Standards.

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Secretary's Responsibilities for the Financial Statements

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

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

Auditor's Responsibilities for the Audit of the Financial Statements

My objectives are to:

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

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

A description of my responsibilities for the audit of the financial statements is located at the Auditing and Assurance Standards Board website at: www.auasb.gov.au/auditors_responsibilities/ar5.pdf. The description forms part of my auditor's report.

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

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

Margaret Crawford
Auditor-General for New South Wales

19 October 2022
SYDNEY

Certification

Primary financial statements

Overview

Notes to the financial statements

Department of Communities and Justice
STATEMENT BY THE SECRETARY
for the year ended 30 June 2022

Pursuant to Section 7.6(4) of the *Government Sector Finance Act 2018* ('the Act'), I state that:

(a) The accompanying financial statements and notes have been prepared in accordance with:

- applicable Australian Accounting Standards (which include Australian Accounting Interpretations);
- the applicable requirements of the Act, the *Government Sector Finance Regulation 2018*; and
- the Treasury Directions issued under the Act.

(b) The financial statements and notes present fairly the Department of Communities and Justice's financial position, financial performance and cash flows for the year ended 30 June 2022.

Michael Tidball
Secretary
Department of Communities and Justice

12 October 2022

Andrew Simpson
Acting Chief Financial Officer
Department of Communities and Justice

12 October 2022

Department of Communities and Justice
Statement of Comprehensive Income
for the year ended 30 June 2022

	Notes	PARENT			CONSOLIDATED	
		Actual	Budget	Actual	**Actual**	Actual
		2022	2022	2021 Restated	**2022**	2021 Restated
		$'000	$'000	$'000	**$'000**	$'000
Continuing operations						
Expenses excluding losses						
Employee related expenses	2(a)	**2,960,900**	3,081,618	2,864,951	**2,960,900**	2,864,951
Operating expenses	2(b)	**1,603,227**	1,230,711	1,538,545	**1,603,395**	1,538,707
Depreciation and amortisation	2(c)	**439,928**	490,561	419,697	**440,090**	419,837
Grants and subsidies	2(d)	**10,135,380**	12,727,478	8,719,668	**10,135,380**	8,719,668
Finance costs	2(e)	**57,475**	89,773	53,577	**57,475**	53,577
Other expenses		**-**	32,806	-	**-**	-
Total expenses excluding losses		**15,196,910**	17,652,947	13,596,438	**15,197,240**	13,596,740
Revenue						
Appropriation (net of transfer payments)	3(a)	**14,309,114**	17,053,912	12,919,033	**14,309,114**	12,919,033
Sale of goods and services from contracts with customers	3(b)	**281,078**	282,337	276,962	**281,078**	276,962
Investment revenue	3(c)	**58**	5,613	85	**60**	87
Retained taxes, fees and fines	3(d)	**20,811**	22,844	23,518	**20,811**	23,518
Grants and other contributions	3(e)	**283,262**	144,128	164,405	**283,262**	164,405
Personnel services revenue	3(f)	**81,994**	-	74,586	**81,994**	74,586
Acceptance by the Crown of employee benefits and other liabilities	3(g)	**18,371**	122,905	64,091	**18,371**	64,091
Other income	3(h)	**106,474**	51,969	68,731	**106,626**	68,833
Total revenue		**15,101,162**	17,683,708	13,591,411	**15,101,316**	13,591,515
Operating result		**(95,748)**	30,761	(5,027)	**(95,924)**	(5,225)
Loss on disposal	4	**(41,085)**	(40)	(5,261)	**(41,085)**	(5,261)
Impairment gain/ (loss) on financial assets		**2,574**	-	(4,232)	**2,574**	(4,232)
Other gains / (losses)	5	**106,547**	115	(52,725)	**106,547**	(52,725)
Net result from continuing operations		**(27,712)**	30,836	(67,245)	**(27,888)**	(67,443)
Other comprehensive income						
Items that will not be reclassified to net result in subsequent periods						
Net change in revaluation surplus of property, plant and equipment	12	**531,189**	-	508,713	**532,246**	509,403
Total other comprehensive income		**531,189**	-	508,713	**532,246**	509,403
TOTAL COMPREHENSIVE INCOME		**503,477**	30,836	441,468	**504,358**	441,960

The accompanying notes form part of these financial statements.

Department of Communities and Justice
Statement of Financial Position
as at 30 June 2022

	Notes	PARENT			CONSOLIDATED		
		Actual	Budget	Actual	**Actual**	Actual	Actual
		2022	2022	2021 Restated	**2022**	2021 Restated	1 July 2020 Restated
		$'000	$'000	$'000	**$'000**	$'000	$'000
ASSETS							
Current Assets							
Cash and cash equivalents	9	**227,705**	106,480	122,937	**229,014**	124,260	73,482
Receivables	10	**255,590**	297,152	263,082	**255,590**	263,082	234,633
Inventories	11	**25,413**	22,402	13,365	**25,413**	13,365	22,402
		508,708	426,034	399,384	**510,017**	400,707	330,517
Non-current assets held for sale	15	**15,529**	26,774	25,933	**15,529**	25,933	26,774
Total Current Assets		**524,237**	452,808	425,317	**525,546**	426,640	357,291
Non-Current Assets							
Receivables	10	**38,399**	30,941	49,728	**38,399**	49,728	61,182
Property, plant and equipment	12						
Land and buildings		**8,320,166**	7,805,084	8,005,372	**8,331,311**	8,015,622	7,582,057
Plant and equipment		**681,946**	414,347	650,742	**681,946**	650,742	645,224
Total property, plant and equipment		**9,002,112**	8,219,431	8,656,114	**9,013,257**	8,666,364	8,227,281
Right-of-use assets	13	**220,098**	1,131,101	758,501	**220,098**	758,501	790,990
Intangible assets	14	**143,401**	339,285	114,188	**143,401**	114,188	92,972
Total Non-Current Assets		**9,404,010**	9,720,758	9,578,531	**9,415,155**	9,588,781	9,172,425
Total Assets		**9,928,247**	10,173,566	10,003,848	**9,940,701**	10,015,421	9,529,716
LIABILITIES							
Current Liabilities							
Payables	17	**396,636**	306,526	317,620	**396,636**	317,620	435,718
Borrowings	18	**390,035**	518,137	154,152	**390,035**	154,152	131,120
Provisions	19	**524,328**	546,566	525,372	**524,328**	525,372	524,582
Other current liabilities	20	**12,224**	5,905	9,093	**12,224**	9,093	5,904
Total Current Liabilities		**1,323,223**	1,377,134	1,006,237	**1,323,223**	1,006,237	1,097,324
Non-Current Liabilities							
Borrowings	18	**847,093**	1,349,839	1,774,117	**847,093**	1,774,117	1,804,089
Provisions	19	**350,436**	302,186	338,203	**350,436**	338,203	173,786
Other non-current liabilities	20	**-**	432	819	**-**	819	432
Total Non-Current Liabilities		**1,197,529**	1,652,457	2,113,139	**1,197,529**	2,113,139	1,978,307
Total Liabilities		**2,520,752**	3,029,591	3,119,376	**2,520,752**	3,119,376	3,075,631
Net Assets		**7,407,495**	7,143,975	6,884,472	**7,419,949**	6,896,045	6,454,085
EQUITY							
Reserves		**1,336,194**	317,997	805,451	**1,338,764**	806,964	297,617
Accumulated funds		**6,071,301**	6,825,978	6,079,021	**6,081,185**	6,089,081	6,156,468
Total Equity		**7,407,495**	7,143,975	6,884,472	**7,419,949**	6,896,045	6,454,085

The accompanying notes form part of these financial statements.

Department of Communities and Justice
Statement of Changes in Equity
for the year ended 30 June 2022

PARENT	Notes	Accumulated funds $'000	Asset revaluation reserve $'000	Total equity $'000
Restated balance at 1 July 2021		6,079,021	805,451	6,884,472
Net result for the year		(27,712)	-	(27,712)
Other comprehensive income				
Net change in revaluation surplus of property, plant and equipment	12	-	531,189	531,189
Transfer from asset revaluation reserve on disposal of assets		446	(446)	-
Total other comprehensive income		**446**	**530,743**	**531,189**
Total comprehensive income for the year		**(27,266)**	**530,743**	**503,477**
Transactions with owners in their capacity as owners				
Increase in net assets from equity transfers - 1 November 2021	21(ii)	19,067	-	19,067
Increase in net assets from equity transfers - 1 April 2022	21(i)	479	-	479
Balance at 30 June 2022		**6,071,301**	**1,336,194**	**7,407,495**

PARENT	Notes	Accumulated funds Restated $'000	Asset revaluation reserve $'000	Total equity Restated $'000
Restated balance at 1 July 2020		6,252,460	296,794	6,549,254
Prior year adjustment	1(l)	(106,250)	-	(106,250)
Restated balance at 1 July 2020		6,146,210	296,794	6,443,004
Net result for the year		(67,245)	-	(67,245)
Other comprehensive income				
Net change in revaluation surplus of property, plant and equipment	12	-	508,713	508,713
Transfer from asset revaluation reserve on disposal of assets		56	(56)	-
Total other comprehensive income		**56**	**508,657**	**508,713**
Total comprehensive income for the year		**(67,189)**	**508,657**	**441,468**
Restated balance at 30 June 2021		**6,079,021**	**805,451**	**6,884,472**

The accompanying notes form part of these financial statements.

Department of Communities and Justice
Statement of Changes in Equity
for the year ended 30 June 2022

CONSOLIDATED	Notes	Accumulated funds $'000	Asset revaluation reserve $'000	Total equity $'000
Restated Balance at 1 July 2021		6,089,081	806,964	6,896,045
Net result for the year		(27,888)	-	(27,888)
Other comprehensive income				
Net change in revaluation surplus of property, plant and equipment	12	-	532,246	532,246
Transfer from asset revaluation reserve on disposal of assets		446	(446)	-
Total other comprehensive income		**446**	**531,800**	**532,246**
Total comprehensive income for the year		**(27,442)**	**531,800**	**504,358**
Transactions with owners in their capacity as owners				
Increase in net assets from equity transfers - 1 November 2021	21(ii)	19,067	-	19,067
Increase in net assets from equity transfers - 1 April 2022	21(i)	479	-	479
Balance at 30 June 2022		**6,081,185**	**1,338,764**	**7,419,949**

CONSOLIDATED	Notes	Accumulated funds Restated $'000	Asset revaluation reserve $'000	Total equity Restated $'000
Restated balance at 1 July 2020		6,262,718	297,617	6,560,335
Prior year adjustment	1(l)	(106,250)	-	(106,250)
Restated balance at 1 July 2020		6,156,468	297,617	6,454,085
Net result for the year		(67,443)	-	(67,443)
Other comprehensive income				
Net change in revaluation surplus of property, plant and equipment	12	-	509,403	509,403
Transfer from asset revaluation reserve on disposal of assets		56	(56)	-
Total other comprehensive income		**56**	**509,347**	**509,403**
Total comprehensive income for the year		**(67,387)**	**509,347**	**441,960**
Restated balance at 30 June 2021		**6,089,081**	**806,964**	**6,896,045**

The accompanying notes form part of these financial statements.

Department of Communities and Justice
Statement of Cash Flows
for the year ended 30 June 2022

		PARENT			CONSOLIDATED	
		Actual	Budget	Actual	**Actual**	Actual
		2022	2022	2021 Restated	**2022**	2021 Restated
	Notes	**$'000**	$'000	$'000	**$'000**	$'000
CASH FLOWS FROM OPERATING ACTIVITIES						
Payments						
Employee related		(2,907,313)	(2,980,475)	(2,828,997)	(2,907,313)	(2,828,997)
Suppliers for goods and services		(1,905,070)	(1,266,620)	(1,791,106)	(1,905,238)	(1,791,268)
Grants and subsidies		(10,133,964)	(12,814,999)	(8,681,704)	(10,133,964)	(8,681,704)
Finance costs		(56,855)	(89,752)	(53,222)	(56,855)	(53,222)
Total payments		**(15,003,202)**	(17,151,846)	(13,355,029)	**(15,003,370)**	(13,355,191)
Receipts						
Appropriations (excluding equity appropriations)		14,309,114	17,053,912	12,919,033	14,309,114	12,919,033
Sale of goods and services		378,663	281,931	319,297	378,663	319,297
Retained taxes, fees and fines		20,811	-	23,518	20,811	23,518
Interest received		58	95	85	60	87
Grants and other contributions		242,587	144,128	160,227	242,587	160,227
Other		527,392	152,970	440,397	527,544	440,499
Total receipts		**15,478,625**	17,633,036	13,862,557	**15,478,779**	13,862,661
NET CASH FLOWS FROM OPERATING ACTIVITIES	25	**475,423**	481,190	507,528	**475,409**	507,470
CASH FLOWS FROM INVESTING ACTIVITIES						
Proceeds from sale of property, plant and equipment		72	-	2,497	72	2,497
Purchase of property, plant and equipment and intangible assets		(212,116)	(336,492)	(318,789)	(212,116)	(318,789)
NET CASH FLOWS FROM INVESTING ACTIVITIES		**(212,044)**	(336,492)	(316,292)	**(212,044)**	(316,292)
CASH FLOWS FROM FINANCING ACTIVITIES						
Repayment of borrowings		(55,267)	(150,125)	(40,657)	(55,267)	(40,657)
Payment of principal portion of lease liabilities		(103,344)	-	(99,743)	(103,344)	(99,743)
NET CASH FLOWS FROM FINANCING ACTIVITIES		**(158,611)**	(150,125)	(140,400)	**(158,611)**	(140,400)
NET INCREASE IN CASH AND CASH EQUIVALENTS		104,768	(5,427)	50,836	104,754	50,778
Opening cash and cash equivalents		122,937	111,906	72,101	124,260	73,482
CLOSING CASH AND CASH EQUIVALENTS	9	**227,705**	106,479	122,937	**229,014**	124,260

The accompanying notes form part of these financial statements.

1. Statement of Significant Accounting Policies

(a) Reporting entity

The Department of Communities and Justice (the Department) is a NSW government department and is controlled by the State of New South Wales, which is the ultimate parent. The Department is a not-for-profit entity (as profit is not its principal objective) and it has no cash generating units.

The parent Department as a reporting entity in 2021-22 incorporates:

- employee related transactions and balances of the NSW Trustee and Guardian (including the Office of the Public Guardian);
- employee related transactions and balances of the Legal Profession Admission Board;
- employee related transactions and balances of the Trustees of the Anzac Memorial Building;
- employee related transactions and balances of the Legal Services Council;
- employee related transactions and balances of the Office of Ageing and Disability Commissioner;
- Courts and Tribunals;
- Corrective Services NSW (including Corrective Services Industries);
- Youth Justice NSW;
- NSW Office of Veterans Affairs;
- Family and Community Services;
- 52.5% of all transactions and balances of Law Courts Ltd by joint arrangement.

The consolidated financial statements for the Department includes the parent Department and the John Williams Memorial Charitable Trust.

The Secretary of the Department administers the John Williams Memorial Charitable Trust which was set up for the purpose of providing both respite and accommodation for children with disabilities and other care accommodation for children with disabilities where that accommodation is provided in conjunction with other support services of a medical nature.

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

These financial statements for the year ended 30 June 2022 have been authorised for issue by the Secretary on the date the accompanying statement was signed.

(b) Administrative restructure and other activities

In accordance with the *Administrative Arrangements (Second Perrottet Ministry−Transitional) Order 2021* dated 21 December 2021, the following occurred:

- On 1 April 2022, the staff employed in the Women NSW division and in the Office of Community Safety and Cohesion division in the Department were transferred to the Department of Premier and Cabinet (DPC).

Followed by the recommendation of the Expenditure Review Committee, the responsibility for the delivery of the Process and Technology Harmonisation (PaTH) program was transferred from the Department of Customer Service (DCS) to the Department on 1 November 2021 in accordance with TPP21-08 *Contributions by owners made to wholly-owned Public Sector entities*. As a result, $19.1 million of intangible asset under construction was transferred from DCS to the Department via an equity transfer.

Refer to Note 21(i), 21(ii) and Note 14 for details of assets and liabilities transferred in and out as part of the administrative restructure.

1. Statement of Significant Accounting Policies (cont'd)

(b) Administrative restructure and other activities (cont'd)

National Disability Insurance Scheme (NDIS) full scheme operations for New South Wales commenced on 1 July 2018. As part of the implementation of the NDIS, disability services provided by the Department were completely transferred to the Non-Government Organisation (NGO) sector by October 2020. Refer to Note 21(iii) for details of the transition of disability services to the NGO sector in 2020-21.

(c) Basis of preparation

The Department's financial statements are general purpose financial statements which have been prepared on an accrual basis and in accordance with:

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

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

Property, plant and equipment and assets (or disposal groups) held for sale and certain financial assets and liabilities are measured using the fair value basis. Other financial statements items are prepared in accordance with the historical cost convention adjusted for impairment loss, except where otherwise stated.

All amounts are rounded to the nearest one thousand dollars and are expressed in Australian currency, which is the Department's presentation and functional currency, except for written notes that accompany the main notes to the financial statements which are expressed in millions of Australian dollars to one decimal place.

The financial statements for the year ended 30 June 2022 are prepared on a going concern basis. There is an excess of current liabilities over current assets of $799.0 million (2021: $580.9 million) and a loss from continuing operations of $27.7 million (2021: $67.2 million), whilst the net cash flows from operating activities is positive by $463.9 million (2021: $507.5 million). The Department is a budget dependent agency, funded by the NSW Treasury based on the Appropriation Act which is drawn down according to internal cash flow forecasts and does not solely rely on its current assets to pay creditors and other liabilities.

(d) Statement of compliance

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

(e) Administered activities

The Department administers, but does not control, certain activities on behalf of the Crown in right of the State of New South Wales (Crown). It is accountable for the transactions relating to those administered activities but does not have the discretion to deploy the resources for the achievement of the Department's own objectives.

Transactions and balances relating to the administered activities are not recognised as the Department's income, expenses, assets, and liabilities, but are disclosed in the accompanying schedules as 'Transfer payments' in Note 7 and 'Administered Assets' and 'Administered Liabilities' in Note 28.

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

1. Statement of Significant Accounting Policies (cont'd)

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

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

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

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

(g) Foreign currency translation

Transactions in foreign currencies are recorded using the spot rate at the date the transaction first qualifies for recognition.

Monetary assets and liabilities denominated in foreign currencies are translated at the functional currency spot rates of exchange at the end of the reporting date.

Differences arising on settlement or translation of monetary items are recognised in net result.

Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rates at the dates of the initial transactions. Non-monetary items measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value is determined. The gain or loss arising on translation of non-monetary items measured at fair value is treated in line with the recognition of the gain or loss on the change in fair value of the item (i.e., translation differences on items whose fair value gain or loss is recognised in other comprehensive income or net results are also recognised in other comprehensive income or net results, respectively).

(h) Equity and reserves

(i) Revaluation surplus

The revaluation surplus is used to record increments and decrements on the revaluation of non-current assets. This accords with the Department's policy on the revaluation of property, plant and equipment as discussed in Note 12.

(ii) Accumulated funds

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

(i) Budgeted amounts

The budgeted amounts are drawn from the original budgeted financial statements presented to Parliament for the Department in respect of the reporting period. The John Williams Memorial Charitable Trust does not have a published budget and has not been included. Subsequent amendments to the original budget (e.g. adjustments for transfer of functions between entities as a result of Administrative Arrangement Orders) are not reflected in the budgeted amounts. Major variances between the original budgeted amounts and the actual amounts disclosed in the primary financial statements are explained in Note 24.

(j) Comparative information

Except when an AAS permits or requires otherwise, comparative information is presented in respect of the previous period for all amounts reported in the financial statements. The comparatives have been restated for the impact of the correction on adoption of the IFRIC agenda decision on cloud computing in 2020-21 explained in Note 1(l) and other minor reclassifications.

1. Statement of Significant Accounting Policies (cont'd)

(k) Changes in accounting policy, including new or revised Australian Accounting Standards

(i) Effective for the first time in 2021-22

The accounting policies applied in 2021-22 are consistent with those of the previous financial year. Several amendments and interpretations apply for the first time in 2021-22, but do not have an impact on the financial statements of the Department.

(ii) Issued but not yet effective

The Department has assessed the impact of the new standards and interpretations on issue but not yet effective where relevant and considers the impact to be not material.

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

The following new Accounting Standards have not been applied and are not yet effective as per NSW Treasury Policy and Guidelines TPG 22-07.

- AASB 2020-1 Amendments to Australian Accounting Standards – *Classification of Liabilities as Current or Non-current*
- AASB 2020-6 Amendments to Australian Accounting Standards – *Classification of Liabilities as Current or Non-current – Deferral of Effective Date*
- AASB 2021-2 Amendments to Australian Accounting Standards – *Disclosure of Accounting Policies and Definition of Accounting Estimates*
- AASB 2021-6 Amendments to Australian Accounting Standards – *Disclosure of Accounting Policies: Tier 2 and Other Australian Accounting Standards*
- AASB 2021-7a,b,c Amendments to Australian Accounting Standards – *Effective Date of Amendments to AASB 10 and AASB 128 and Editorial Corrections.*

(l) Prior Period Adjustment

The Department has identified an adjustment to align with AASB 108 *Accounting Policies, Changes in Accounting Estimates and Errors* in relation to further assessment performed on the International Financial Reporting Standards Interpretations Committee (IFRIC) agenda decision on accounting for cloud computing arrangements as follows**:**

- the amount of the correction for each financial line affected
- the amount of the correction at the beginning of earliest prior period presented.

Initial implementation 2020-21

In April 2021, the IFRIC issued a final agenda decision, *Configuration or Customisation costs* in a cloud computing arrangement. The decision discusses whether configuration or customisation expenditure relating to cloud computing arrangements can be recognised as an intangible asset and if not, over what time period the expenditure is expensed.

The Department's accounting policy has historically been to capitalise some, or all costs related to cloud computing arrangements as intangible assets in the Statement of Financial Position. In 2020-21, the Department adopted the IFRIC agenda decision as a change in accounting policy and applied a retrospective approach by remeasuring the intangible assets as at 1 July 2019. The Department opted for a risk-based approach in assessing its cloud computing arrangements due to their complexity, length of underlying contracts and constraints of time and resources to incorporate the impact in the 2020-21 financial statements. As a result, three major arrangements were selected for review, of which the impact was disclosed in the 2020-21 financial statements and summarised below:

On adoption at 1 July 2019, the Department:

- reclassified $52.3 million of intangible assets to prepaid assets
- recognised an expense (through accumulated funds) of $90.5 million relating to previously capitalised intangible assets.

1. Statement of Significant Accounting Policies (cont'd)

(l) Prior Period Adjustment (cont'd)

The cumulative impact for the year ended 30 June 2020 was:

- reclassification of $41.7 million of intangible assets to prepaid assets
- recognition of $86.6 million expense (through accumulated funds) relating to previously capitalised intangible assets.

It was disclosed that the implementation of the IFRIC agenda decision would continue for remaining cloud computing arrangements in 2021-22.

Continued implementation 2021-22

The Department assessed the remaining cloud computing arrangements and quantified the impact of the IFRIC agenda decision in 2021-22. As a result, the Department identified additional cloud computing arrangements which do not meet the definition of intangible assets for the platform, configuration and customisation costs. The Department continued to adopt a retrospective approach for the IFRIC agenda decision in 2021-22 by remeasuring the remaining intangible assets as of 1 July 2020. This is adjusted through accumulated funds and the respective comparative amounts are restated.

The impact of the IFRIC agenda decision for the remaining cloud computing arrangements on the Department in 2021-22 includes:

Impact on the Statement of Comprehensive Income (increase/(decrease)) for the year ended 30 June 2021 is as follows:

	30 June 2021 $'000 IFRIC agenda decision	30 June 2021 $'000 Without adoption of IFRIC agenda decision	30 June 2021 $'000 Impact of IFRIC agenda decision
Expenses			
Operating expenses	39,660	-	39,660
Depreciation and amortisation	-	27,000	(27,000)
Total expenses excluding losses	**39,660**	**27,000**	**12,660**
Operating result	**39,660**	**27,000**	**12,660**
Net result	**39,660**	**27,000**	**12,660**
Total comprehensive income	**39,660**	**27,000**	**12,660**

1. Statement of Significant Accounting Policies (cont'd)

(l) Prior Period Adjustment (cont'd)

Impact on the Statement of Financial Position (increase/(decrease)) as at 1 July 2020:

	1 July 2020 $'000 IFRIC agenda decision	1 July 2020 $'000 Without adoption of IFRIC agenda decision	1 July 2020 $'000 Impact of IFRIC agenda decision
Asset			
Non-current assets			
- Intangible assets	-	106,250	(106,250)
Total assets	**-**	**106,250**	**(106,250)**
Total adjustment to equity			
Accumulated funds	(106,250)	-	(106,250)
Total equity	**(106,250)**	**-**	**(106,250)**
Net assets	**(106,250)**	**-**	**(106,250)**

Impact on the Statement of Financial Position (increase/(decrease)) as at 30 June 2021:

30 June 2021	30 June 2021 $'000 IFRIC agenda decision	30 June 2021 $'000 Without adoption of IFRIC agenda decision	30 June 2021 $'000 Impact of IFRIC agenda decision
Asset			
Non-current assets			
- Intangible assets	-	118,910	(118,910)
Total assets	**-**	**118,910**	**(118,910)**
Total adjustment to equity			
Accumulated funds	(118,910)	-	(118,910)
Total equity	**(118,910)**	**-**	**(118,910)**
Net assets	**(118,910)**	**-**	**(118,910)**

Impact on the Statement of Cash Flows (increase/(decrease)) for the year ended 30 June 2021 is as follows:

	30 June 2021 $'000 IFRIC agenda decision	30 June 2021 $'000 Without adoption of IFRIC agenda decision	30 June 2021 $'000 Impact of IFRIC agenda decision
Cash flows from operating activities			
Payments to suppliers for goods and services	39,660	-	39,660
Net cash flows from operating activities	**39,660**	**-**	**39,660**
Cash flows from investing activities			
Purchase of property, plant and equipment and intangible assets	-	39,660	(39,660)
Net cash flows from investing activities	**-**	**39,660**	**(39,660)**

1. Statement of Significant Accounting Policies (cont'd)

(m) Changes in accounting estimates

Upon adoption of AASB 1059 *Service Concession Arrangements: Grantors* (AASB 1059) in 2020-21, the Department was required to measure existing assets reclassified as service concession assets at fair value (current replacement cost) at the date of initial application. However, as the Department already records these assets at current replacement cost there was no change in valuation techniques from the adoption of AASB 1059.

(n) Impact of COVID-19 on Financial Reporting

Income, expense, impairment loss, assets and accruals that are incremental and directly attributable to the COVID-19 global pandemic have been disclosed in Note 31.

(o) Superannuation on annual leave loading

The Department has determined that it is not probable a liability arises to pay superannuation on annual leave loading. This position has been formed based on current inquiries, other information currently available to management, and after considering the facts from a decision in the Federal Court of Australia: Finance Sector Union of Australia v Commonwealth Bank of Australia [2022] FedCFamC2G 409. That decision confirmed that, in relation to the industrial agreement considered in that case, annual leave loading did not form part of ordinary time earnings and therefore, did not require superannuation contributions to be made under superannuation guarantee legislation because the obligation to pay annual leave loading was not referable to ordinary hours of work or to ordinary rates of pay. Rather, it was paid by reference to the period of annual leave, and for the purpose of compensating employees for their loss of opportunity to work additional hours at higher rates during this period.

This position will be re-assessed in future reporting periods as new information comes to light on this matter.

(p) Law Courts Ltd – Joint Arrangement

The NSW Government entered into an arrangement with the Commonwealth in 1977. That arrangement was set out in a general letter between the parties, which was confirmed in a letter dated 13 August 2008, co-signed by the Secretary, Federal Attorney General's Department and the Director General, NSW Attorney General's Department (now part of the Department of Communities and Justice), which confirmed ownership and funding arrangements of Law Courts Limited.

Law Courts Limited is located at Level 3, Law Courts Building, Queen's Square, Sydney, NSW 2000, and its principal activity is the provision of accommodation for Courts, Court registries and support services at a standard that is suitable and available for occupation. The NSW State Government's investment comprises 52.5% of the net assets of Law Courts Limited. Both Governments, however, have equal representation on the Board of Directors and in the membership of Law Courts Limited, with all decisions requiring unanimous consent.

As the Department has in substance rights to Law Courts Limited's assets, and obligations for its liabilities, it must recognise 52.5% of the assets and liabilities of Law Courts Limited on its Statement of Financial Position and 52.5% of the revenues and expenditure on its Statement of Comprehensive Income. The accounting treatment adopted complies with the requirements of AASB 11 *Joint Arrangements*.

2. Expenses excluding losses

(a) Employee related expenses

	PARENT		CONSOLIDATED	
	2022	2021 Restated	**2022**	2021 Restated
	$'000	$'000	**$'000**	$'000
Salaries and wages (including annual leave)	**2,443,455**	2,342,223	**2,443,455**	2,342,223
Superannuation - defined benefit plan	**39,421**	39,492	**39,421**	39,492
Superannuation - defined contribution plan	**217,157**	207,874	**217,157**	207,874
Long service leave[1]	**(22,543)**	23,226	**(22,543)**	23,226
Payroll tax and fringe benefits tax	**132,410**	125,060	**132,410**	125,060
Redundancy	**4,590**	10,724	**4,590**	10,724
Workers' compensation insurance premiums	**146,246**	116,328	**146,246**	116,328
Other	**164**	24	**164**	24
	2,960,900	2,864,951	**2,960,900**	2,864,951

Employee related costs capitalised in fixed asset accounts are excluded from the above and totalled $33.6 million (2021: $26.0 million). Refer to Note 31 for impact of COVID-19 on employee related expenses.

(b) Operating expenses

	PARENT		CONSOLIDATED	
	2022	2021 Restated	**2022**	2021 Restated
	$'000	$'000	**$'000**	$'000
Auditor's remuneration - audit of the financial statements	**1,718**	1,434	**1,735**	1,451
Auditor's remuneration - internal	**1,021**	706	**1,021**	706
Cleaning	**40,825**	40,396	**40,825**	40,396
Consultants	**4,365**	1,951	**4,365**	1,951
Expense relating to short-term leases	**9,350**	6,661	**9,350**	6,661
General administration	**13,533**	9,487	**13,533**	9,487
Insurance premiums	**54,341**	38,846	**54,341**	38,846
Motor vehicle operating	**15,495**	16,426	**15,495**	16,426
Prison hospital service fee	**8,747**	7,945	**8,747**	7,945
Repairs and maintenance (refer Note 2(b) – Note A below)	**198,968**	115,316	**199,119**	115,461
Telecommunication	**29,861**	26,883	**29,861**	26,883
Travel	**17,961**	18,362	**17,961**	18,362
Victims compensation costs	**112,270**	318,559	**112,270**	318,559
Fees for services	**108,739**	49,812	**108,739**	49,812
Staff related costs	**75,346**	35,306	**75,346**	35,306
Contractors and outsourced services	**86,731**	57,071	**86,731**	57,071
Legal and other professional fees	**148,052**	135,678	**148,052**	135,678
Postage and stationery	**20,769**	19,947	**20,769**	19,947
IT related costs	**110,441**	88,291	**110,441**	88,291
Corrective Services Industries and inmate related (refer Note 2(b) - Note B below)	**107,685**	122,183	**107,685**	122,183
Building outgoings	**17,516**	7,962	**17,516**	7,962
Utilities and rates	**53,065**	53,361	**53,065**	53,361
Tenancy management fees - disability services	**10,509**	9,855	**10,509**	9,855
Bad debt expense	**12**	87	**12**	87
Cloud computing costs	**11,380**	57,534	**11,380**	57,534
Other expenses	**54,050**	40,403	**54,050**	40,403
Service Concession Arrangements costs	**290,477**	258,083	**290,477**	258,083
	1,603,227	1,538,545	**1,603,395**	1,538,707

[1] The credit position in the long service leave liability assumed by the Crown is arising mainly from an increase in the Commonwealth 10-year bond rate which is used to calculate the net present value of the long service leave liabilities. The rate increased to 3.66% as at 30 June 2022 (2021: 1.49%).

2. Expenses excluding losses (cont'd)

Refer to Note 31 for impact of COVID-19 on operating expenses.

(b) Operating expenses (cont'd)

	PARENT		CONSOLIDATED	
	2022 $'000	2021 Restated $'000	**2022 $'000**	2021 Restated $'000
Note A - Reconciliation - Total maintenance				
Maintenance expense - contracted labour and other (non-employee related) as above	**198,968**	115,316	**199,119**	115,461
Employed related maintenance expense included in Note 2 (a)	**4,416**	4,860	**4,416**	4,860
Total maintenance expense included in Note 2 (a) and 2 (b)	**203,384**	120,176	**203,535**	120,321
Note B - Total Cost of Goods Sold				
Direct costs as reported above (Note 2 (b))	**32,764**	41,821	**32,764**	41,821
Indirect costs - determined on a pro rata basis comprising salaries and wages, property outgoings, repairs and maintenance and depreciation	**17,502**	12,707	**17,502**	12,707
	50,266	54,528	**50,266**	54,528

Recognition and measurement

Insurance

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

Maintenance expense

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

Lease expense

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

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

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

2. Expenses excluding losses (cont'd)

(c) Depreciation and amortisation

	PARENT		CONSOLIDATED	
	2022	2021 Restated	**2022**	2021 Restated
	$'000	$'000	**$'000**	$'000
Depreciation				
Buildings	**212,125**	192,418	**212,287**	192,558
Plant and equipment	**100,129**	98,687	**100,129**	98,687
Right-of-use asset - land and buildings	**100,829**	101,572	**100,829**	101,572
Right-of-use asset - plant and equipment	**11,591**	12,253	**11,591**	12,253
	424,674	404,930	**424,836**	405,070
Amortisation				
Intangibles	**15,254**	14,767	**15,254**	14,767
	15,254	14,767	**15,254**	14,767
Total depreciation and amortisation	**439,928**	419,697	**440,090**	419,837

Refer to Note 12, Note 13 and Note 14 for recognition and measurement policies on depreciation and amortisation.

(d) Grants and subsidies

	PARENT		CONSOLIDATED	
	2022	2021	**2022**	2021
	$'000	$'000	**$'000**	$'000
Adult community and offender management services	**28,171**	89,121	**28,171**	89,121
Child protection	**163,706**	140,539	**163,706**	140,539
Community support and development	**199,754**	118,016	**199,754**	118,016
Family and domestic violence	**150,862**	109,041	**150,862**	109,041
Homelessness	**357,875**	337,182	**357,875**	337,182
Justice services	**68,793**	39,084	**68,793**	39,084
Juvenile programs	**19,629**	7,856	**19,629**	7,856
Out of home care and permanency support	**1,411,796**	1,278,164	**1,411,796**	1,278,164
Targeted early intervention	**162,245**	154,974	**162,245**	154,974
Their futures matter	**121,726**	140,521	**121,726**	140,521
Victim services	**4,474**	6,576	**4,474**	6,576
Cluster grants*	**6,913,900**	5,891,440	**6,913,900**	5,891,440
Disability services	**23,793**	32,610	**23,793**	32,610
Social housing	**497,562**	365,629	**497,562**	365,629
Other grants	**11,094**	8,915	**11,094**	8,915
	10,135,380	8,719,668	**10,135,380**	8,719,668

Refer to Note 31 for impact of COVID-19 on grants and subsidies.

*The Department as the Principal Department within the Stronger Communities Cluster receives appropriations from NSW Treasury. Agencies within the Cluster which receive their funding by way of grants from the Department are enumerated in the next page.

2. Expenses excluding losses (cont'd)

(d) Grants and subsidies (cont'd)

	PARENT		CONSOLIDATED	
	2022	2021	**2022**	2021
	$'000	$'000	**$'000**	$'000
• NSW Police Force	**4,155,584**	3,813,067	**4,155,584**	3,813,067
• Fire and Rescue NSW	**763,059**	780,318	**763,059**	780,318
• NSW Rural Fire Service	**502,383**	555,166	**502,383**	555,166
• NSW Office of Sport	**231,147**	343,051	**231,147**	343,051
• Legal Aid Commission of NSW	**212,044**	201,945	**212,044**	201,945
• NSW State Emergency Service	**209,241**	144,394	**209,241**	144,394
• NSW Crime Commission	**30,661**	25,324	**30,661**	25,324
• Multicultural NSW	**79,617**	28,175	**79,617**	28,175
• Resilience NSW*	**730,164**	-	**730,164**	-
Total	**6,913,900**	5,891,440	**6,913,900**	5,891,440

* On 1 April 2022 by the *Administrative Arrangements (Second Perrottet Ministry—Transitional) Order 2021*, Resilience NSW was transferred to the Department under the Minister for Emergency Services and Resilience.

Recognition and measurement

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

(e) Finance costs

	PARENT		CONSOLIDATED	
	2022	2021	**2022**	2021
	$'000	$'000	**$'000**	$'000
Interest on loans	**26**	16	**26**	16
Unwinding of discount and effect of changes in discount rate on provisions	**620**	355	**620**	355
Interest expense from financial liabilities at amortised cost*	**32,267**	31,489	**32,267**	31,489
Interest expense from lease liabilities	**24,562**	21,717	**24,562**	21,717
	57,475	53,577	**57,475**	53,577

*The interest expense from financial liabilities at amortised cost of $32.3 million (2021: $31.5 million) is related to financial liabilities arising from service concession arrangements. Refer to Note 12 and Note 18 for further details on service concession arrangements and related liabilities.

Recognition and measurement

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

3. Revenue

Recognition and Measurement

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

The Department's authority to spend Consolidated Fund money comes from a delegation or sub-delegation on a per transaction basis which has been properly complied with.

(a) Appropriations and transfers to the Crown

Summary of Compliance	2022 $'000	2021 Restated $'000
Amount Appropriated per Appropriation Act	**17,053,912**	16,671,184
Other Appropriations		
Variations made to the Appropriations during the financial year		
Section 4.9 GSF Act (transfer of functions between GSF agencies)	**382,115**	10,024
Section 4.11 GSF Act (Variations of annual Appropriations for Commonwealth grants)	**25,503**	(441)
Section 4.13 GSF Act Exigency of Government (additional Appropriation approved by Treasurer and Governor for exigencies of government)	**429,800**	-
Exigency of Government (per Section 32 of the Appropriation Act)	**-**	(5,000)
COVID-19 pandemic and inflation (per Section 34 of the Appropriation Act)	**100,292**	27,407
Other Appropriations including carry forwards	**-**	-
Total spending authority from Parliamentary Appropriations, other than Deemed Appropriations	**17,991,622**	16,703,174
Add:		
The spending authority from Deemed Appropriations during the current year	**1,310,640**	1,246,868
The unutilised spending authority from Deemed Appropriations in prior years	**734,458**	-
Total	**20,036,720**	17,950,042
Less: total expenditure out of Consolidated Fund	**(18,304,108)**	(17,159,522)
Variance	**1,732,612**	790,520
Less:		
The spending authority from Appropriations lapsed at 30 June	**-**	-
Protected items National Disability Insurance Agency (NDIA) underspend during the current year	**(28,478)**	(56,062)
Deemed Appropriations balance carried forward to following years	**1,704,134**	734,458

3. Revenue (cont'd)

(a) Appropriations and transfers to the Crown (cont'd)

Summary of Compliance	2022 $'000	2021 $'000
Transfer payments	**3,403,550**	3,227,455
Appropriations (per Statement of Comprehensive Income)	**14,309,114**	12,919,033
Appropriations drawn down	**17,712,664**	16,146,488

Note:

1. 'Expenditure' refers to cash payments. The term 'expenditure' has been used for payments for consistency with AASB 1058 *Income of Not-for-Profit Entities*.
2. The variance between the 'total' appropriations and actual expenditure for the year was due to own sourced revenues and the budget adjustments to appropriations during the year. Refer to Note 31 for impact of COVID-19 on Appropriations.

Recognition and measurement

Parliamentary appropriations other than deemed appropriations

Income from appropriations, other than deemed appropriations (of which the accounting treatment is based on the underlying transaction), does not contain enforceable and sufficiently specific performance obligations as defined by AASB 15. Therefore, except as specified below, appropriations (other than deemed appropriations) are recognised as income when the Department obtains control over the assets comprising the appropriations. Control over appropriations is normally obtained upon the receipt of cash.

3. Revenue (cont'd)

(a) Appropriations and transfers to the Crown (cont'd)

Principal departments

The *Appropriation Act 2021* (Appropriation Act) and the subsequent variations appropriate the sum of $17,991.6 million (2021: $16,703.2 million) to the Attorney General and Minister for Prevention of Domestic and Sexual Violence out of the Consolidated Fund for the services of the Department for the year 2021–22. The spending authority of the Attorney General from the Appropriation Act has been delegated or subdelegated to officers of the Department and entities that it is administratively responsible for, including:

- Crown Solicitor's Office
- Fire and Rescue NSW
- Legal Aid Commission of New South Wales
- New South Wales Crime Commission
- NSW Police Force
- NSW Rural Fire Service
- Office of Sport
- Resilience NSW
- Home Purchase Assistance Fund
- Multicultural NSW
- NSW Trustee and Guardian.

The responsible Ministers for each entity listed above are taken to have been given an appropriation out of the Consolidated Fund under the authority of s4.7 of the GSF Act, at the time the entity receives or recovers any deemed appropriation money, for an amount equivalent to the money that is received or recovered by the entity. The spending authority of the responsible Ministers from deemed appropriation money has been delegated or sub-delegated to officers of the entity that receives or recovers the deemed appropriation money for its own services.

The delegation/sub-delegations for 2021-22 and 2020-21, authorising officers of the Department to spend Consolidated Fund money, impose limits to the amounts of individual transactions, but do not specify an aggregate expenditure limit for the Department. However, as it relates to expenditure in reliance on a sum appropriated through an annual Appropriation Act, the delegation/sub-delegations are referrable to the overall authority to spend set out in the relevant Appropriation Act. The individual transaction limits have been properly observed. The information in relation to the limit from the Appropriation Act is disclosed in the summary of compliance table.

The summary of compliance has been prepared on the basis of aggregating the spending authorities of both the Attorney General for the services of the Department and the responsible Ministers for the services of the entities listed above that receive or recover deemed appropriation money. It reflects the status at the point in time this disclosure statement is being made.

The summary of compliance does not include appropriations for the following special offices in the Stronger Communities Cluster and its expenditure:

- Judicial Commission of New South Wales
- Office of the Children's Guardian
- Office of the Director of Public Prosecutions.

This is because a separate amount has been appropriated for its services under the Appropriation Act.

However, the summary of compliance includes $2.2 million grant payment to Office of the Director of Public Prosecutions in "total expenditure out of Consolidated Fund".

3. Revenue (cont'd)

(b) Sale of goods and services from contracts with customers

	PARENT		CONSOLIDATED	
	2022	2021	**2022**	2021
	$'000	$'000	**$'000**	$'000
Sale of goods				
Sale of goods - Corrective Services Industries	**13,613**	14,552	**13,613**	14,552
	13,613	14,552	**13,613**	14,552
Rendering of services				
Filing fees	**73,020**	63,116	**73,020**	63,116
Court Fees	**48,930**	52,719	**48,930**	52,719
Corrective Services Industries	**38,264**	41,195	**38,264**	41,195
Continuity of support services revenue	**-**	3,062	**-**	3,062
Statement of claims	**7,168**	7,295	**7,168**	7,295
Management fees	**12,063**	14,099	**12,063**	14,099
Minor usage charges	**6,981**	5,510	**6,981**	5,510
Fee for disability services	**-**	462	**-**	462
Rent	**5,894**	6,066	**5,894**	6,066
Transcription services	**2,359**	2,265	**2,359**	2,265
Sheriffs fees	**2,058**	2,233	**2,058**	2,233
Canteen sales	**1,327**	1,922	**1,327**	1,922
Other fees	**9,319**	7,391	**9,319**	7,391
	207,383	207,335	**207,383**	207,335
Licence fees				
Licence fees	**60,082**	55,075	**60,082**	55,075
	60,082	55,075	**60,082**	55,075
	281,078	276,962	**281,078**	276,962

Recognition and measurement

(i) Sale of goods

Revenue from sale of goods is recognised when the Department satisfies a performance obligation by transferring the promised goods.

Type of good	Nature of timing of satisfaction of performance obligation, including significant payment terms	Revenue recognition policies
(i) Goods - Corrective Services Industries (CSI)		
The Department's revenue from sale of goods from CSI is derived from the sale of goods purchased by CSI to inmates and the sale of manufactured and assembled goods to external market. These goods are constructed and provided by eligible inmates participating in work programs and accredited training, and are either sold back to inmates, to external customers on an ad-hoc basis, or to customers governed by a contract.	The Department typically satisfies its performance obligations at the point in time when the goods have been collected by the inmate or when the goods are delivered to external market customer. The payments are due when the goods are transferred to the inmates/customers and invoices are generated.	Revenue from these sales is recognised based on the price specified in the contract or display prices, and revenue is only recognised to the extent that it is highly probable that a significant reversal will not occur. No element of financing is deemed present as the sales are made with cash or a short credit term. No volume discount or warranty is provided on the sale.

3. Revenue (cont'd)

(b) Sale of goods and services from contracts with customers (cont'd)

Recognition and measurement (cont'd)

(ii) Rendering of services

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

Type of service	Nature of timing of satisfaction of performance obligation, including significant payment terms	Revenue recognition policies
(i) Filing fees and Court fees		
The Department derives filing fees from administrative tasks associated with the engagement of NSW Courts and NSW Civil and Administrative Tribunals (NCAT). These administrative tasks arise when the customer is charged for lodgements for services provided by the Department. These include document filing and retrieval, application fees etc. The court fees are paid for the hearing of proceedings by judges in court for the various legal actions which have been filed.	Filing fees - The Department typically satisfies its performance obligations when either the Department accepts the applications from the public or completes all the steps required by it after the filing of the application noting that there is not a significant time gap between receiving the application and completing the necessary process by the Department. Court fees - The fees are imposed after the court hearing, in which case the performance obligation is already satisfied. In cases where the fees are charged to the customers in relation to providing the date of hearing, no further process/performance obligations are required to be completed or satisfied by the Department. The payments for both services are typically due when the applications are lodged to the Department.	Revenue from filing fees and court fees are recognised based on the stipulated amount for the services listed online on the NSW Courts and Tribunals Online Registry when the services are lodged and payment, which is non-refundable, is received by the Department. No element of financing is deemed present as the sales are made with cash or a short credit term. No volume discount or warranty is provided on the sale. The minimal time lag between the initiation and completion of the service process does not pose a risk of material misstatement to revenue recognition.
(ii) Services - CSI	.	
CSI sale of services is derived from the provision of service solutions which are provided by eligible inmates participating in work programs and accredited training to external customers on an ad-hoc basis, or to customers governed by a contract.	The Department typically satisfies its performance obligations when the services have been provided by the eligible inmates to the customers and the invoices are issued to the customers at the point in time. The payments are typically due when the services are transferred to the customer and when invoices are generated.	Revenue from CSI services are recognised based on the price specified in the contract or display prices, and revenue is only recognised to the extent that it is highly probable that a significant reversal will not occur. No element of financing is deemed present as the sales are made with cash or a short credit term. No volume discount or warranty is provided on the sale.

3. Revenue (cont'd)

(b) Sale of goods and services from contracts with customers (cont'd)

Recognition and measurement (cont'd)

(ii) Rendering of services (cont'd)

Type of service	Nature of timing of satisfaction of performance obligation, including significant payment terms	Revenue recognition policies
(iii) Continuity of Support services		
The Department as an approved participant and provider of the Commonwealth Continuity of Support (CoS) Programme receives funding from the Commonwealth Department of Health for provision of accommodation support for clients who are aged 65 years and over; do not meet the age requirements to access the NDIS. As the Department has phased out disability services, CoS payment was ceased in 2021-2022.	The Department typically satisfies its performance obligations when the CoS clients simultaneously receive the benefits of the accommodation services as the Department provides the services (performs its obligations) over time.	Revenue from CoS is recognised based on the stipulated amount for each CoS client in the funding agreement. As the funding is received by the Department in advance, the revenue is recognised when the performance obligations are satisfied over time on the monthly basis. Any excess funding received is refunded. No element of financing is deemed present as the funding is paid in cash to the Department.
(iv) Other services		
Revenue received from other minor services rendered by the Department include minor usage charges, disability client fees, Sheriff's fees, management fees etc.	Depending on the nature of the service rendered the Department satisfies its performance obligations when the services are provided to the customers either at the point in time or over time (fortnightly or monthly). The invoices are based on the number of clients receiving the services and fixed rate charges agreed in the contracts.	When performance obligations are satisfied at a point in time, the revenue is recognised when the promised services are transferred and the invoices are issued to the customers. For performance obligations satisfied over time, because the customers simultaneously receive and consume the benefits of the services as the Department performs its obligations, the revenue is recognised when the Department has transferred the promised services to the customers fortnightly or monthly.

3. Revenue (cont'd)

(c) Investment revenue

	PARENT		CONSOLIDATED	
	2022	2021	**2022**	2021
	$'000	$'000	**$'000**	$'000
Bank interest	**58**	85	**60**	87
	58	85	**60**	87

Recognition and measurement

Interest income is calculated by applying the effective interest rate to the gross carrying amount of a financial asset except for financial assets that subsequently become credit-impaired. For the financial assets that become credit impaired, the effective interest rate is applied to the amortised cost of the financial asset (that is, after deducting the loss allowance for expected credit losses).

(d) Retained taxes, fees and fines

	PARENT		CONSOLIDATED	
	2022	2021	**2022**	2021
	$'000	$'000	**$'000**	$'000
Restitution orders raised	**8,383**	7,856	**8,383**	7,856
Confiscation of crime proceeds	**2,523**	5,365	**2,523**	5,365
Victims compensation levies	**9,905**	10,297	**9,905**	10,297
	20,811	23,518	**20,811**	23,518

Recognition and measurement

Retained fees comprise monies due from individuals relating to matters dealt with by the Victims Compensation Tribunal, monies due from the confiscation of crime proceeds and levies raised by the Courts on perpetrators of acts of violence which are in the nature of non-contractual income arising from statutory requirements.

Under AASB 1058, the revenue is recognised as a residual amount, the Department first recognises the statutory receivable as per AASB 9 *Financial Instruments* (AASB 9) when restitution orders are made or confirmed by the Tribunal or when payment arrangements between the Director or Registrar and defendants are entered into, as there is no 'related amount' in accordance with other AAS, then the revenue is recognised immediately at the amount of the statutory receivable.

3. Revenue (cont'd)

(e) Grants and other contributions

	PARENT		CONSOLIDATED	
	2022	2021	**2022**	2021
	$'000	$'000	**$'000**	$'000
Grants to acquire/construct a recognisable non-financial asset to be controlled by the Department				
Grants to acquire/construct a recognisable non-financial asset to be controlled by the Department	**1,085**	3,027	**1,085**	3,027
Grants without sufficiently specific performance obligations				
Grants for the operation of the Dust Diseases Tribunal	**5,901**	5,727	**5,901**	5,727
Grants for the operation of NSW Civil and Administrative Tribunal consumer and commercial division	**25,420**	22,114	**25,420**	22,114
Digital Restart Fund	**124,012**	28,078	**124,012**	28,078
Social and Affordable Housing Fund grants	**49,011**	24,684	**49,011**	24,684
Redundancy grants from the Crown	**1,961**	35,106	**1,961**	35,106
Personal protective equipment received free of charge	**37,680**	9,757	**37,680**	9,757
Home Purchase Assistance Fund grants	**7,044**	8,169	**7,044**	8,169
Correctional centres health service grants	**2,176**	6,869	**2,176**	6,869
Disability transition funding	**844**	6,057	**844**	6,057
Aboriginal child and family centre program grants	**1,700**	1,700	**1,700**	1,700
COVID-19 related grants	**-**	1,273	**-**	1,273
COVID-19 NGO grants	**15,000**	-	**15,000**	-
Other grants	**11,428**	11,844	**11,428**	11,844
	283,262	164,405	**283,262**	164,405

Recognition and measurement

Income from grants to acquire/construct a recognisable non-financial asset to be controlled by the Department is recognised when the Department satisfies its obligations under the transfer. The Department satisfies the performance obligations under the transfer to construct assets over time as the non-financial assets are being constructed. Revenue is recognised over time based on the cost incurred.

Income from grants to acquire/construct a recognisable non-financial asset to be controlled by the Department is recognised based on the grant amount specified in the funding agreement/funding approval or in accordance with legislation, and revenue is only recognised to the extent that it is highly probable that a significant reversal will not occur. No element of financing is deemed present as funding payments are usually received in advance or shortly after the relevant obligation is satisfied.

Income from grants without sufficiently specific performance obligations are recognised when the Department obtains control over the granted assets or when cash grant is received.

Receipt of volunteer services is recognised when and only when the fair value of those services can be reliably determined and the services would have been purchased if not donated. Volunteer services are measured at fair value. The Department did not receive any material volunteer services for the year ended 30 June 2022.

Refer to Note 31 for impact of COVID-19 on grants and other contributions.

3. Revenue (cont'd)

(f) Personnel services

	PARENT		CONSOLIDATED	
	2022	2021	**2022**	2021
	$'000	$'000	**$'000**	$'000
Personnel services	**81,994**	74,586	**81,994**	74,586
	81,994	74,586	**81,994**	74,586

Personnel services revenue relates to the provision of personnel services to the NSW Trustee and Guardian, including the Office of the Public Guardian, the Legal Profession Admission Board, Legal Services Council, the Office of Ageing and Disability Commissioner and the Trustees of the Anzac Memorial Building. The Department does not control these entities.

Recognition and measurement

Under AASB 15, income arising from the provision of personnel services is recognised when the services are provided and only to the extent that the associated recoverable expense is recognised.

(g) Acceptance by Crown of employee benefits and other liabilities

	PARENT		CONSOLIDATED	
	2022	2021	**2022**	2021
	$'000	$'000	**$'000**	$'000
The following liabilities and / or expenses have been assumed by the Crown:				
Superannuation defined benefit	**39,175**	39,061	**39,175**	39,061
Long service leave[2]	**(22,691)**	23,117	**(22,691)**	23,117
Payroll tax	**1,887**	1,913	**1,887**	1,913
	18,371	64,091	**18,371**	64,091

(h) Other income

	PARENT		CONSOLIDATED	
	2022	2021	**2022**	2021
	$'000	$'000	**$'000**	$'000
Agency performance adjustment	**14,898**	3,100	**14,898**	3,100
Law Society contributions	**6,441**	6,956	**6,441**	6,956
Rental income	**45,422**	44,673	**45,574**	44,775
Insurance claims	**17,739**	3,453	**17,739**	3,453
Natural disaster claims	**10,938**	822	**10,938**	822
Other	**11,036**	9,727	**11,036**	9,727
	106,474	68,731	**106,626**	68,833

Recognition and measurement

Other revenue

The revenue is recognised when the fee in respect of services provided is received or receivable.

Rental Income

Rent is recognised as revenue on a straight line basis over the term of the lease and in accordance with AASB 16 *Leases*.

Refer to Note 31 for impact of COVID-19 on other income.

[2] The net loss position in the Long Service Leave liability assumed by the Crown is arising mainly from an increase in the Commonwealth 10-year bond rate which is used to calculate the net present value of the long service leave liabilities. The rate increased to 3.66% as at 30 June 2022 (2021: 1.49%).

4. Loss on disposal

	PARENT		CONSOLIDATED	
	2022	2021	**2022**	2021
	$'000	$'000	**$'000**	$'000
Loss on disposal of land and buildings, plant and equipment and intangibles				
Proceeds from disposal	**72**	2,497	**72**	2,497
Written down value of assets disposed	**(41,157)**	(7,758)	**(41,157)**	(7,758)
Net loss on disposal of land and buildings, plant and equipment and intangibles	**(41,085)**	(5,261)	**(41,085)**	(5,261)

5. Other gains / (losses)

	PARENT		CONSOLIDATED	
	2022	2021	**2022**	2021
	$'000	$'000	**$'000**	$'000
Impairment loss on carrying value of property, plant and equipment	**-**	(592)	**-**	(592)
Impairment loss on intangible assets	**-**	(9)	**-**	(9)
Gain / (loss) on disposal of right-of-use assets*	**106,523**	167	**106,523**	167
Impairment reversal / (loss) on right-of-use assets	**24**	(52,291)	**24**	(52,291)
	106,547	(52,725)	**106,547**	(52,725)

* The gain/(loss) on disposal of right-of -use assets includes the net gain of $104.5 million (inclusive of $87.5 million reversal of accumulated impairment provision) that was recognised from the derecognition of the right-of-use asset and lease liability with Property NSW as at 30 June 2022. Refer to Note 13 and Note 18 for further details on the derecognition.

The net gain/(loss) from the derecognition of right-of-use asset and lease liability with Property NSW as at 30 June 2022 is reconciled as below:

	PARENT	CONSOLIDATED
	2022	**2022**
	$'000	**$'000**
Right-of-use asset		
Gross carrying value	**(987,483)**	**(987,483)**
Less: accumulated depreciation and accumulated impairment provision	**353,997**	**353,997**
Net book value	**(633,486)**	**(633,486)**
Lease liability	**738,021**	**738,021**
Net Gain	**104,535**	**104,535**

Recognition and measurement

Impairment losses on non-financial assets

Impairment losses may arise on non-financial assets held by the Department from time to time. Accounting for impairment losses is dependent upon the individual asset (or group of assets) subject to impairment. Accounting Policies and events giving rise to impairment losses are disclosed in the following notes:

Trade Receivables – Note 10
Property, plant and equipment – Note 12
Leases – Note 13
Intangible assets – Note 14
Refer to Note 31 for impact of COVID-19 on other losses.

6. Conditions and restrictions on income

The Department has the following conditions and restrictions on contributions received since funds can only be expended on specific project objectives:

(i) The Department received $0.1 million Commonwealth (2021: $Nil) grant from Australian Federal Police (AFP) to acquire/construct a recognisable non-financial asset to be controlled by the Department in 2021-22. The grant was provided by AFP to the Department for the purchase of 40 laptops, the laptops will be retained by the Corrective Services NSW facilities for use in future AFP prosecutions. The related performance obligations which are the purchase of the laptops and provision of the laptops to AFP prosecution defendants will be fully satisfied by 30 June 2023.

In 2019-20, the Department recognised $2.5 million as revenue of Commonwealth funding which was for specific capital projects for enhancing employability skills and opportunities for aboriginal women in custody across NSW. The related performance obligations were fully satisfied as at 30 June 2021.

The Department recognised unspent capital grants liability through Joint Arrangement control from Law Courts Ltd. The funding was received from the Commonwealth and State Governments to enable Law Courts Ltd to spend on various capital works projects. Capital grants received for the construction of these facilities are recognised as income when the asset is acquired and controlled by Law Courts Ltd. For the construction of specified assets, income is recognised as the construction progresses on the basis of costs incurred relative to total expected cost. The balance of unspent capital grants is $6.1 million at 30 June 2022 (2021: $1.7 million) and will be recognised as income by 30 June 2023. Refer to Note 3(e) Grants and Contributions and Note 20 Other liabilities for details.

(ii) The Department's Cash and cash equivalents (Note 9) include restricted funds held by the Department which are related to the Affordable Housing Program of $16.3 million (2021: $27.7 million) and Murdi Paaki Social Housing agreement of $3.6 million (2021: $12.4 million) as at 30 June 2022.

The Affordable Housing Program related tied funds are sourced from various Local Councils and are required to be spent within the respective Council area through affordable housing projects developed by community housing providers.

The Murdi Paaki restricted fund is held for the purpose of implementing the Murdi Paaki Social Housing Agreement and can only be expensed for specific projects approved under the Agreement.

7. Transfer payments

	PARENT		CONSOLIDATED	
	2022	2021	**2022**	2021
	$'000	$'000	**$'000**	$'000
Administered Income				
National Disability Insurance Scheme	**3,269,557**	3,102,504	**3,269,557**	3,102,504
National Legal Assistance Partnership	**127,823**	108,081	**127,823**	108,081
Fire services provision assistance	**5,349**	5,168	**5,349**	5,168
Legal assistance - bushfires	**-**	3,323	**-**	3,323
Legal assistance - COVID-19	**-**	8,379	**-**	8,379
Legal assistance - flood	**821**	-	**821**	-
	3,403,550	3,227,455	**3,403,550**	3,227,455

	PARENT		CONSOLIDATED	
	2022	2021	**2022**	2021
	$'000	$'000	**$'000**	$'000
Administered Expenses				
National Disability Insurance Scheme	**3,227,313**	3,123,165	**3,227,313**	3,123,165
National Legal Assistance Partnership	**127,823**	108,081	**127,823**	108,081
Fire services provision assistance	**5,349**	5,168	**5,349**	5,168
Legal assistance - bushfires	**-**	3,323	**-**	3,323
Legal assistance - COVID-19	**-**	8,379	**-**	8,379
Legal assistance - flood	**821**	-	**821**	-
	3,361,306	3,248,116	**3,361,306**	3,248,116

Transfer payments are amounts received for transfer to eligible beneficiaries consistent with the parameters established by legislation or other authoritative requirements. They are not controlled by the Department and are considered as administered items.

(a) National Disability Insurance Scheme (NDIS) payments

The Commonwealth and the State of New South Wales (State) entered into a bilateral agreement under the NDIS for financial contributions to be paid to National Disability Insurance Agency (NDIA). Cash contributions received by the Department under the scheme are disclosed as administered income. Cash contributions paid by the Department to NDIA under the scheme, net of the impact of in-kind contribution administered receivables, are disclosed as a transfer payment expense.

The total New South Wales contribution for 2021-22 is $3,605.1 million (2021: $3,466.9 million) including cash contributions paid by the Department to NDIA in 2021-22 of $3,269.6 million (2021: $3,102.5 million) and in-kind contribution of $335.5 million (2021: $364.4 million). The transfer payment expense for 2021-22 includes a credit of $146.9 million (2021: $167.5 million) for the in-kind contribution administered receivable at 1 July 2021 and excludes $189.1 million (2021: $146.9 million) for the in-kind administered receivable at 30 June 2022 which will be offset against 2022-23 payments to NDIA.

(b) National Legal Assistance Partnership (NLAP) payments

National Legal Assistance Partnership (NLAP) supports the National Strategic Framework for Legal Assistance, by contributing to integrated, efficient, effective and appropriate legal assistance services which are focused on improving outcomes and keeping the justice system within reach for vulnerable people facing disadvantage, within available resources. The NLAP consists of a multilateral and bilateral agreements between the Commonwealth and each State. The NLAP funding is paid to Department via Appropriation from the Consolidated Fund. The Department subsequently transfers the funding to Legal Aid Commission of New South Wales (LAC) and Aboriginal Legal Service NSW/ ACT (ALS) through cluster grants.

7. Transfer payments (cont'd)

(c) COVID-19 and bushfire legal assistance

Separate agreements were entered between the Commonwealth and the State for the purpose of delivering efficient and effective legal assistance services by LAC to support relief and recovery from the 2019-20 bushfire disasters and to transition to virtual service delivery in response to increased demand as a result of COVID-19.

The funding in relation to the bushfire and COVID-19 legal assistance is received by the Department via Appropriation from the Consolidated Fund and subsequently transferred to LAC through cluster grants.

(d) Flood legal assistance

An additional agreement was entered in 2021-22 between the Commonwealth and the State to support the relief and recovery in the communities affected by the flood for the purpose of supporting the delivery of efficient and effective legal assistance services by LAC. The funding was provided for existing legal assistance services operating in affected communities. The availability of these legal assistance services will assist individuals, small businesses, and primary producers to navigate through the legal issues that arise in the aftermath of the flood.

The additional funding in relation to the flood legal assistance is received by the Department via Appropriation from the Consolidated Fund and subsequently transferred to LAC through cluster grants.

(e) Fire services provision assistance

The Commonwealth and the State entered into a Memorandum of Understanding (MOU) for the provision of fire services by the State to all Australian Government Agencies. The Commonwealth makes contributions in accordance with the MOU to the State for the standard fire services the State provides for all Australian Government Sites. The funding is paid to the Department via Appropriation from the Consolidated Fund and transferred via cluster grants to Fire and Rescue NSW (FRNSW) and NSW Rural Fire Service (RFS) who provide the specified services according to the MOU.

Refer to Note 3 (a), Note 8 and Note 28 for details on administered expenses, income and assets.

8. Consolidated State Outcome statements

Expense and income 2022	Active and inclusive communities $'000	Children and families thrive $'000	Efficient and effective legal system $'000	People have a safe and affordable place to live $'000	Reduce reoffending $'000	Not attributable $'000	Total $'000
Expenses excluding losses							
Employee related expenses	30,315	643,891	597,456	219,333	1,469,905	-	2,960,900
Operating expenses	45,084	254,111	347,842	87,063	869,295	-	1,603,395
Depreciation and amortisation	28,935	39,450	91,834	11,548	268,323	-	440,090
Grants and subsidies	228,737	2,010,335	79,170	855,438	47,800	6,913,900	10,135,380
Finance costs	83	3,729	9,329	1,272	43,062	-	57,475
Total expenses excluding losses	**333,154**	**2,951,516**	**1,125,631**	**1,174,654**	**2,698,385**	**6,913,900**	**15,197,240**
Revenue							
Appropriations[3]						14,309,114	14,309,114
Sale of goods and services from contracts with customers	1,285	4,108	144,277	3,115	128,293	-	281,078
Investment revenue	2	-	1	42	15	-	60
Retained taxes, fees and fines	-	-	20,811	-	-	-	20,811
Grants and other contributions	18,500	32,648	85,391	66,442	80,281	-	283,262
Personnel services	4,637	1	75,092	2,261	3	-	81,994
Acceptance by Crown of employee benefits and other liabilities	31	(4,836)	27,357	(1,879)	(2,302)	-	18,371
Other income	46,210	16,402	10,674	12,584	20,756	-	106,626
Total revenue	**70,665**	**48,323**	**363,603**	**82,565**	**227,046**	**14,309,114**	**15,101,316**
Operating result	**(262,489)**	**(2,903,193)**	**(762,028)**	**(1,092,089)**	**(2,471,339)**	**7,395,214**	**(95,924)**
Loss on disposal	135	(33,478)	(261)	1,022	(8,503)	-	(41,085)
Impairment loss on financial assets	5,230	399	(4,068)	136	877	-	2,574
Other losses	533	23,867	19,956	8,139	54,052	-	106,547
Net result from continuing operations	**(256,591)**	**(2,912,405)**	**(746,401)**	**(1,082,792)**	**(2,424,913)**	**7,395,214**	**(27,888)**
Other Comprehensive Income							
Net change in revaluation surplus of property, plant and equipment	1,271	9,489	201,970	2,409	317,107	-	532,246
Total Other Comprehensive Income	**1,271**	**9,489**	**201,970**	**2,409**	**317,107**	**-**	**532,246**
TOTAL COMPREHENSIVE INCOME	**(255,320)**	**(2,902,916)**	**(544,431)**	**(1,080,383)**	**(2,107,806)**	**7,395,214**	**504,358**

The names and purposes of each state outcome are summarised below.

[3] Appropriations are made on an entity basis and not to individual state outcomes. Consequently appropriations are included in the "Not Attributable" column. Cluster grant funding is also unlikely to be attributable to individual state outcomes. Consequently, cluster grant funding is also included in the "Not Attributable" column.

8. Consolidated State Outcome statements (cont'd)

Expense and income Restated 2021	Active and inclusive communities $'000	Children and families thrive $'000	Efficient and effective legal system $'000	People have a safe and affordable place to live $'000	Reduce reoffending $'000	Not attributable $'000	Total $'000
Expenses excluding losses							
Employee related expenses	26,481	640,334	586,238	220,940	1,390,958	-	2,864,951
Operating expenses	47,622	200,076	514,711	63,422	712,876	-	1,538,707
Depreciation and amortisation	30,373	43,325	85,514	10,035	250,590	-	419,837
Grants and subsidies	153,621	1,823,238	51,580	702,811	96,978	5,891,440	8,719,668
Finance costs	102	3,190	8,243	1,095	40,947	-	53,577
Total expenses excluding losses	**258,199**	**2,710,163**	**1,246,286**	**998,303**	**2,492,349**	**5,891,440**	**13,596,740**
Revenue							
Appropriations[3]						12,919,033	12,919,033
Sale of goods and services from contracts with customers	4,837	4,069	137,256	3,776	127,024	-	276,962
Investment revenue	2	-	3	64	18	-	87
Retained taxes, fees and fines	-	-	23,518	-	-	-	23,518
Grants and other contributions	21,424	12,918	60,882	40,387	28,794	-	164,405
Personnel services	4,165	2	68,160	2,254	5	-	74,586
Acceptance by Crown of employee benefits and other liabilities	(800)	9,610	37,853	3,757	13,671	-	64,091
Other income	45,919	4,660	9,005	765	8,484	-	68,833
Total revenue	**75,547**	**31,259**	**336,677**	**51,003**	**177,996**	**12,919,033**	**13,591,515**
Operating result	**(182,652)**	**(2,678,904)**	**(909,609)**	**(947,300)**	**(2,314,353)**	**7,027,593**	**(5,225)**
Loss on disposal	(7)	(370)	(1,328)	(107)	(3,449)	-	(5,261)
Impairment loss on financial assets	(434)	(576)	(1,775)	(201)	(1,246)	-	(4,232)
Other losses	(348)	(10,922)	(10,334)	(3,822)	(27,299)	-	(52,725)
Net result from continuing operations	**(183,441)**	**(2,690,772)**	**(923,046)**	**(951,430)**	**(2,346,347)**	**7,027,593**	**(67,443)**
Other Comprehensive Income							
Net change in revaluation surplus of property, plant and equipment	14,237	13,907	373,573	2,154	105,532	-	509,403
Total Other Comprehensive Income	**14,237**	**13,907**	**373,573**	**2,154**	**105,532**	**-**	**509,403**
TOTAL COMPREHENSIVE INCOME	**(169,204)**	**(2,676,865)**	**(549,473)**	**(949,276)**	**(2,240,815)**	**7,027,593**	**441,960**

The names and purposes of each state outcome are summarised below.

[3] Appropriations are made on an entity basis and not to individual state outcomes. Consequently appropriations are included in the "Not Attributable" column. Cluster grant funding is also unlikely to be attributable to individual state outcomes. Consequently, cluster grant funding is also included in the "Not Attributable" column.

Department of Communities and Justice
Notes to the financial statements
for the year ended 30 June 2022

8. Consolidated State Outcome statements (cont'd)

Assets and liabilities 2022	Active and inclusive communities $'000	Children and families thrive $'000	Efficient and effective legal system $'000	People have a safe and affordable place to live $'000	Reduce reoffending $'000	Not attributable $'000	Total $'000
ASSETS							
Current Assets							
Cash and cash equivalents	2,971	52,076	42,740	17,875	113,352	-	229,014
Receivables	3,281	88,467	92,802	31,028	40,012	-	255,590
Inventories	-	-	-	-	25,413	-	25,413
	6,252	**140,543**	**135,542**	**48,903**	**178,777**	**-**	**510,017**
Non-current assets held for sale	-	-	102	-	15,427	-	15,529
Total Current Assets	**6,252**	**140,543**	**135,644**	**48,903**	**194,204**	**-**	**525,546**
Non-Current Assets							
Receivables	876	3,565	31,095	1,289	1,574	-	38,399
Property, plant and equipment	15,839	236,495	3,005,234	56,939	5,698,750	-	9,013,257
Right-of-use assets	738	33,073	33,093	11,280	141,914	-	220,098
Intangible assets	195	15,911	99,798	2,099	25,398	-	143,401
Total Non-Current Assets	**17,648**	**289,044**	**3,169,220**	**71,607**	**5,867,636**	**-**	**9,415,155**
Total Assets	**23,900**	**429,587**	**3,304,864**	**120,510**	**6,061,840**	**-**	**9,940,701**
LIABILITIES							
Current Liabilities							
Payables	3,403	99,649	100,371	34,188	159,025	-	396,636
Borrowings	39	1,698	4,346	579	383,373	-	390,035
Provisions	3,904	104,124	167,864	39,807	208,629	-	524,328
Other current liabilities	157	4,914	4,033	1,687	1,433	-	12,224
Total Current Liabilities	**7,503**	**210,385**	**276,614**	**76,261**	**752,460**	**-**	**1,323,223**
Non-Current Liabilities							
Borrowings	234	10,456	26,762	3,566	806,075	-	847,093
Provisions	274	13,136	324,680	4,886	7,460	-	350,436
Other non-current liabilities	-	-	-	-	-	-	-
Total Non-Current Liabilities	**508**	**23,592**	**351,442**	**8,452**	**813,535**	**-**	**1,197,529**
Total Liabilities	**8,011**	**233,977**	**628,056**	**84,713**	**1,565,995**	**-**	**2,520,752**
NET ASSETS	**15,889**	**195,610**	**2,676,808**	**35,797**	**4,495,845**	**-**	**7,419,949**

The names and purposes of each state outcome are summarised below.

Department of Communities and Justice
Notes to the financial statements
for the year ended 30 June 2022

8. Consolidated State Outcome statements (cont'd)

Assets and liabilities Restated 2021	Active and inclusive communities $'000	Children and families thrive $'000	Efficient and effective legal system $'000	People have a safe and affordable place to live $'000	Reduce reoffending $'000	Not attributable $'000	Total $'000
ASSETS							
Current Assets							
Cash and cash equivalents	2,048	28,374	23,272	10,155	60,411	-	124,260
Receivables	2,901	97,564	97,971	30,790	33,856	-	263,082
Inventories	-	-	-	-	13,365	-	13,365
	4,949	**125,938**	**121,243**	**40,945**	**107,632**	**-**	**400,707**
Non-current assets held for sale	-	-	102	-	25,831	-	25,933
Total Current Assets	**4,949**	**125,938**	**121,345**	**40,945**	**133,463**	**-**	**426,640**
Non-Current Assets							
Receivables	1,148	19,435	28,871	172	102	-	49,728
Property, plant and equipment	12,609	197,004	2,950,321	36,710	5,469,720	-	8,666,364
Right-of-use assets	4,772	149,483	149,542	51,309	403,395	-	758,501
Intangible assets	532	39,543	40,867	7,247	25,999	-	114,188
Total Non-Current Assets	**19,061**	**405,465**	**3,169,601**	**95,438**	**5,899,216**	**-**	**9,588,781**
Total Assets	**24,010**	**531,403**	**3,290,946**	**136,383**	**6,032,679**	**-**	**10,015,421**
LIABILITIES							
Current Liabilities							
Payables	2,211	82,822	85,940	29,483	117,164	-	317,620
Borrowings	453	14,191	36,450	4,871	98,187	-	154,152
Provisions	4,236	86,789	214,324	29,730	190,293	-	525,372
Other current liabilities	95	3,696	3,032	1,323	947	-	9,093
Total Current Liabilities	**6,995**	**187,498**	**339,746**	**65,407**	**406,591**	**-**	**1,006,237**
Non-Current Liabilities							
Borrowings	2,893	90,624	232,773	31,107	1,416,720	-	1,774,117
Provisions	498	11,711	315,169	4,025	6,800	-	338,203
Other non-current liabilities	9	333	273	119	85	-	819
Total Non-Current Liabilities	**3,400**	**102,668**	**548,215**	**35,251**	**1,423,605**	**-**	**2,113,139**
Total Liabilities	**10,395**	**290,166**	**887,961**	**100,658**	**1,830,196**	**-**	**3,119,376**
NET ASSETS	**13,615**	**241,237**	**2,402,985**	**35,725**	**4,202,483**	**-**	**6,896,045**

The names and purposes of each state outcome are summarised below.

8. Consolidated State Outcome statements (cont'd)

Administered expenses and income 2022	Active and inclusive communities $'000	Children and families thrive $'000	Efficient and effective legal system $'000	People have a safe and affordable place to live $'000	Reduce reoffending $'000	Not attributable $'000	Total $'000
Administered Expenses							
Transfer payments	3,227,313	-	-	-	-	133,993	3,361,306
Other	-	-	-	-	-	13,672	13,672
Total Administered Expenses	**3,227,313**	**-**	**-**	**-**	**-**	**147,665**	**3,374,978**
Administered Income							
Transfer receipts	3,269,557	-	128,644	-	-	5,349	3,403,550
Consolidated Fund							
Taxes, fees and fines	-	-	13,672	-	-	-	13,672
Total Administered Income	**3,269,557**	**-**	**142,316**	**-**	**-**	**5,349**	**3,417,222**
Administered income less expenses	**42,244**	**-**	**142,316**	**-**	**-**	**(142,316)**	**42,244**

The names and purposes of each state outcome are summarised below.

Administered assets and liabilities are disclosed in Note 28.

8. Consolidated State Outcome statements (cont'd)

Administered expenses and income 2021	Active and inclusive communities $'000	Children and families thrive $'000	Efficient and effective legal system $'000	People have a safe and affordable place to live $'000	Reduce reoffending $'000	Not attributable $'000	Total $'000
Administered Expenses							
Transfer payments	3,123,165	-	-	-	-	124,951	3,248,116
Other	-	-	-	-	-	17,593	17,593
Total Administered Expenses	**3,123,165**	**-**	**-**	**-**	**-**	**142,544**	**3,265,709**
Administered Income							
Transfer receipts	3,102,504	-	119,783	-	-	5,168	3,227,455
Consolidated Fund							
Taxes, fees and fines	-	-	17,593	-	-	-	17,593
Total Administered Income	**3,102,504**	**-**	**137,376**	**-**	**-**	**5,168**	**3,245,048**
Administered income less expenses	**(20,661)**	**-**	**137,376**	**-**	**-**	**(137,376)**	**(20,661)**

The names and purposes of each state outcome are summarised below.

8. Consolidated State Outcome statements (cont'd)

State Outcome description for the years ended 30 June 2021 and 2022

(a) Active and inclusive communities

Delivering programs and support services that aim to improve wellbeing, increase physical activity and community participation, and promote community harmony social inclusion and cohesion, particularly for participants in the NDIS.

(b) Children and families thrive

Ensuring the safety and wellbeing of vulnerable, children, young people and families, and protecting them from the risk of harm, abuse and neglect.

(c) Efficient and effective legal system

Resolving matters through legal services, the administration of courts and tribunals, and client-facing justice services to victims and vulnerable people.

(d) People have a safe and affordable place to live

Assisting people who are unable to access or maintain appropriate housing, including homelessness services.

(e) Reduce reoffending

Operating the State's corrections system, including support for, and management of, adult and juvenile offenders in correctional centres and the community.

9. Cash and cash equivalents

	PARENT		CONSOLIDATED	
	2022	2021	**2022**	2021
	$'000	$'000	**$'000**	$'000
Cash at bank and on hand	**227,705**	122,937	**229,014**	124,260
Total cash and cash equivalents	**227,705**	122,937	**229,014**	124,260

For the purposes of the Statement of Cash Flows, cash and cash equivalents includes cash on hand, cash at bank and short term deposits with original maturities of three months or less and subject to an insignificant risk of changes in value.

Cash and cash equivalent assets recognised in the Statement of Financial Position are reconciled at the end of financial year to the Statement of Cash Flows as follows:

Cash and cash equivalents (per Statement of Financial Position)	**227,705**	122,937	**229,014**	124,260
Closing cash and cash equivalents (per Statement of Cash Flows)	**227,705**	122,937	**229,014**	124,260

Cash at bank includes $19.9 million (2021: $40.1 million) that is restricted. Refer to Note 6 for further details.

Refer to Note 26 for details regarding credit risk and market risk arising from financial instruments.

10. Receivables

	PARENT		CONSOLIDATED	
	2022	2021	**2022**	2021
	$'000	$'000	**$'000**	$'000
Current				
Trade receivables from contracts with customers	**29,772**	21,125	**29,772**	21,125
Rental receivables	**2,667**	8,702	**2,667**	8,702
Bond loan receivables	**10,095**	11,650	**10,095**	11,650
Other receivables	**1,207**	4,291	**1,207**	4,291
	43,741	45,768	**43,741**	45,768
Less: Allowance for expected credit losses*				
- Trade receivables from contracts with customers	**(21,319)**	(16,643)	**(21,319)**	(16,643)
- Other receivables	**(5,942)**	(12,904)	**(5,942)**	(12,904)
Total expected credit losses	**(27,261)**	(29,547)	**(27,261)**	(29,547)
Amounts due from other government agencies	**87,266**	90,217	**87,266**	90,217
Goods and services tax recoverable from ATO	**46,242**	44,607	**46,242**	44,607
Long service leave	**18,153**	20,128	**18,153**	20,128
Personnel services	**14,283**	12,635	**14,283**	12,635
Victims compensation fund/criminal injuries	**6,978**	6,861	**6,978**	6,861
Prepayments	**41,544**	49,921	**41,544**	49,921
Trade receivables - other	**24,644**	22,492	**24,644**	22,492
	255,590	263,082	**255,590**	263,082

***Movements in the allowance for expected credit losses**	**2022**	2021	**2022**	2021
	$'000	$'000	**$'000**	$'000
Balance at 1 July	**29,547**	25,962	**29,547**	25,962
Amounts written off during the year	**(524)**	(647)	**(524)**	(647)
Increase/(decrease) in allowance recognised in net results	**(2,574)**	4,232	**(2,574)**	4,232
Other movement	**812**	-	**812**	-
Balance at 30 June	**27,261**	29,547	**27,261**	29,547

	PARENT		CONSOLIDATED	
	2022	2021	**2022**	2021
	$'000	$'000	**$'000**	$'000
Non-current				
Lease incentives	**759**	1,095	**759**	1,095
Long service leave	**1,795**	1,991	**1,795**	1,991
Personnel services	**318**	220	**318**	220
Victims compensation fund/criminal injuries	**27,915**	27,446	**27,915**	27,446
Other receivables	**36**	36	**36**	36
Prepayments	**7,576**	18,940	**7,576**	18,940
	38,399	49,728	**38,399**	49,728
Total Receivables	**293,989**	312,810	**293,989**	312,810

10. Receivables (cont'd)

(a) Trade receivables from contracts with customers

	PARENT		CONSOLIDATED	
	2022	2021	**2022**	2021
	$'000	$'000	**$'000**	$'000
Amounts receivable from contracts with customers	**117,810**	95,318	**117,810**	95,318
Less:				
Amounts receivable that do not meet the asset recognition criteria	**(88,039)**	(74,193)	**(88,039)**	(74,193)
Allowance for impairment	**(21,319)**	(15,926)	**(21,319)**	(15,926)
	8,452	5,199	**8,452**	5,199

(b) Retained fees – Victim Support Fund debtors

	PARENT 2022	PARENT 2021	CONSOLIDATED 2022	CONSOLIDATED 2021
Amounts receivable from restitution orders made or confirmed by the Victims Compensation Tribunal	**277,476**	274,134	**277,476**	274,134
Less:				
Amounts receivable that do not meet the asset recognition criteria	**(242,585)**	(239,828)	**(242,585)**	(239,828)
Victims Compensation Fund Debtors	**34,891**	34,306	**34,891**	34,306
This is represented by:				
Current	**6,978**	6,861	**6,978**	6,861
Non-current	**27,913**	27,446	**27,913**	27,446
	34,891	34,307	**34,891**	34,307

(c) Retained fees – Criminal injuries Compensation

	PARENT 2022	PARENT 2021	CONSOLIDATED 2022	CONSOLIDATED 2021
Amounts receivable from restitution orders made or confirmed by the Victims Compensation Tribunal	**142**	142	**142**	142
Less:				
Amounts receivable that do not meet the asset recognition criteria	**(140)**	(140)	**(140)**	(140)
Victims Compensation Fund Debtors	**2**	2	**2**	2
This is represented by:				
Current	**-**	1	**-**	1
Non-current	**2**	1	**2**	1
	2	2	**2**	2

Details regarding credit risk of trade receivables that are neither past due nor impaired, are disclosed in Note 26.

Recognition and measurement

Receivables are initially recognised at fair value plus any directly attributable transaction costs. Trade receivables that do not contain a significant financing component are measured at the transaction price.

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

(a) Trade receivables from contracts with customers and other receivables are recognised for accounting purposes only when they comply with established asset recognition criteria, where debts can be reliably measured and provide a future economic benefit.

Court debtors held at Revenue NSW are recognised based on average cash receipts for the three years ended 30 June 2022. The balance of the court debts held at Revenue NSW, which are not recognised, are shown above as "Amounts receivable that do not meet the asset recognition criteria".

10. Receivables (cont'd)

Recognition and measurement (cont'd)

(b) Retained fees – Victims Support Fund debtors are recognised for accounting purposes only when they comply with established asset recognition criteria, where debts can be reliably measured and provide a future economic benefit.

This represents the Department's best estimate in accordance with accounting standards. The majority of the gross receivable of $277.5 million (2021: $274.1 million) does not meet the asset recognition criteria because the Department has a documented history of non-payment by the perpetrators of crimes. Current balance is represented by the average collection rate and the non-current balance is represented by five years of reliable recovery rate.

(c) Retained fees – Criminal Injuries Compensation debtors under the former *Criminal Injuries Compensation Act 1967* are recognised for accounting purposes only when they comply with established asset recognition criteria, where debts can be reliably measured and provide a future economic benefit.

This represents the Department's best estimate in accordance with accounting standards. The majority of the gross receivable of $0.1 million (2021: $0.1 million) does not meet the asset recognition criteria because the Department has a documented history of non-payment by the perpetrators of crimes. A five year average collection rate best represents those debtors that management believe will be received.

Details regarding credit risk of trade debtors that are neither past due nor impaired, are disclosed in Note 26.

Subsequent measurement

The Department holds receivables with the objective to collect the contractual cash flows and therefore measures them at amortised cost using the effective interest method, less any impairment. Changes are recognised in the net result for the year when impaired, derecognised or through the amortisation process.

Impairment

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

For trade receivables, the Department applies a simplified approach in calculating ECLs. The Department recognises a loss allowance based on lifetime ECLs at each reporting date. The Department has established a provision matrix based on its historical credit loss experience for trade receivables, adjusted for forward-looking factors specific to the receivable.

11. Inventories

	PARENT		CONSOLIDATED	
	2022	2021	**2022**	2021
	$'000	$'000	**$'000**	$'000
Raw materials - at cost	**8,814**	7,843	**8,814**	7,843
Work in progress - at cost	**226**	393	**226**	393
Finished goods - at cost	**14,484**	3,385	**14,484**	3,385
Livestock - At net realisable value[4]	**1,889**	1,744	**1,889**	1,744
	25,413	13,365	**25,413**	13,365

Recognition and measurement

Inventories held for distribution are stated at cost, adjusted when applicable, for any loss of service potential. A loss of service potential is identified and measured based on the existence of a current replacement cost that is lower than the carrying amount, or any loss of operating capacity due to obsolescence. Inventories (other than those held for distribution) are stated at the lower of cost and net realisable value. Cost is calculated using the weighted average cost method.

The cost of inventories acquired at no cost or for nominal consideration is the current replacement cost as at the date of acquisition. Current replacement cost is the cost the Department would incur to acquire the asset. Net realisable value is the estimated selling price in the ordinary course of business less the estimated costs of completion and the estimated costs necessary to make the sale.

[4] Market appraisals have been obtained to determine fair value, less cost to sell, of all livestock held at the end of the reporting period.

12. Property, plant and equipment

(a) Total property, plant and equipment

PARENT	Land and buildings Restated $'000	Plant and equipment Restated $'000	Total Restated $'000
At 1 July 2020 - fair value			
Gross carrying amount	10,031,201	1,125,647	11,156,848
Accumulated depreciation and impairment	(2,458,844)	(480,423)	(2,939,267)
Net carrying amount	**7,572,357**	**645,224**	**8,217,581**
Year ended 30 June 2021			
Net carrying amount at beginning of year	7,572,357	645,224	8,217,581
Additions	174,596	109,609	284,205
Disposals	(3,338)	(1,204)	(4,542)
Impairment losses	(111)	(481)	(592)
Net change in revaluation surplus of property, plant and equipment	508,713	-	508,713
Transfers from/(to) intangible assets	7,117	(3,719)	3,398
Transfers to assets held for sale	(808)	-	(808)
Depreciation expense	(192,418)	(98,687)	(291,105)
Assets transferred to expense[5]	(60,736)	-	(60,736)
Net carrying amount at end of year	**8,005,372**	**650,742**	**8,656,114**

[5] The amount of $60.7 million relates to assets written off and unavoidable construction costs incurred to complete the early works for the surrounding infrastructure of Clarence Correctional Centre which was operational on 1 July 2020. The early works include public road, water, communications and electricity facility upgrades which were transferred to third parties.

12. Property, plant and equipment (cont'd)

(a) Total property, plant and equipment (cont'd)

PARENT	Land and buildings $'000	Plant and equipment $'000	Total $'000
At 1 July 2021 - fair value			
Gross carrying amount	10,918,248	1,209,721	12,127,969
Accumulated depreciation and impairment	(2,912,876)	(558,979)	(3,471,855)
Net carrying amount	**8,005,372**	**650,742**	**8,656,114**
Year ended 30 June 2022			
Net carrying amount at beginning of year	8,005,372	650,742	8,656,114
Additions[6]	(1,404)	152,180	150,776
Disposals	(79)	(16,290)	(16,369)
Impairment losses	-	-	-
Net change in revaluation surplus of property, plant and equipment	531,189	-	531,189
Transfers (to)/from intangible assets	(2,787)	2,987	200
Transfers to assets held for sale	-	-	-
Depreciation expense	(212,125)	(100,129)	(312,254)
Assets transferred to expense[7]	-	(7,544)	(7,544)
Net carrying amount at end of year	**8,320,166**	**681,946**	**9,002,112**
At 30 June 2022 - fair value			
Gross carrying amount	11,641,303	1,235,695	12,876,998
Accumulated depreciation and impairment	(3,321,137)	(553,749)	(3,874,886)
Net carrying amount	**8,320,166**	**681,946**	**9,002,112**

The net carrying amount of service concession assets included in land and buildings is $1,203.7 million and plant and equipment is $209.0 million as at 30 June 2022 (2021: land and buildings - $1,158.7 million, plant and equipment - $230.2 million). During 2021-22, land and buildings of $Nil net carrying amount for existing assets of the Department has been reclassified (2021: land and buildings - $418.5 million) as service concession assets. The increase in asset value in 2021-22 includes $0.9 million in building and $70.9 million from interim revaluation of land and buildings (2021: land and buildings – $Nil, plant and equipment - $Nil).

Further details regarding the fair value measurement of property, plant and equipment are disclosed in Note 16.

Refer to Note 31 for impact of COVID-19 on property, plant and equipment.

[6] Additions are net of transfers between asset groups of land and buildings and plant and equipment upon completion of work in progress during the year. In 2021-22, the net transfers of $1.4 million negative from land and buildings to plant and equipment was mainly due to completion of the Metropolitan Remand and Reception Centre (MRRC) at Silverwater.

[7] AASB Interpretation 1 *Changes in Existing Decommissioning, Restoration and Similar Liabilities* requires the make good asset to be measured at cost. When there is a decrease in make good provision, the decrease is deducted from the cost of the make good asset. This resulted in a make good asset loss on disposal of $7.5 million. The loss is offset against the reversal of the make good provision to make good expense for the provisions no longer required in the current year, resulting in a credit in the make good expense.

12. Property, plant and equipment (cont'd)

(a) Total property, plant and equipment (cont'd)

CONSOLIDATED	Land and buildings Restated $'000	Plant and equipment Restated $'000	Total Restated $'000
At 1 July 2020 - fair value			
Gross carrying amount	10,041,704	1,125,647	11,167,351
Accumulated depreciation and impairment	(2,459,647)	(480,423)	(2,940,070)
Net carrying amount	**7,582,057**	**645,224**	**8,227,281**
Year ended 30 June 2021			
Net carrying amount at beginning of year	7,582,057	645,224	8,227,281
Additions	174,596	109,609	284,205
Disposals	(3,338)	(1,204)	(4,542)
Impairment losses	(111)	(481)	(592)
Net change in revaluation surplus of property, plant and equipment	509,403	-	509,403
Transfers from/(to) intangible assets	7,117	(3,719)	3,398
Transfers to assets held for sale	(808)	-	(808)
Depreciation expense	(192,558)	(98,687)	(291,245)
Assets transferred to expense[5]	(60,736)	-	(60,736)
Net carrying amount at end of year	**8,015,622**	**650,742**	**8,666,364**

[5] The amount of $60.7 million relates to assets written off and unavoidable construction costs incurred to complete the ground works for the surrounding infrastructure of Clarence Correctional Centre which was operational on 1 July 2020. The ground works include public road, water, communications and electricity facility upgrades which were transferred to Local Councils.

12. Property, plant and equipment (cont'd)

(a) Total property, plant and equipment (cont'd)

CONSOLIDATED	Land and buildings $'000	Plant and equipment $'000	Total $'000
At 1 July 2021 - fair value			
Gross carrying amount	10,929,306	1,209,721	12,139,027
Accumulated depreciation and impairment	(2,913,684)	(558,979)	(3,472,663)
Net carrying amount	**8,015,622**	**650,742**	**8,666,364**
Year ended 30 June 2022			
Net carrying amount at beginning of year	8,015,622	650,742	8,666,364
Additions[6]	(1,404)	152,180	150,776
Disposals	(79)	(16,290)	(16,369)
Net change in revaluation surplus of property, plant and equipment	532,246	-	532,246
Transfers (to)/from intangible assets	(2,787)	2,987	200
Transfers to assets held for sale	-	-	-
Depreciation expense	(212,287)	(100,129)	(312,416)
Assets transferred to expense[7]	-	(7,544)	(7,544)
Net carrying amount at end of year	**8,331,311**	**681,946**	**9,013,257**
At 30 June 2022 - fair value			
Gross carrying amount	11,653,380	1,235,695	12,889,075
Accumulated depreciation and impairment	(3,322,069)	(553,749)	(3,875,818)
Net carrying amount	**8,331,311**	**681,946**	**9,013,257**

Further details regarding the fair value measurement of property, plant and equipment are disclosed in Note 16.

The net carrying amount of service concession assets included in land and buildings is $1,203.7 million and plant and equipment is $209.0 million as at 30 June 2022 (2021: land and buildings - $1,158.7 million, plant and equipment - $230.2 million). During 2021-22, land and buildings of $Nil net carrying amount for existing assets of the Department has been reclassified (2021: land and buildings - $418.5 million) as service concession assets. The increase in asset value in 2021-22 includes $0.9 million in buildings and $70.9 million from interim revaluation of land and building (2021: land and buildings – $Nil, plant and equipment - $Nil).

Asset under Construction/ Works in Progress

Land and buildings comprise land and buildings and related work in progress. Plant and equipment comprises of computer equipment, furniture and fittings, plant, equipment, make-good assets, leasehold improvements, voice communications, data communications and work in progress.

The value of works in progress relating to land and buildings and plant and equipment for parent and consolidated entities is $284.1 million (2021: $539.5 million) at 30 June 2022.

[6] Additions are net of transfers between asset groups of land and buildings and plant and equipment upon completion of work in progress during the year. In 2021-22, the net transfers of $1.4 million negative from land and buildings to plant and equipment was mainly due to completion of the Metropolitan Remand and Reception Centre (MRRC) at Silverwater.

[7] AASB Interpretation 1 *Changes in Existing Decommissioning, Restoration and Similar Liabilities* requires the make good asset to be measured at cost. When there is a decrease in make good provision, the decrease is deducted from the cost of the make good asset. This resulted in a make good asset loss on disposal of $7.5 million. The loss is offset against the reversal of the make good provision to make good expense for the provisions no longer required in the current year, resulting in a credit in the make good expense.

12. Property, plant and equipment (cont'd)

(b) Property, plant and equipment held and used by the Department

PARENT	Land and buildings Restated $'000	Plant and equipment Restated $'000	Total Restated $'000
At 1 July 2020 - fair value			
Gross carrying amount	8,710,714	1,125,647	9,836,361
Accumulated depreciation and impairment	(2,352,541)	(480,423)	(2,832,964)
Net carrying amount	**6,358,173**	**645,224**	**7,003,397**
Year ended 30 June 2021			
Net carrying amount at beginning of year	6,358,173	645,224	7,003,397
Additions	173,049	109,609	282,658
Disposals	(3,338)	(1,204)	(4,542)
Impairment losses	(111)	(481)	(592)
Net change in revaluation surplus of property, plant and equipment	474,518	-	474,518
Transfers from/(to) intangible assets	7,117	(3,719)	3,398
Depreciation expense	(168,923)	(98,687)	(267,610)
Asset transferred to expense[5]	(60,736)	-	(60,736)
Transfers from assets where the Department is lessor	27,700	-	27,700
Net carrying amount at end of year	**6,807,449**	**650,742**	**7,458,191**

[5] The amount of $60.7 million relates to assets written off and unavoidable construction costs incurred to complete the ground works for the surrounding infrastructure of Clarence Correctional Centre which was operational on 1 July 2020. The ground works include public road, water, communications and electricity facility upgrades which were transferred to Local Councils.

12. Property, plant and equipment (cont'd)

(b) Property, plant and equipment held and used by the Department

PARENT	Land and buildings $'000	Plant and equipment $'000	Total Restated $'000
At 1 July 2021 - fair value			
Gross carrying amount	9,613,256	1,209,721	10,822,977
Accumulated depreciation and impairment	(2,805,807)	(558,979)	(3,364,786)
Net carrying amount	**6,807,449**	**650,742**	**7,458,191**
Year ended 30 June 2022			
Net carrying amount at beginning of year	6,807,449	650,742	7,458,191
Additions[6]	(1,404)	152,180	150,776
Disposals	-	(16,290)	(16,290)
Impairment losses	-	-	-
Net change in revaluation surplus of property, plant and equipment	421,822	-	421,822
Transfers from/(to) intangible assets	(2,787)	2,987	200
Transfers to assets held for sale	-	-	-
Depreciation expense	(190,700)	(100,129)	(290,829)
Assets transferred to expense[7]	-	(7,544)	(7,544)
Transfers from assets where the Department is lessor	27,415	-	27,415
Net carrying amount at end of year	**7,061,795**	**681,946**	**7,743,741**
At 30 June 2022 - fair value			
Gross carrying amount	10,256,160	1,235,695	11,491,855
Accumulated depreciation and impairment	(3,194,365)	(553,749)	(3,748,114)
Net carrying amount	**7,061,795**	**681,946**	**7,743,741**

[6] Additions are net of transfers between asset groups of land and buildings and plant and equipment upon completion of work in progress during the year. In 2021-22, the net transfers of $1.4 million negative from land and buildings to plant and equipment was mainly due to completion of the Metropolitan Remand and Reception Centre (MRRC) at Silverwater.

[7] AASB Interpretation 1 *Changes in Existing Decommissioning, Restoration and Similar Liabilities* requires the make good asset to be measured at cost. When there is a decrease in make good provision, the decrease is deducted from the cost of the make good asset. This resulted in a make good asset loss on disposal of $7.5 million. The loss is offset against the reversal of the make good provision to make good expense for the provisions no longer required in the current year, resulting in a credit in the make good expense.

12. Property, plant and equipment (cont'd)

(b) Property, plant and equipment held and used by the Department (cont'd)

CONSOLIDATED	Land and buildings Restated $'000	Plant and equipment Restated $'000	Total Restated $'000
At 1 July 2020 - fair value			
Gross carrying amount	8,710,714	1,125,647	9,836,361
Accumulated depreciation and impairment	(2,352,541)	(480,423)	(2,832,964)
Net carrying amount	**6,358,173**	**645,224**	**7,003,397**
Year ended 30 June 2021			
Net carrying amount at beginning of year	6,358,173	645,224	7,003,397
Additions	173,049	109,609	282,658
Disposals	(3,338)	(1,204)	(4,542)
Impairment losses	(111)	(481)	(592)
Net change in revaluation surplus of property, plant and equipment	474,518	-	474,518
Transfers from/(to) intangible assets	7,117	(3,719)	3,398
Depreciation expense	(168,923)	(98,687)	(267,610)
Assets transferred to expense[5]	(60,736)	-	(60,736)
Transfers from assets where the Department is lessor	27,700	-	27,700
Net carrying amount at end of year	**6,807,449**	**650,742**	**7,458,191**

[5] The amount of $60.7 million relates to assets written off and unavoidable construction costs incurred to complete the ground works for the surrounding infrastructure of Clarence Correctional Centre which was operational on 1 July 2020. The ground works include public road, water, communications and electricity facility upgrades which were transferred to Local Councils.

12. Property, plant and equipment (cont'd)

(b) Property, plant and equipment held and used by the Department (cont'd)

CONSOLIDATED	Land and buildings $'000	Plant and equipment $'000	Total $'000
At 1 July 2021 - fair value			
Gross carrying amount	9,613,256	1,209,721	10,822,977
Accumulated depreciation and impairment	(2,805,807)	(558,979)	(3,364,786)
Net carrying amount	**6,807,449**	**650,742**	**7,458,191**
Year ended 30 June 2022			
Net carrying amount at beginning of year	6,807,449	650,742	7,458,191
Additions[6]	(1,404)	152,180	150,776
Disposals	-	(16,290)	(16,290)
Impairment losses	-	-	-
Net change in revaluation surplus of property, plant and equipment	421,822	-	421,822
Transfers from/(to) intangible assets	(2,787)	2,987	200
Depreciation expense	(190,700)	(100,129)	(290,829)
Asset transferred to expense[7]	-	(7,544)	(7,544)
Transfers from assets where the Department is lessor	27,415	-	27,415
Net carrying amount at end of year	**7,061,795**	**681,946**	**7,743,741**
At 30 June 2022 - fair value			
Gross carrying amount	10,256,160	1,235,695	11,491,855
Accumulated depreciation and impairment	(3,194,365)	(553,749)	(3,748,114)
Net carrying amount	**7,061,795**	**681,946**	**7,743,741**

[6] Additions are net of transfers between asset groups of land and buildings and plant and equipment upon completion of work in progress during the year. In 2021-22, the net transfers of $1.4 million negative from land and buildings to plant and equipment was mainly due to completion of the Metropolitan Remand and Reception Centre (MRRC) at Silverwater.

[7] AASB Interpretation 1 *Changes in Existing Decommissioning, Restoration and Similar Liabilities* requires the make good asset to be measured at cost. When there is a decrease in make good provision, the decrease is deducted from the cost of the make good asset. This resulted in a make good asset loss on disposal of $7.5 million. The loss is offset against the reversal of the make good provision to make good expense for the provisions no longer required in the current year, resulting in a credit in the make good expense.

12. Property, plant and equipment (cont'd)

(c) Property, plant and equipment where the Department is lessor under operating leases

PARENT	Land and buildings $'000	Plant and equipment $'000	Total $'000
At 1 July 2020 - fair value			
Gross carrying amount	1,320,487	-	1,320,487
Accumulated depreciation and impairment	(106,303)	-	(106,303)
Net carrying amount	**1,214,184**	**-**	**1,214,184**
Year ended 30 June 2021			
Net carrying amount at beginning of year	1,214,184	-	1,214,184
Additions	1,547	-	1,547
Net change in revaluation surplus of property, plant and equipment	34,195	-	34,195
Transfers to assets held for sale	(808)	-	(808)
Depreciation expense	(23,495)	-	(23,495)
Transfers to assets held and used by the Department	(27,700)	-	(27,700)
Net carrying amount at end of year	**1,197,923**	**-**	**1,197,923**

PARENT	Land and buildings $'000	Plant and equipment $'000	Total $'000
At 1 July 2021 - fair value			
Gross carrying amount	1,304,992	-	1,304,992
Accumulated depreciation and impairment	(107,069)	-	(107,069)
Net carrying amount	**1,197,923**	**-**	**1,197,923**
Year ended 30 June 2022			
Net carrying amount at beginning of year	1,197,923	-	1,197,923
Additions	-	-	-
Disposals	(79)	-	(79)
Impairment losses	-	-	-
Net change in revaluation surplus of property, plant and equipment	109,367	-	109,367
Transfers to assets held for sale	-	-	-
Depreciation expense	(21,425)	-	(21,425)
Transfers to assets held and used by the Department	(27,415)	-	(27,415)
Net carrying amount at end of year	**1,258,371**	**-**	**1,258,371**
At 30 June 2022 - fair value			
Gross carrying amount	1,385,143	-	1,385,143
Accumulated depreciation and impairment	(126,772)	-	(126,772)
Net carrying amount	**1,258,371**	**-**	**1,258,371**

12. Property, plant and equipment (cont'd)

(c) Property, plant and equipment where the Department is lessor under operating leases (cont'd)

CONSOLIDATED	Land and buildings $'000	Plant and equipment $'000	Total $'000
At 1 July 2020 - fair value			
Gross carrying amount	1,330,990	-	1,330,990
Accumulated depreciation and impairment	(107,106)	-	(107,106)
Net carrying amount	**1,223,884**	**-**	**1,223,884**
Year ended 30 June 2021			
Net carrying amount at beginning of year	1,223,884	-	1,223,884
Additions	1,547	-	1,547
Net change in revaluation surplus of property, plant and equipment	34,885	-	34,885
Transfers to assets held for sale	(808)	-	(808)
Depreciation expense	(23,635)	-	(23,635)
Transfers to assets held and used by the Department	(27,700)	-	(27,700)
Net carrying amount at end of year	**1,208,173**	**-**	**1,208,173**

CONSOLIDATED	Land and buildings $'000	Plant and equipment $'000	Total $'000
At 1 July 2021 - fair value			
Gross carrying amount	1,316,050	-	1,316,050
Accumulated depreciation and impairment	(107,877)	-	(107,877)
Net carrying amount	**1,208,173**	**-**	**1,208,173**
Year ended 30 June 2022			
Net carrying amount at beginning of year	1,208,173	-	1,208,173
Additions	-	-	-
Disposals	(79)	-	(79)
Net change in revaluation surplus of property, plant and equipment	110,424	-	110,424
Transfers to assets held for sale	-	-	-
Depreciation expense	(21,587)	-	(21,587)
Transfers to assets held and used by the Department	(27,415)	-	(27,415)
Net carrying amount at end of year	**1,269,516**	**-**	**1,269,516**
At 30 June 2022 - fair value			
Gross carrying amount	1,397,220	-	1,397,220
Accumulated depreciation and impairment	(127,704)	-	(127,704)
Net carrying amount	**1,269,516**	**-**	**1,269,516**

12. Property, plant and equipment (cont'd)

Recognition and measurement

Heritage Collection Assets

The Department owns various heritage collection assets within the Courts and Tribunal Services and Corrective Services divisions. The current net book value of the heritage collection assets in 2021-22 is $2.9 million (2020-21: $3.4 million). The heritage collection is valued by an independent valuer once in every 5 years with the last valuation completed as at 31 March 2018 in accordance with the Accounting Standards and NSW Treasury policies. The next comprehensive revaluation will be at 31 March 2023. The Department has recorded the heritage collection assets in the fixed asset register as non-depreciable assets under the Plant and Equipment asset class. Impairment of these assets will be assessed every five years based on an independent valuer's certificate.

Acquisition of property, plant and equipment

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

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

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

Capitalisation thresholds

Property, plant and equipment and intangible assets costing $5,000 and above individually are capitalised.

When property, plant and equipment and intangible assets form part of a network, the cost of individual assets comprising the network are aggregated when applying the capitalisation threshold of $5,000 or more. Once the $5,000 capitalisation threshold is reached, further asset acquisitions that form part of the network are capitalised regardless of the amount.

Revaluation of property, plant and equipment

Physical non-current assets are valued in accordance with the '*Valuation of Physical Non-Current Assets at Fair Value'* Policy and Guidelines Paper (TPP 21-09) and Treasurer's Direction '*Valuation of Physical Non-Current Assets at Fair Value'* (TD21-05). TD21-05 and TPP21-09 adopt fair value in accordance with AASB 13 *Fair Value Measurement* and AASB 116 *Property, Plant and Equipment*.

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

Fair value of property, plant and equipment is based on a market participants' perspective, using valuation techniques (market approach, cost approach, income approach) that maximise relevant observable inputs and minimise unobservable inputs. Also refer to Note 16 for further information regarding fair value.

Revaluations are made with sufficient regularity to ensure the carrying amount of each asset in the class does not differ materially from its fair value at reporting date. The Department conducts a comprehensive revaluation at least every three years for its land and buildings (where the market, income or cost approach is the most appropriate valuation technique) and at least every five years for other classes of property, plant and equipment. A comprehensive revaluation of the Department's land, building and infrastructure assets except Correctional Centres and Youth Justice facilities due to COVID-19 restrictions of no visitors, was completed as at 31 March 2021 by a qualified independent valuer. The Department's comprehensive revaluation of land, buildings and infrastructure assets for Correctional Centres and Youth Justice is deferred from 2020-21 to 2023-24 when all the assets are due for their next comprehensive revaluation in 2023-24, as permitted under TD21-05.2A.

12. Property, plant and equipment (cont'd)

Recognition and measurement (cont'd)

Revaluation of property, plant and equipment (cont'd)

The Department's planned strategy is to perform the next comprehensive revaluation in 2023-24, in order to synchronise its comprehensive revaluation frequency for its entire land and building portfolio to a three year cycle after 2023-24.

In 2019-20, the Department recorded the indexation movements of Correctional Centres and Youth Justice. In 2021-22, the Department recorded the cumulative indexation movements of the Correctional Centres and Youth Justice assets for 2020-21 and 2021-22. In 2021-22, the Department also recorded the indexation movements of other land and building portfolios.

Where there has been a movement in indicators greater than 20% during the interval years (between the comprehensive revaluation years) and where the Department's interim revaluation demonstrates that fair value differs materially from carrying amount, the related asset must be revalued with the results of the revaluation recognised in the financial statements. Consideration must be given as to whether comprehensive revaluations are required more frequently. The Department needs to comprehensively revalue a class of assets more frequently where the assets are subject to significant and frequent movements in fair value. This decision must be made in conjunction with, or subject to the review of, an external professionally qualified valuer.

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

For Law Courts Limited, land is measured at fair value based on the market comparable approach that reflects recent transaction prices for similar properties. Buildings are measured at fair value less any subsequent accumulated depreciation and subsequent accumulated impairment losses. The fair value is recognised in the financial statements and is reviewed at the end of each reporting period to ensure that the carrying value of the land and buildings is not materially different from their fair value.

When revaluing non-current assets using the cost approach, the gross amount and the related accumulated depreciation are separately restated. Where the income approach or market approach is used, accumulated depreciation is eliminated against the gross carrying amount of the asset and the net amount restated to the revalued amount of the asset.

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

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

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

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

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

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

Right-of-Use Assets acquired by lessees

AASB 16 *Leases* (AASB 16) requires a lessee to recognise a right-of-use asset for most leases. The Department has elected to present right-of-use assets separately in the Statement of Financial Position.

Further information on leases is contained at Note 13.

12. Property, plant and equipment (cont'd)

Recognition and measurement (cont'd)

Service concession assets

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

Based on the Department's assessment, the following arrangements fall in the scope of AASB 1059:

Description	Clarence Correctional Centre	Parklea and Junee Correctional Centre
Name & description of the service concession assets (SCAs)	The service concession arrangement involves an external operator provided with discretionary responsibility to maintain and operate the centre, as an integral part of NSW Corrective Services division of the Department, for periods as stated below. The Clarence Correctional Centre (CCC) Building was constructed by the external operator. It was completed and ready for use on 1 July 2020. It is financed through an external operator over the period of the arrangement. The CCC land is an existing asset of the Department prior to 1 July 2019 and was fully paid via capital appropriation fund. Commencing 1 July 2020, the external operator is paid an agreed fixed monthly managed service and operational fees until the contractual end date. The operational fees paid to the external operator are for rendering services, for instance essential corrective services, escort services, onsite health facilitation services, secured corrective centre asset maintenance and facilities services, rehabilitative educational and training services.	The service concession arrangements for Parklea and Junee Correctional Centre owned by the Department are operated by an external operator and is provided with discretionary responsibility to maintain and operate the centre, as an integral part of NSW Corrective Services division of the Department, for periods as stated below. The Correctional Centres are existing assets of the Department prior to 1 July 2019. Any subsequent major building construction were fully paid via capital appropriation fund and therefore no financing liability is recorded. The external operators are paid agreed fixed monthly managed service and operational fees since contract commencement date. The managed operational fees paid to the external operators are for rendering services, for instance essential corrective services, escort services, onsite health facilitation services, secured corrective centre asset maintenance and facilities services, rehabilitative educational and training services.
Period of the arrangement	1 July 2020 to 30 June 2040	Parklea: 31 March 2019 to 31 March 2026 Junee: 1 April 2019 to 31 March 2024.

12. Property, plant and equipment (cont'd)

Recognition and measurement (cont'd)

Service concession assets (cont'd)

Description	Clarence Correctional Centre	Parklea and Junee Correctional Centre
Terms of the arrangement	Under the project deed arrangement, the Department is obligated to make the following payments: - Ongoing Service Payments and asset maintenance fees, including transitional one-off fixed fee, interest and debt repayment. - The fixed regular loan repayment terms includes conditional escalation repayment amount due for repayment between 1 July 2022 to 30 June 2024. - At 30 June 2022, Department had revised its assumption of the timing of the conditional repayment to January 2023, instead of July 2022. - The floating interest rate on the loan repayment is between 2.48% to 3.62% per annum. The loan is hedged against any interest rate fluctuations by the external operator for the period of the loan.	Under the project deed arrangement, the Department is obligated to pay ongoing services payments and asset maintenance fees.
Rights and obligations	There is no early termination or option period after the contractual end date stated above. The Department has accounting control over the site and has provided site access to the external operator to operate. Following the contractual end date, the Department continues to own the assets managed by the external operator.	There is no early termination or option period after the contractual end date stated above. The Department has accounting control over the site and has provided site access to the external operator to operate. Following the contractual end date, the Department continues to own the assets managed by the external operator.
The carrying amount of SCAs and service concession liabilities (SCLs) as at 30 June 2021 ($'000)	$728.7 million (SCAs) and $1,162.5 million (SCLs)	Parklea: $336.0 million (SCAs) Junee: $324.2 million (SCAs)
The carrying amount of SCAs and SCLs as at 30 June 2022 ($'000)	$731.1 million (SCAs) and $1,107.3 million (SCLs)	Parklea: $346.4 million (SCAs) Junee: $335.2 million (SCAs)

i. Initial recognition

For arrangements within the scope of AASB 1059, the Department recognises a service concession asset when it controls the asset. Where the asset is provided by the operator or is an upgrade to or a major component replacement of an existing asset of the Department, the asset is recognised at current replacement cost based on AASB 13 *Fair Value Measurement* (AASB 13) principles.

12. Property, plant and equipment (cont'd)

Recognition and measurement (cont'd)

Service concession assets (cont'd)

Where the asset is an existing asset of the Department, the asset is reclassified as a service concession asset and remeasured at current replacement cost at the date of reclassification. Any difference between the previous carrying amount and current replacement cost is recognised as if it is a revaluation of the asset.

ii. Subsequent to initial recognition

Subsequent to the initial recognition or reclassification, the service concession asset is measured at current replacement cost and accounted for in accordance with the depreciation and impairment requirements of AASB 116 *Property, Plant and Equipment* (AASB 116), AASB 138 *Intangible Assets* (AASB 138) and AASB 136 *Impairment of Assets* (AASB 136).

iii. At the end of the arrangement

At the end of the service concession arrangement:

- the Department accounts for the asset in accordance with other AAS, with the Department reclassifying the asset based on its nature or function;
- reference to fair value reverts from the mandated current replacement cost under AASB 1059 to the appropriate approach under AASB 13; and
- the asset is only derecognised when the Department loses control of the asset in accordance with AASB 116.

Impairment of property, plant and equipment

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

The Department assesses at each reporting date, whether there is an indication that an asset may be impaired. If any indication exists, or when annual impairment testing for an asset is required, the Department estimates the asset's recoverable amount. When the carrying amount of an asset exceeds its recoverable amount, the asset is considered impaired and is written down to its recoverable amount.

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

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

After an impairment loss has been recognised, it is reversed only if there has been a change in the assumptions used to determine the asset's recoverable amount. The reversal is limited so that the carrying amount of the asset does not exceed its recoverable amount, nor exceed the carrying amount that would have been determined, net of depreciation, had no impairment loss been recognised for the asset in prior years. The reversal is recognised in other comprehensive income and is treated as a revaluation increase except, to the extent that an impairment loss on the same class of asset was previously recognised in net result, then the reversal is recognised in net result.

De-recognition of property, plant and equipment

Property, plant and equipment is derecognised upon disposal or when no further future economic benefits are expected from its use or disposal. Gains and losses on disposals are determined by comparing the proceeds with the carrying amount of the asset and are included in the Statement of Comprehensive Income.

Depreciation of property, plant and equipment

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

All material identifiable components of assets are depreciated over their useful lives. Land and heritage collection assets are not depreciable.

12. Property, plant and equipment (cont'd)

Recognition and measurement (cont'd)

Depreciation of property, plant and equipment (cont'd)

Heritage assets including original artworks, collections and furniture items may not have a limited useful life because appropriate curatorial and preservation policies are adopted. Such assets are not subject to depreciation. The decision not to recognise depreciation for these assets is reviewed annually.

The estimated useful lives of the Department's depreciable assets used for each class of assets are as follows:

Asset Class	Estimated Useful Life	Depreciation Rate
Land	Infinite	Not depreciated
Buildings and Infrastructure	5 to 67 years	1.5% to 20%
Plant, furniture and equipment - general and commercial	4 to 10 years	10% to 25%
Plant, furniture and equipment - industrial	20 years	5%
Motor Vehicles	4 to 7 years	14.3% to 25%
Leasehold improvements	Shorter of estimated useful life or term of lease	

For Law Courts Limited:

Asset Class	Estimated Useful life	Depreciation rates
Buildings	6 to 40 years	2.5% to 16.7%
Buildings (plant component)	10 to 40 years	2.5% to 10%
Furniture, Fittings and Fixtures	10 to 15 years	6.7% to 10%

Major inspection costs

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

Restoration costs

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

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As a Lessee

The Department leases various properties (office accommodation), equipment and motor vehicles. Lease contracts are typically made for fixed periods of 1 to 15 years but may have extension options. Lease terms are negotiated on an individual basis and contain a wide range of different terms and conditions. The lease agreements do not impose any covenants, but leased assets may not be used as security for borrowing purposes. The Department does not provide residual value guarantees in relation to leases.

In addition, the Department also has the following finance lease arrangements where the Department is a lessee:

(i) An arrangement entered into to lease the John Maddison Tower constructed by a private sector company to house the District Court and the Dust Diseases Tribunal; and

(ii) A Corrective Services NSW division lease for the Long Bay Forensic and Prison Hospitals at Long Bay under a Project Deed.

The John Maddison Tower lease (refer (i) above) commenced on 1 July 1995, with a non-cancellable term of 25 years and provision for an option of a further 15 years. The option has been exercised and commenced on 1 July 2020. The building is constructed on land owned by the Department. The land is subject to a head lease from the Department to the private sector company. The head lease rental is $1.3 million (2021: $1.2 million) which the Department recovers in rental offsets. The classification of the lease as a finance lease was based on the assumption that the option to extend the lease for a further 15 years would be taken up by the Department.

In 2006-07, the former Department of Corrective Services engaged a private sector company, PPP Solutions (Long Bay) Pty Limited, to finance, design, construct and maintain the Long Bay Forensic and Prison Hospitals at Long Bay under a Project Deed. The asset was delivered via finance lease. The Department recognises a finance lease liability for the duration of the term until May 2034.

Extension and termination options are included in a number of property and equipment leases. These terms are used to maximise operational flexibility in terms of managing contracts. The majority of extension and termination options held are exercisable only by the Department and not by the respective lessor. In determining the lease term, management considers all facts and circumstances that create an economic incentive to exercise an extension option, or not exercise a termination option. Extension options (or periods after termination options) are only included in the lease term if the lease is reasonably certain to be extended (or not terminated). Potential future cash outflows of $Nil (2021: $176.4 million) have not been included in the lease liability because it is not reasonably certain that the leases will be extended (or not terminated). The assessment is reviewed if a significant event or a significant change in circumstances occurs which affects this assessment and that is within the control of the lessee. During the current financial year, the financial effect of revising lease terms to reflect the effect of exercising extension and termination options was an increase in recognised lease liabilities and right-of-use assets of $Nil (2021: increase of $61.6 million).

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

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

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As a Lessee (cont'd)

During the financial year ended 30 June 2022, the Department accepted changes in the office accommodation arrangements with Property NSW (PNSW). The main change is the introduction of the "substitution right" clause, that gives PNSW a right to relocate the Department during the term of the agreement. The clause provides PNSW with a substantive substitution right. Therefore, these agreements are not accounted for as a lease within the scope of AASB 16. The office accommodation agreement with PNSW is no longer accounted for as a lease from 30 June 2022. This involves judgment that the "substitution right" clause in the agreement provides PNSW with a substantive substitution right. Management judgments include an assessment that PNSW can obtain benefits from exercising the substitution right through efficiencies in office accommodation at the whole-of-government level and/or its other service objectives. It is also considered practical for PNSW to exercise the substitution right, due to the non-specialised nature of the relevant office accommodation. The corresponding right of use assets and lease liabilities have been derecognised on 30 June 2022, the effective date of the new clauses. The net impact of the derecognition is recognised in "Other Gains/(Losses)" (refer to Note 5) along with the reversal of the right-of-use assets impairment provision. From 1 July 2022, the accommodation charges will be recognised as expenses when incurred over the agreement duration.

The Department continues to be responsible to make good the accommodation, and to control the fit-out during the remaining occupancy period, as the Department receives the economic benefits through using the fit-out, or through expected compensation from PNSW, if PNSW exercises its right to relocate the Department. Therefore, the Department's accounting treatment for its make-good provisions and fit-out costs in relation to the relevant accommodation remains unchanged.

Lease incentives received prior to the 30 June 2022 apply to the remaining occupancy period. The Department did not have any material liability in relation to the amortised balance of incentives to be recognised as a liability as at 30 June 2022 and to be amortised over the remaining occupancy period.

Right-of-use assets under leases

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

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	Land and Buildings $'000	Plant and Equipment $'000	Total $'000
Balance at 1 July 2021	732,951	25,550	758,501
Additions	239,834	7,159	246,993
Depreciation expense	(100,829)	(11,591)	(112,420)
Impairment reversal	24	-	24
Lease modifications	(31,097)	1,072	(30,025)
Derecognition of right-of-use asset related to PNSW leases	(633,486)	-	(633,486)
Disposal	(8,228)	(1,261)	(9,489)
Balance at 30 June 2022	**199,169**	**20,929**	**220,098**

	Land and Buildings $'000	Plant and Equipment $'000	Total $'000
Balance at 1 July 2020	766,968	24,022	790,990
Additions	45,946	13,732	59,678
Depreciation expense	(101,572)	(12,253)	(113,825)
Impairment loss	(52,291)	-	(52,291)
Lease modifications	79,367	303	79,670
Disposal	(5,467)	(254)	(5,721)
Balance at 30 June 2021	**732,951**	**25,550**	**758,501**

13. Leases (cont'd)

As a Lessee (cont'd)

Lease liabilities

The following table presents liabilities under leases:

PARENT AND CONSOLIDATED

	2022 $'000	2021 $'000
Balance at 1 July	**765,651**	731,933
Additions	**246,993**	59,641
Interest expenses	**24,562**	21,717
Payments	**(127,907)**	(121,455)
Disposal	**(10,029)**	(5,988)
Derecognition of lease liabilities related to PNSW leases	**(738,021)**	-
Lease modifications	**(31,472)**	79,803
Balance at 30 June	**129,777**	765,651

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

	2022 $'000	2021 $'000
Depreciation expense of right-of-use assets	**112,420**	113,825
Interest expense on lease liabilities	**24,562**	21,717
Expense relating to short-term leases	**9,350**	6,661
Gain arising from derecognising the right-of-use assets and lease liabilities with PNSW[8]	**(104,535)**	-
Total amount recognised in the statement of comprehensive income	**41,797**	142,203

The Department had total cash outflows for leases of $127.9 million in 2021-22 (2021: $121.5 million).

Refer to Note 31 for impact of COVID-19 on leases.

Refer to Note 18 for further details on lease liabilities derecognised as a result of changes in the office accommodation arrangements with PNSW.

Leases at significantly below-market terms and conditions principally to enable the Department to further its objectives

The Department has the following major categories for concessionary leases in 2021-22:

(i) The Department entered into a 16 year lease from 1 October 2017 and a 3 year lease from 1 July 2020 with the NSW Land and Housing Corporation (LAHC) for lease payments of $1 per annum. The 16 year lease is for the use of 13 residential buildings to provide specialist disability accommodation under the NDIS. These buildings are subleased to the non-government organisations (NGOs) and account for a small portion of similar assets the Department is providing for the purpose of specialist disability accommodation under the NDIS. The 3 year lease is for the purpose of an Integrated Child and Family Centre. Therefore, it does not have a significant impact on the Department's operation.

[8] The gain arising from derecognising the right-of-use assets and lease liabilities with PNSW includes the reversal of accumulated impairment provision of $87.5 million.

13. Leases (cont'd)

As a Lessee (cont'd)

(ii) The Department entered into 5 separate lease agreements of 10 to 40 years of lease with the local councils, Police Citizens Youth Clubs NSW, Health Administration Corporation NSW and Minister for Education NSW for the use of these community centres. The lease contract specifies lease payments of $1 per annum. The leased premises must be used for integrated delivery of services for children, families and communities and as Aboriginal Child and Family Centres. These properties are subleased to the NGOs and account for a small portion of the similar assets the Department is providing as community centres. Therefore, it does not have a significant impact on the Department's operation.

Recognition and measurement

The Department assesses at contract inception whether a contract is, or contains, a lease. That is, if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration.

The Department recognises lease liabilities to make lease payments and right-of-use assets representing the right to use the underlying assets, except for short-term leases and leases of low-value assets.

i. Right-of-use assets

The Department recognises right-of-use assets at the commencement date of the lease (i.e. the date the underlying asset is available for use). Right-of-use assets are initially measured at the amount of initial measurement of the lease liability (refer to Note 13 (ii) below), adjusted by any lease payments made at or before the commencement date and lease incentives, any initial direct costs incurred, and estimated costs of dismantling and removing the asset or restoring the site.

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

- land and buildings: 1 to 36 years
- motor vehicles and other equipment: 1 to 5 years.

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

The right-of-use assets are also subject to impairment. The Department assesses, at each reporting date, whether there is an indication that an asset may be impaired. If any indication exists, or when annual impairment testing for an asset is required, the Department estimates the asset's recoverable amount. When the carrying amount of an asset exceeds its recoverable amount, the asset is considered impaired and is written down to its recoverable amount. After an impairment loss has been recognised, it is reversed only if there has been a change in the assumptions used to determine the asset's recoverable amount. The reversal is limited so that the carrying amount of the asset does not exceed its recoverable amount, nor exceed the carrying amount that would have been determined, net of depreciation, had no impairment loss been recognised for the asset in prior years. Such reversal is recognised in the net result.

Impairment Losses for Right-of-Use Assets leased property

The COVID-19 global pandemic had an unprecedented effect on the NSW and global economies since 2020. This significantly impacted the market rent for property leases and therefore the value of right-of-use assets in the Statement of Financial Position.

The Department has performed an impairment assessment for its right-of-use assets, to determine whether the carrying amount exceeded their recoverable amount. Impacted right-of-use assets were written down to their recoverable amounts by reference to the right-of-use asset's fair value less costs of disposal.

The Department recognised impairment losses for property right-of-use assets during the 2021-22 financial year of $Nil million (2021: $44.8 million). Impairment losses for right-of-use assets are included in other losses as part of the 'Operating Result' in the Statement of Comprehensive Income. The Department has reversed the impairment losses for property right-of-use assets that were de-recognised as at 30 June 2022 of $87.5 million.

13. Leases (cont'd)

As a Lessee (cont'd)

Recognition and measurement (cont'd)

ii. Lease liabilities

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

- fixed payments (including in substance fixed payments) less any lease incentives receivable
- variable lease payments that depend on an index or a rate if any
- payments of penalties for terminating the lease, if the lease term reflects the entity exercising the option to terminate if any.

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

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

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

The Department's lease liabilities are included in borrowings.

iii. Short-term leases and leases of low-value assets

The Department applies the short-term lease recognition exemption to its short-term leases of properties and motor vehicles (i.e., those leases that have a lease term of 12 months or less from the commencement date and do not contain a purchase option). It also applies the lease of low-value assets (less than $10,000) recognition exemption to leases of office equipment that are considered to be low value. Lease payments on short-term leases and leases of low value assets are recognised as expense on a straight-line basis over the lease term.

iv. Leases that have significantly below-market terms and conditions principally to enable the Department to further its objectives

The initial and subsequent measurement of right-of-use assets under leases at significantly below-market terms and conditions that are entered into principally to enable the Department to further its objectives is same as normal right-of-use assets. They are measured at cost, subject to impairment.

The Department's properties are leased to tenants under operating leases with rentals payable monthly. Lease payments for some contracts include CPI increases, but there are no other variable lease payments that depend on an index or rate.

13. Leases (cont'd)

As a Lessor for operating leases

Future minimum rentals receivable (undiscounted) under non-cancellable operating lease as at 30 June are, as follows:

PARENT AND CONSOLIDATED

	2022	2021
	$'000	$'000
Within one year	**34,279**	46,562
One to two years	**11,302**	34,439
Two to three years	**11,282**	10,878
Three to four years	**9,817**	10,330
Four to five years	**10,264**	8,556
Later than five years	**13,149**	18,590
Total (excluding GST)	**90,093**	129,355

Operating leases where the Department is a lessor relates to group home leases entered with Specialist Disability Accommodation providers as part of the implementation of the NDIS. The rental income receivable is in the nature of residential leasing arrangement, this is considered as input taxed sales and hence does not include GST in the figures disclosed above.

Recognition and measurement - lessor for operating leases

An operating lease is a lease other than a finance lease. Leases that the entity transfers substantially all the risks and rewards incidental to ownership of an asset are classified as finance leases. Rental income arising is accounted for on a straight-line basis over the lease terms and is included in revenue in the statement of comprehensive income due to its operating nature. Initial direct costs incurred in negotiating and arranging an operating lease are added to the carrying amount of the underlying asset and recognised over the lease term on the same basis as rental income. Contingent rents are recognised as revenue in the period in which they are earned.

14. Intangible assets

PARENT AND CONSOLIDATED

	Software $'000	Internally developed assets $'000	Total $'000
At 1 July 2020			
Cost (gross carrying amount)	456,816	66,393	523,209
Accumulated amortisation and impairment	(299,757)	(24,230)	(323,987)
Net carrying amount	**157,059**	**42,163**	**199,222**
Year ended 30 June 2021			
Net carrying amount at beginning of year	157,059	42,163	199,222
Derecognition on application of IFRIC agenda decision on cloud computing cost	(70,821)	(35,429)	(106,250)
Additions	32,635	8,322	40,957
Transfer from/(to) property, plant and equipment	(3,647)	249	(3,398)
Disposals	(704)	(863)	(1,567)
Impairment losses	(9)	-	(9)
Amortisation expense	(13,724)	(1,043)	(14,767)
Net carrying amount at end of year	**100,789**	**13,399**	**114,188**
At 1 July 2021			
Cost (gross carrying amount)	325,044	14,655	339,699
Accumulated amortisation and impairment	(224,255)	(1,256)	(225,511)
Net carrying amount	**100,789**	**13,399**	**114,188**
Year ended 30 June 2022			
Net carrying amount at beginning of year	100,789	13,399	114,188
Additions	50,075	8,976	59,051
Transfer (to)/from property, plant and equipment	(200)	-	(200)
Disposals	(1,578)	(12,806)	(14,384)
Impairment losses	-	-	-
PaTH equity transfer in - 1 November 2021 (Refer to Note 1(b))	19,067	-	19,067
Amortisation expense	(15,254)	-	(15,254)
Intangible assets transferred to expense[9]	(19,067)	-	(19,067)
Net carrying amount at end of year	**133,832**	**9,569**	**143,401**
At 30 June 2022			
Cost (gross carrying amount)	205,150	9,569	214,719
Accumulated amortisation and impairment	(71,318)	-	(71,318)
Net carrying amount	**133,832**	**9,569**	**143,401**

[9] The amount of $19.1 million relates to PaTH implementation costs transferred from DCS to the Department on 1 November 2021 via an equity transfer initially recognised as intangible asset under construction. Following further assessments during the financial year, it has been determined the costs did not meet the definition and recognition criteria for an intangible asset and it has been subsequently transferred to expenses.

14. Intangible assets (cont'd)

Recognition and measurement

The Department recognises intangible assets only if it is probable that future economic benefits will flow to the Department and the cost of the asset can be measured reliably. Intangible assets are measured initially at cost. Where an asset is acquired at no or nominal cost, the cost is its fair value as at the date of acquisition.

Following initial recognition, intangible assets are subsequently measured at fair value only if there is an active market. If there is no active market for the Department's intangible assets, the assets are carried at cost less any accumulated amortisation and impairment losses. All research costs are expensed. Development costs are only capitalised when certain criteria are met.

The useful lives of intangible assets are assessed to be finite. The Department's intangible assets are amortised using the straight-line method over a period of three to ten years. The amortisation period and the amortisation method for an intangible asset with a finite useful life are reviewed at least at the end of each reporting period.

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

Software-as-a-Service (SaaS) arrangements

SaaS arrangements are service contracts providing the Department with the right to access the cloud provider's application software over the contract period. As such the Department does not receive a software intangible asset at the contract commencement date. A right to receive future access to the supplier's software does not, at the contract commencement date, give the customer the power to obtain the future economic benefits flowing from the software itself and to restrict others' access to those benefits.

Costs incurred for the development of software code that enhances or modifies, or creates additional capability to, existing on-premise systems and meets the definition of and recognition criteria for an intangible asset are recognised as intangible software assets.

Determination whether configuration and customisation services are distinct from the SaaS access

Implementation costs including costs to configure or customise the cloud provider's application software are recognised as operating expenses when the services are received.

Where the SaaS arrangement supplier provides both configuration and customisation services, judgement has been applied to determine whether each of these services are distinct or not from the underlying use of the SaaS application software. Distinct configuration and customisation costs are expensed as incurred as the software is configured or customised (i.e. upfront). Non-distinct configuration and customisation costs are expensed over the SaaS contract term.

Non-distinct customisation activities significantly enhance or modify a SaaS cloud-based application. Judgement has been applied in determining whether the degree of customisation and modification of the SaaS cloud-based application is significant or not.

During the financial year, the Department recognised $Nil million (2021: $30.3 million) as prepayments in respect of configuration and customisation activities undertaken in implementing SaaS arrangements which are considered not to be distinct from the access to the SaaS application software over the contract term.

15. Non-current assets held for sale

	PARENT		CONSOLIDATED	
	2022	2021	**2022**	2021
	$'000	$'000	**$'000**	$'000
Assets held for sale - land and buildings	15,529	25,933	15,529	25,933
	15,529	25,933	**15,529**	25,933

Assets held for sale comprise of Bourke residential court assets of $0.1 million (2021: $0.1 million) and former Grafton correctional centre of $15.4 million (2021: $25.8 million). On 16 March 2022, Brewarrina assets held for sale were transferred to Brewarrina Shire Council for a nominal consideration of $1 via a deed of agreement. On 25 May 2022, Ivanhoe correctional centre was settled for $0.03 million. Bourke residential and Grafton correctional centre are being actively marketed for sale.

Recognition and measurement

The Department has certain non-current assets (or disposal groups) classified as held-for-sale, where their carrying amount will be recovered principally through a sale transaction, not through continuing use. Non-current assets (or disposal groups) held-for-sale are measured at the lower of their carrying amount and fair value less costs of disposal.

These assets are not depreciated/amortised while they are classified as held-for-sale. Interest and other expenses attributable to the liabilities of a disposal group classified as held for sale are continued to be recognised.

16. Fair value measurement of non-financial assets

Fair value measurement and hierarchy

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

A number of the Department's accounting policies and disclosures require the measurement of fair values, for both financial and non-financial assets and liabilities. When measuring fair value, the valuation technique used maximises the use of relevant observable inputs and minimises the use of unobservable inputs. Under AASB 13 *Fair Value Measurement*, the Department categorises, for disclosure purposes, the valuation techniques based on the inputs used in the valuation techniques as follows:

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

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

16. Fair value measurement of non-financial assets (cont'd)

(a) Fair value hierarchy

	Parent			
2022	**Level 1 $'000**	**Level 2 $'000**	**Level 3 $'000**	**Total fair value $'000**
Property, plant and equipment (Note 12)				
Land and buildings	-	511,140	7,686,894	8,198,034
Plant and equipment	-	2,943	-	2,943
Non-current assets held for sale (Note 15)	-	-	15,529	15,529
Total Fair value measurement of non-financial assets	**-**	**514,083**	**7,702,423**	**8,216,506**

	Parent			
2021	**Level 1 $'000**	**Level 2 $'000**	**Level 3 $'000**	**Total fair value $'000**
Property, plant and equipment (Note 12)				
Land and buildings	-	464,534	7,160,272	7,624,806
Plant and equipment	-	3,392	-	3,392
Non-current assets held for sale (Note 15)	-	-	25,933	25,933
Total Fair value measurement of non-financial assets	**-**	**467,926**	**7,186,205**	**7,654,131**

	Consolidated			
2022	**Level 1 $'000**	**Level 2 $'000**	**Level 3 $'000**	**Total fair value $'000**
Property, plant and equipment (Note 12)				
Land and buildings	-	517,104	7,692,075	8,209,179
Plant and equipment	-	2,943	-	2,943
Non-current assets held for sale (Note 15)	-	-	15,529	15,529
Total Fair value measurement of non-financial assets	**-**	**520,047**	**7,707,604**	**8,227,651**

	Consolidated			
2021	**Level 1 $'000**	**Level 2 $'000**	**Level 3 $'000**	**Total fair value $'000**
Property, plant and equipment (Note 12)				
Land and buildings	-	469,957	7,165,099	7,635,056
Plant and equipment	-	3,392	-	3,392
Non-current assets held for sale (Note 15)	-	-	25,933	25,933
Total Fair value measurement of non-financial assets	**-**	**473,349**	**7,191,032**	**7,664,381**

There were no transfers between level 1 or 2 during the periods.

16. Fair value measurement of non-financial assets (cont'd)

(b) Valuation techniques, inputs and processes

A comprehensive revaluation of all the Department's properties except Correctional centres and Youth Justice facilities has been performed by an external professionally qualified valuer as at 31 March 2021. A full valuation is conducted every three years with the previous comprehensive valuation for Correctional centres and Youth Justice facilities occurring in 2018. In the intervening periods relevant indexation factors are used as an estimate of fair value.

The assets valued under level 2 inputs are valued using the market approach, due to the availability of market transactions and observable prices for similar assets. Valuers have considered matters such as zoning, location, topography, aspect, frontage, size, shape, date of valuation and current market sentiment in determining the values. These values largely relate to all land assets and the majority of "buy/modify" building assets for which comparable values are available.

The assets valued under level 3 inputs are specialised assets which have been valued using the cost approach which is based on replacing the "service capacity" of the asset. These specialised assets are either:

- purpose built group homes where the replacement cost is based on actual construction costs incurred by the Department
- highly modified buildings which are significantly modified for the purpose of provision of care to disability clients, and the replacement costs are based on actual costs incurred by the Department
- large residential centres which are older, large institutional style buildings and valued by the external valuer at depreciated replacement cost
- court houses, correctional and youth justice centres where depreciated replacement cost is used due to highly specialised nature of the buildings and lack of market evidence.

16. Fair value measurement of non-financial assets (cont'd)

(b) Valuation techniques, inputs and processes (cont'd)

Refer to table of valuation techniques, inputs and processes in the table below.

Asset Class	Level	Valuation technique	Inputs	Process
Land – Group homes – with buildings with minor modifications	2	Market Approach	Observable inputs - recent sales considering matters such as zoning, location, topography, aspect, frontage, size, shape, date of valuation and current market sentiment.	Direct comparison approach against recent sales considering matters such as zoning, location, topography, aspect, frontage, size, shape, date of valuation and current market sentiment.
Land – Group homes – with purpose built or significantly modified buildings	3	Market Approach	Observable inputs - recent sales in the residential property market considering matters such as zoning, location, topography, aspect, frontage, size, shape, date of valuation and current market sentiment. Unobservable inputs - buildings on the land are either purpose built or significantly modified and as land and building are considered as one complete asset for existing use purposes, these assets are measured at level 3.	Direct comparison approach against recent sales considering matters such as zoning, location, topography, aspect, frontage, size, shape, date of valuation and current market sentiment. The unobservable level 3 inputs are not considered to impact on the values determined by the market approach considering existing use of the asset.
Land – Large Residential Centres (LRC)	3	Market Approach	Observable inputs - land assets are considered special use assets with no direct comparable sales. The most relevant available site data for similar sites is considered using highest and best use. Unobservable inputs - specialised buildings are located on the land and as land and buildings are considered as one complete asset, these assets are measured at level 3.	These are large sites with few relevant recent sales of similar properties. Fair value is determined by considering the sales of the most relevant large properties. These provide a range of values per hectare and an appropriate rate per hectare within the range to arrive at a fair value.
Land – Specialised (court houses, prisons and youth justice centres)	3	Market Approach	Observable Inputs - these land assets are valued using market evidence, (that is, based on a market selling price), with adjustments for varying characteristics including zoning, shape, flood and bushfire affectation, condition, location, comparability. Unobservable inputs - specialised buildings are located on the land and as Land and building are considered as one complete asset, these assets are measured at level 3.	The Direct Comparison Method has been utilised as the primary method of valuation. In this approach, the relative merits of the subject property and each of the sales are analysed and compared, having regard to matters such as location, aspect, topography, size of land, shape of land, size and quality of the improvements, features and condition of the improvements and current market sentiment.

16. Fair value measurement of non-financial assets (cont'd)

(b) Valuation techniques, inputs and processes (cont'd)

Asset Class	Level	Valuation technique	Inputs	Process
Buildings – Group homes – with buildings with minor modifications	2	Market Approach	Observable inputs - recent sales of comparable properties with adjustment for condition, location, comparability etc.	Visual inspection of the properties and assessment against recent sales of comparable properties with adjustment for condition, location, comparability etc.
Buildings – purpose built or significantly modified group homes	3	Cost Approach	Unobservable inputs - the highly modified and costly nature of the buildings positioned on residential land and utilised for mandated services. Observable inputs - actual construction costs are used for these purpose built and significantly modified buildings.	Actual construction costs are checked against the latest Rawlinson's Construction Handbook, Australian Bureau Statistics and external valuer's quantity surveyor.
Buildings – LRC	3	Cost Approach	Unobservable inputs: market data are not available and are developed using the best information available about the assumptions that market participants would use when pricing such assets. Observable inputs - Construction cost per square metre applied to determine replacement cost.	For comprehensive valuations, visual inspection of the properties and assessment of replacement cost by independent registered valuer, using building area and cost per square metre. Construction costs are checked against the latest Rawlinson's Construction Handbook, Australian Bureau Statistics and external valuer's quantity surveyor.
Buildings – Specialised (court houses, prisons and youth justice centres)	3	Cost Approach	Unobservable inputs: market data are not available and are developed using the best information available about the assumptions that market participants would use when pricing such assets. Observable inputs - actual construction costs are used for these purpose built and significantly modified buildings.	Specialised buildings are assessed at depreciated replacement cost, due to lack of market evidence. Construction costs are checked against the latest Rawlinson's Construction Handbook, Australian Bureau Statistics and external valuer's quantity surveyor. In arriving at the rates to be used in valuing specialised buildings, an allowance has been made for professional fees, contingency, market movement, regional location and their specialised nature. The external valuers have also applied an allowance on top of the rates to take into account the heritage nature of some buildings.
Plant and Equipment – Heritage assets	2	Market Approach	Observable inputs – market selling prices are used for heritage assets that are marketable.	Sample based inspection for various assets in conjunction with market evidence was used for valuation.

16. Fair value measurement of non-financial assets (cont'd)

(c) Reconciliation of recurring Level 3 fair value measurements

	PARENT		
	Land and Buildings $'000	**Non-current assets held for sale $'000**	**Total $'000**
Fair value as at 1 July 2021	7,160,272	25,933	7,186,205
Additions	257,138	-	257,138
Net change in revaluation surplus of property, plant and equipment recognised in other comprehensive income	475,740	-	475,740
Transfer from Level 2	-	-	-
Disposals[10]	-	(10,404)	(10,404)
Depreciation expense	(203,469)	-	(203,469)
Assets held for sale in/(out)	-	-	-
Other movements	(2,787)	-	(2,787)
Fair value as at 30 June 2022	**7,686,894**	**15,529**	**7,702,423**

	PARENT		
	Land and Buildings $'000	**Non-current assets held for sale $'000**	**Total $'000**
Fair value as at 1 July 2020	5,527,705	26,011	5,553,716
Additions[11]	1,322,716	-	1,322,716
Net change in revaluation surplus of property, plant and equipment recognised in other comprehensive income	495,855	-	495,855
Transfer from Level 2	-	-	-
Disposals	(3,379)	(78)	(3,457)
Depreciation expense	(181,905)	-	(181,905)
Assets held for sale in/(out)	-	-	-
Other movements	(720)	-	(720)
Fair value as at 30 June 2021	**7,160,272**	**25,933**	**7,186,205**

[10] On 16 March 2022, Brewarrina assets held for sale were transferred to Brewarrina Shire Council for a nominal consideration of $1 via a deed of agreement. On 25 May 2022, Ivanhoe correctional centre was settled for $0.03 million.

[11] Includes $418.4 million relating to Clarence Correction Centre included in capital work in progress as at 30 June 2020 commissioned on 1 July 2020.

16. Fair value measurement of non-financial assets (cont'd)

(c) Reconciliation of recurring Level 3 fair value measurements (cont'd)

	CONSOLIDATED		
	Land and Buildings $'000	**Non-current assets held for sale $'000**	**Total $'000**
Fair value as at 1 July 2021	7,165,099	25,933	7,191,032
Additions	257,138	-	257,138
Net change in revaluation surplus of property, plant and equipment recognised in other comprehensive income	476,158	-	476,158
Transfer from Level 2	-	-	-
Disposals[10]	-	(10,404)	(10,404)
Depreciation expense	(203,533)	-	(203,533)
Assets held for sale in/(out)	-	-	-
Other movements	(2,787)	-	(2,787)
Fair value as at 30 June 2022	**7,692,075**	**15,529**	**7,707,604**

	CONSOLIDATED		
	Land and Buildings $'000	**Non-current assets held for sale $'000**	**Total $'000**
Fair value as at 1 July 2020	5,532,278	26,011	5,558,289
Additions[11]	1,322,716	-	1,322,716
Net change in revaluation surplus of property, plant and equipment recognised in other comprehensive income	496,173	-	496,173
Transfer from Level 2	-	-	-
Disposals	(3,379)	(78)	(3,457)
Depreciation expense	(181,969)	-	(181,969)
Assets held for sale in/(out)	-	-	-
Other movements	(720)	-	(720)
Fair value as at 30 June 2021	**7,165,099**	**25,933**	**7,191,032**

[10] On 16 March 2022, Brewarrina assets held for sale were transferred to Brewarrina Shire Council for a nominal consideration of $1 via a deed of agreement. On 25 May 2022, Ivanhoe correctional centre was settled for $0.03 million.

[11] Includes $418.4 million relating to Clarence Correction Centre included in capital work in progress as at 30 June 2020 commissioned on 1 July 2020.

17. Payables

	PARENT		CONSOLIDATED	
	2022	2021 Restated	**2022**	2021 Restated
	$'000	$'000	**$'000**	$'000
Current				
Accrued capital expenditure	**26,541**	28,830	**26,541**	28,830
Accrued grant expenditure	**4,098**	2,682	**4,098**	2,682
Accrued operating expenditure	**262,838**	206,598	**262,838**	206,598
Accrued salaries, wages and on-costs	**63,519**	54,378	**63,519**	54,378
Creditors	**39,640**	25,132	**39,640**	25,132
Total payables	**396,636**	317,620	**396,636**	317,620

The Department made reclassifications between accrued operating expenditure and creditors to enhance the presentation in 2021-22 which resulted in restated comparatives for 2020-21.

Details regarding liquidity risk, including a maturity analysis of the above payables, are disclosed in Note 26.

Accrued operating expenditure includes accruals for claims relating to the Victims Support Fund totalling $17.4 million (2021: $17.2 million).

Refer to Note 31 for impact of COVID-19 on Payables.

Recognition and measurement

Payables

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

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

18. Borrowings

	PARENT		CONSOLIDATED	
	2022	2021	**2022**	2021
	$'000	$'000	**$'000**	$'000
Current borrowings				
Other borrowings	**-**	149	**-**	149
Lease liabilities (refer Note 13)	**13,599**	98,884	**13,599**	98,884
Service concession financial liabilities[12]	**376,436**	55,119	**376,436**	55,119
	390,035	154,152	**390,035**	154,152
Non-current borrowings				
Other borrowings	**-**	-	**-**	-
Lease liabilities (refer Note 13)	**116,178**	666,767	**116,178**	666,767
Service concession financial liabilities[12]	**730,915**	1,107,350	**730,915**	1,107,350
	847,093	1,774,117	**847,093**	1,774,117

Changes in liabilities arising from financing activities

	PARENT AND CONSOLIDATED			
	Other Borrowings	**Leases**	**Service Concession Arrangements**	**Total liabilities from financing activities**
Balance at 1 July 2020	294	731,933	1,202,981	1,935,208
Cash flows	(145)	(121,455)	(72,001)	(193,601)
New leases	-	59,641	-	59,641
Finance charges	-	21,717	31,489	53,206
Disposal of right-of-use liabilities	-	(5,988)	-	(5,988)
Other movements	-	79,803	-	79,803
Balance at 30 June 2021	**149**	**765,651**	**1,162,469**	**1,928,269**

	PARENT AND CONSOLIDATED			
	Other Borrowings	**Leases**	**Service Concession Arrangements**	**Total liabilities from financing activities**
Balance at 1 July 2021	149	765,651	1,162,469	1,928,269
Cash flows	(153)	(127,907)	(87,385)	(215,445)
New leases	-	246,993	-	246,993
Finance charges	4	24,562	32,267	56,833
Disposal of right-of-use liabilities	-	(10,029)	-	(10,029)
Derecognition of lease liabilities related to PNSW leases	-	(738,021)	-	(738,021)
Other movements	-	(31,472)	-	(31,472)
Balance at 30 June 2022	**-**	**129,777**	**1,107,351**	**1,237,128**

Details regarding liquidity risk including a maturity analysis of the above borrowings are disclosed in Note 26.

[12] This relates to contractual payments to the operator. Refer to Note 12 for further details on the Department's service concession arrangements.

18. Borrowings (cont'd)

Recognition and measurement

Borrowings represent interest bearing liabilities mainly raised through NSW Treasury Corporation, lease liabilities, service concession arrangement liabilities and other interest bearing liabilities.

Financial liabilities at amortised cost

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

Financial Guarantee

A financial guarantee contract is a contract that requires the issuer to make specified payments to reimburse the holder for a loss it incurs because a specified debtor fails to make payment when due in accordance with the original or modified terms of a debt instrument. Financial guarantee contracts are recognised as a financial liability at the time the guarantee is issued. The liability is initially measured at fair value, being the premium received. Subsequent to initial recognition, the Department's liability under each guarantee is measured at the higher of the amount initially recognised less cumulative amortisation, and an expected credit loss provision.

The Department has reviewed its financial guarantees and determined that there is no material liability to be recognised for financial guarantee contracts as at 30 June 2022 and as at 30 June 2021. Refer to Note 23 regarding disclosures on Contingent liabilities.

19. Provisions

	PARENT		CONSOLIDATED	
	2022	2021	**2022**	2021
	$'000	$'000	**$'000**	$'000
Current				
Employee benefits and related on-costs				
Sundays and public holidays	**3,657**	3,172	**3,657**	3,172
Annual leave*	**315,898**	280,857	**315,898**	280,857
Long service leave**	**113,694**	124,419	**113,694**	124,419
Total current employee benefits and related on-costs	**433,249**	408,448	**433,249**	408,448
*Current annual leave obligations expected to be settled after 12 months	**102,172**	61,263	**102,172**	61,263
**Current long service leave obligations expected to be settled after 12 months	**103,869**	117,200	**103,869**	117,200
	206,041	178,463	**206,041**	178,463
Other Provisions				
Restoration costs	**11,519**	14,514	**11,519**	14,514
Victims Support Scheme - lodged but not yet paid claims	**60,260**	83,010	**60,260**	83,010
Victims Support Scheme - incurred but not reported claims				
- Domestic violence	**10,300**	11,000	**10,300**	11,000
- Other offences	**9,000**	8,400	**9,000**	8,400
Total current other provisions	**91,079**	116,924	**91,079**	116,924
Total current provisions	**524,328**	525,372	**524,328**	525,372
Non-current				
Employee benefits and related on-costs				
Long service leave	**10,959**	12,335	**10,959**	12,335
Total non-current employee benefits and related on-costs	**10,959**	12,335	**10,959**	12,335
Other Provisions				
Restoration costs	**27,377**	25,568	**27,377**	25,568
Victims Support Scheme - lodged but not yet paid claims	**101,500**	119,300	**101,500**	119,300
Victims Support Scheme - incurred but not reported claims				
- Domestic violence	**154,000**	146,100	**154,000**	146,100
- Other offences	**56,600**	34,900	**56,600**	34,900
Total non-current other provisions	**339,477**	325,868	**339,477**	325,868
Total non-current provisions	**350,436**	338,203	**350,436**	338,203

19. Provisions (cont'd)

	PARENT		CONSOLIDATED	
	2022	2021 Restated	**2022**	2021 Restated
	$'000	$'000	**$'000**	$'000
Aggregate employee benefits and related on-costs				
Provisions	**444,208**	420,783	**444,208**	420,783
Accrued salaries, wages and on-costs (Note 17)	**63,519**	54,378	**63,519**	54,378
	507,727	475,161	**507,727**	475,161

Movements in provisions (other than employee benefits)

	PARENT AND CONSOLIDATED			
	Restoration costs	**Victims Support Scheme - lodged but not yet paid claims**	**Victims Support Scheme - incurred but not reported claims**	**Total**
	$'000	**$'000**	**$'000**	**$'000**
Carrying amount at 1 July 2021	**40,082**	**202,310**	**200,400**	**442,792**
Additional provision recognised	16,208	75,000	45,300	**136,508**
Amounts used	(140)	(80,150)	-	**(80,290)**
Unused amounts reversed	(17,874)	-	-	**(17,874)**
Unwinding/change in the discount rate	620	400	100	**1,120**
Change in experience and actuarial assumptions	-	(35,800)	21,700	**(14,100)**
Other movements[13]	-	-	(37,600)	**(37,600)**
Carrying amount at 30 June 2022	**38,896**	**161,760**	**229,900**	**430,556**

	PARENT AND CONSOLIDATED			
	Restoration costs	**Victims Support Scheme - lodged but not yet paid claims**	**Victims Support Scheme - incurred but not reported claims**	**Total**
	2021	**2021**	**2021**	**2021**
	$'000	**$'000**	**$'000**	**$'000**
Carrying amount at 1 July 2020	**62,029**	**192,535**	**-**	**254,564**
Additional provision recognised	1,195	82,400	200,400	**283,995**
Amounts used	(3)	(72,000)	-	**(72,003)**
Unused amounts reversed	(3,617)	-	-	**(3,617)**
Unwinding/change in the discount rate	355	375	-	**730**
Change in experience and actuarial assumptions	-	(1,000)	-	**(1,000)**
Other movements[14]	(19,877)	-	-	**(19,877)**
Carrying amount at 30 June 2021	**40,082**	**202,310**	**200,400**	**442,792**

[13] Other movements in Victims Support Scheme - incurred but not reported claims relate to expected costs in respect of lodgements from 1 July 2021 to 30 June 2022.

[14] Other movements in restoration costs relate to changes in assumptions relating to CPI, discount rates and cost per square metre.

19. Provisions (cont'd)

Recognition and measurement

Employee benefits and related on-costs

(i) Salaries and wages, annual leave and sick leave

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

Annual leave is not expected to be settled wholly before twelve months after the end of the annual reporting period in which the employees render the related service. As such, it is required to be measured at present value in accordance with AASB 119 *Employee Benefits* (although short-cut methods are permitted).

Actuarial advice obtained by Treasury has confirmed that using the nominal annual leave balance plus the annual leave entitlements accrued while taking annual leave (calculated using 8.4% (2021: 8.4%) of the nominal value of annual leave) can be used to approximate the present value of the annual leave liability. The Department has assessed the actuarial advice based on the Department's circumstances and has determined that the effect of discounting is immaterial to annual leave. All annual leave is classified as a current liability even where the Department does not expect to settle the liability within 12 months as the Department does not have an unconditional right to defer settlement.

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

(ii) Long service leave

Long service leave - assumed by the Crown

Some of the Department's liabilities for long service leave are assumed by Crown and others are not.

The Department accounts for the liability as having been extinguished, resulting in the amount assumed being shown as part of the non-monetary revenue item described as 'Acceptance by the Crown of Employee Benefits and Other Liabilities'.

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

Long service leave funded by agency Crown LSL pool

Long service leave liabilities not assumed by Crown Entity relate to:

- Former Compensation Court (closed in December 2003) (recouped from Workcover Authority);
- Dust Diseases Tribunal;
- Office of the Legal Services Commissioner;
- NSW Trustee and Guardian; and
- Legal Profession Admission Board.

Long service leave liabilities not assumed by Crown Entity requires contributions to the NSW Treasury Non Budget Long Service Leave Pool Account. The NSW Treasury Pool account administers the long service leave provision for agencies and commercial activities whose liabilities were previously assumed by the Crown Entity due to being part of the Budget Sector. Contributions made to NSW Treasury are included in Employee Related Expenses. The Department recognises a receivable amount from the Long Service Leave Pool.

Long service leave funded by the Department

Long service leave liabilities funded by the Department relates to Department staff who provide personnel services to the Legal Services Council and the Trustees of the Anzac Memorial Building. Refer to Note 1(a) for details.

19. Provisions (cont'd)

Recognition and measurement (cont'd)

Employee benefits and related on-costs (cont'd)

Long service leave funded by the Department (cont'd)

Employee benefits and related on-costs long service leave liability funded by the Department is measured at present value in accordance with AASB 119 *Employee Benefits*. This is based on the application of certain factors specified in NSW TC 21-03 *Accounting for Long Service Leave and Annual leave* to employees with five or more years of service, using current rates of pay.

(iii) Superannuation

Superannuation Liabilities Assumed by Crown

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

The superannuation expense for the financial year is determined by using the formulae specified in the Treasurer's Directions. The expense for defined contribution superannuation schemes (that is, Basic Benefit and Aware Super (formerly known as First State Super)) is calculated as a percentage of the employees' salary. For defined benefit superannuation schemes (that is, State Superannuation Scheme and State Authorities Superannuation Scheme), the expense is calculated as a multiple of the employees' superannuation contributions.

(iv) Consequential on-costs

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

(v) Victims Support Scheme

The Department's provision in relation to the Victims Support Scheme comprises of lodged but not paid claims (for all offences) and incurred but not reported (IBNR) claims with respect to domestic violence, sexual assault (adult), assault, robbery, homicide and other offences.

The Victims Support Scheme (the VSS) was created on 3 June 2013 through legislation known as the *Victims' Rights and Support Act 2013*. This act replaced the Victims Compensation Scheme (the VCS), legislated through the *Victims Support and Rehabilitation Act 1996*, that was closed to new applications for support on 7 May 2013.

The VSS provides support for victims of violent crime, upon application after 7 May 2013 and within an eligibility period of 2 to 10 years (with some exceptions) from the date of the occurrence of a violent act of crime.

The VSS offers the following "pillars" of support for victims of violent crime:

- Counselling: Approved counselling services with respect to the act of violence.
- Financial assistance: For immediate needs to cover expenses for treatment or other measures that need to be taken urgently to secure the victim's safety, health or well-being and for economic loss suffered as a direct result of the act of violence.
- Recognition payments: To acknowledge the trauma suffered.

Payment is set out in four different categories based on the act of violence. Violent acts can include assault, adult sexual assault, child sexual assault, domestic violence, robbery, homicide and other eligible violent acts.

The Department has obtained actuarial advice from an independent actuary to determine the liability as at 30 June 2022. No provision has been made in the financial statements for any IBNR claims in relation to child sexual assault (refer to Note 23 Contingent Liabilities) in 2021-22 and 2020-21 as the independent actuary was unable to determine a reliable estimate for the value of IBNR claims for this particular act of violence. The actuarial assessment is performed annually.

19. Provisions (cont'd)

Recognition and measurement (cont'd)

Victims Support Scheme (cont'd)

The IBNR liabilities for domestic violence, sexual assault (adult), assault, robbery, homicide and other offences was included in the provision for the first time in 2020-21. Prior to this, the provision included only an estimate of the liability associated with the cost of lodged but not yet paid claims.

The provision:

1) Contains an allowance for the time value of money. Claims costs have been discounted back to the valuation date using risk free discount rates.
2) Includes claim handling costs, such as staff costs and operating expenses, that may be incurred as a result of processing these claims.
3) Is a central estimate and does not include any additional risk margin related to the uncertainty of estimates.
4) Is based on the initial rather than ultimate classification of offence type for each claim.

The actuarial Professional Standard 302 *"Valuations of General insurance Claims"* (PS 302) applies to actuaries undertaking a valuation of General Insurance Claims for an entity. While the VSS claims being valued are not General Insurance Claims as defined under PS 302, there are some similarities in the characteristics of this valuation when compared to PS 302 valuations. Thus PS 302 has been used as a proxy for determining provisions in this valuation.

Total payments directly to victims of crime for the year ended 30 June 2022 was $80.2 million (2021: $72.0 million), including an accrual of $17.4 million (2021: $17.2 million). Refer to Note 23 and Note 29 for details of Victims Support Fund or Scheme.

(vi) Other provisions

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

Any provisions for restructuring are recognised only when the Department has a detailed formal plan and the Department has raised a valid expectation in those affected by the restructuring that it will carry out the restructuring by starting to implement the plan or announcing its main features to those affected.

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

Other provisions include restoration costs on leased office premises. Restoration costs represent estimated costs that the Department is obliged to incur to restore premises to an acceptable condition as agreed with the owners of the premises, upon expiry of operating lease arrangements. The amount and timing of each estimate is reassessed annually. In the majority of cases, the rates are not explicitly mentioned in the lease agreement and hence the provision is calculated by using a standard restoration rate per square metre, which is then discounted to present value using the appropriate government bond rate. The provisions are established by individual lease and amortised over the term of the lease. The unamortised value of the obligation is recorded as an asset.

20. Other liabilities

	PARENT		CONSOLIDATED	
	2022	2021	**2022**	2021
	$'000	$'000	**$'000**	$'000
Current				
Liabilities under transfers to acquire or construct non-financial assets to be controlled by the Department	**6,153**	846	**6,153**	846
Unearned revenue	**6,071**	8,247	**6,071**	8,247
	12,224	9,093	**12,224**	9,093
Non-current				
Liabilities under transfers to acquire or construct non-financial assets to be controlled by the Department	**-**	819	**-**	819
	-	819	**-**	819

Refer to Note 3(e) for a description of the Department's obligations under transfers received to acquire or construct non-financial assets to be controlled by the Department.

The Department expects to recognise as income the liability for unsatisfied obligations of $6.2 million (2021: $0.8 million) within 12 months and $Nil million (2021: $0.8 million) after 12 months as at 30 June 2022, as the related assets are constructed/acquired.

	2022	2021
	$'000	$'000
Reconciliation of financial assets and corresponding liabilities arising from transfers to acquire or construct non-financial assets to be controlled by the Department	**6,153**	1,665
Opening balance of liabilities arising from transfers to acquire/construct non-financial assets to be controlled by the Department	**1,665**	3,281
Add: receipt of cash during the financial year	**5,573**	1,411
Deduct: income recognised during the financial year	**(1,085)**	(3,027)
Closing balance of liabilities arising from transfers to acquire/construct non-financial assets to be controlled by the Department	**6,153**	1,665

21. Increase / (decrease) in net assets from equity transfers

(i) The staff employed in the Women NSW and the Office of Community Safety and Cohesion divisions in the Department were transferred to the Department of Premier and Cabinet (DPC) on 1 April 2022 in accordance with the *Administrative Arrangements (Second Perrottet Ministry−Transitional) Order 2021* issued on 21 December 2021. Refer to Note 1(b) for details of the administrative restructure.

The following statement discloses the liabilities which were transferred out from the Department to the DPC:

	Women NSW $'000	Office of Community Safety and Cohesion $'000	Department (Parent) total transfer to DPC $'000
Assets			
Total Assets	**-**	**-**	**-**
Liabilities			
Current Liabilities			
Provisions	(119)	(352)	(471)
Total Current Liabilities	**(119)**	**(352)**	**(471)**
Non-Current Liabilities			
Provisions	(3)	(5)	(8)
Total Non-Current Liabilities	**(3)**	**(5)**	**(8)**
Total Liabilities	**(122)**	**(357)**	**(479)**
NET ASSETS	**(122)**	**(357)**	**(479)**

(ii) The delivery of the Process and Technology Harmonisation (PaTH) program was transferred from the Department of Customer Service (DCS) to the Department on 1 November 2021 as approved by the Expenditure Review Committee and the Minister for Customer Service and Digital Government. To support this change, $19.1 million of intangible asset under construction was transferred from DCS to the Department. Refer to Note 1(b) for details of the administrative restructure.

21. Increase / (decrease) in net assets from equity transfer (cont'd)

(iii) The disability services of the former Department of Family and Community Services have been transitioned to the Non-Government Organisation (NGO) sector as part of the NSW Government implementation of the NDIS since 2015-16.

In 2020-21, the Specialist Disability Services continued to be transferred as per the agreements entered by the State of NSW with three Supported Independent Living (SIL) providers for the completion of the Hunter Residences Redevelopment Program which commenced in 2019-20 and the Casuarina Grove facility. The SIL providers were New Horizons (NH) and Disability Services Australia (DSA) for the Hunter Residences and Ability Options (AO) for Casuarina Grove.

The long service leave provision and certain consequential employment costs were assumed by the Crown. The Department only recognised a portion of relevant consequential costs. To transfer the in scope employees to the NGOs, the Department made the cash payment that covered both the Department assumed and Crown assumed liabilities to the NGOs. The Department then recovered the amount paid relating to Crown assumed liabilities, in accordance with the guidance of Treasury Circular 14-06 *Funding Arrangements for Long Service Leave and Transferred Officers Leave Entitlements*. In the 2020-21 financial year, the employees entitlements provision transferred that were assumed and funded by the Crown amounted to $1.5 million.

Recognition and measurement

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

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

All other equity transfers are recognised at fair value, except for intangibles. Where an intangible has been recognised at (amortised) cost by the transferor because there is no active market, the Department recognises the asset at the transferor's carrying amount. Where the transferor is prohibited from recognising internally generated intangibles, the Department does not recognise that asset.

21. Increase / (decrease) in net assets from equity transfer (cont'd)

As at 30 June 2021, all post completion adjustments relating to transfers completed in 2020-21 were finalised.

The following discloses the assets and liabilities which were transferred to the NGO sector in 2020-21:

PARENT and CONSOLIDATED	Post Completion Adjustments for transfers occurred in prior year $'000	New Horizons Enterprises Limited $'000	DSA Mentoring Services Limited $'000	Ability Options Limited $'000	2021 Total $'000
Current assets					
Cash at bank	23	(52)	(135)	(476)	(640)
Petty cash	-	-	-	-	-
Total current assets	**23**	**(52)**	**(135)**	**(476)**	**(640)**
Current liabilities					
Prepaid participant contribution	-	-	-	(43)	(43)
Annual leave	10	(36)	(87)	(353)	(466)
Long service leave on costs	12	(15)	(44)	(73)	(120)
Total current liabilities	**22**	**(51)**	**(131)**	**(469)**	**(629)**
Non-current liabilities					
Long service leave on costs	1	(1)	(4)	(7)	(11)
Total non-current liabilities	**1**	**(1)**	**(4)**	**(7)**	**(11)**
Total liabilities	**23**	**(52)**	**(135)**	**(476)**	**(640)**
Net assets transferred from the Department	**-**	**-**	**-**	**-**	**-**

Liabilities transferred that are assumed by and funded by Crown:

Crown assumed employee entitlements - Annual Leave	-	1	2	9	12
Crown assumed employee entitlements - Long Service Leave	(149)	185	534	892	1,462
	(149)	**186**	**536**	**901**	**1,474**
Cash transferred (out) as a result of employee transfer to the NGOs	(149)	(238)	(671)	(1,376)	(2,434)
Cash transferred in/receivable as a result of employee transfer to the NGOs	172	186	536	900	1,794
Net cash transferred in / (out) as a result of employee transfer to the NGOs	**23**	**(52)**	**(135)**	**(476)**	**(640)**

22. Commitments for expenditure

a) Capital Commitments

	PARENT		CONSOLIDATED	
	2022 $'000	2021 $'000	**2022 $'000**	2021 $'000
Aggregate capital expenditure for the acquisition of property, plant and equipment contracted for at reporting date and not provided for:				
Within one year	**80,600**	61,715	**80,600**	61,715
Later than one year and not later than five years	**-**	-	**-**	-
Later than five years	**-**	-	**-**	-
Total (including GST)	**80,600**	61,715	**80,600**	61,715

Input tax credits of $7.3 million (2021: $5.6 million) which is expected to be recoverable from the Australian Taxation Office is included above.

23. Contingent liabilities and contingent assets

Contingent liabilities

Suitors' Fund

There are 12 (2021: 17) claims estimated at $0.1 million (2021: $0.2 million) pending on the Suitors' Fund as at 30 June 2022. The Suitors' Fund is established under Section 3 of the *Suitors' Fund Act 1951* to support the payment of costs for certain appeals relating to the Supreme Court (on a question of law or fact) or the High Court (from a decision of the Supreme Court on a question of law). Contributions to the fund are specially appropriated from Consolidated Revenue based on a percentage of court fees collected by the Department.

Current litigation

Claims have been made against the Department, which if the claimant is successful, the legal costs, disbursements and financial settlements estimated to be $0.5 million (2021: $0.8 million) will be met by the Department.

Various other claims totalling $92.6 million (2021: $142.3 million) have also been made against the Department, which, if successful, would be met from the NSW Treasury Managed Fund and Solvency Fund.

Victims Support Scheme – Incurred But Not Reported (IBNR) Claims for child sexual assault

The independent actuary engaged by the Department to assess the liability under the VSS scheme determined that reliable estimates could not be included in the liability provision for the amount attributable to IBNR claims relating to child sexual assault.

The reasons noted by the Actuary are:

- The number of claim lodgements continues to significantly grow with no signs of stabilising. This is the case for lodgements from both older incident years from many decades ago, as well as more recent incident years.
- The claim lodgements have continued to increase at a high rate due to shifts in societal attitudes and increased awareness due to the Royal Commission into Institutional Responses to Child Sexual Abuse. In addition, the introduction of the National Redress Scheme may also have had an impact on the quantum and reporting pattern of these claims.
- Child sexual assault claims are exempt from any time limits for access to counselling, recognition payments, justice-related and other out-of-pocket expenses. The lack of time limits has likely contributed to a lack of any stabilisation in claim lodgements.

23. Contingent liabilities and contingent assets (cont'd)

Victims Support Scheme – Incurred But Not Reported (IBNR) Claims (cont'd)

The plausible scenarios determined by the Actuary do not represent an upper or lower limit as to what the potential IBNR liability could be. Rather, each represents the Actuary's view of a particular plausible scenario depending on the valuation parameters used, and it is possible for combinations of scenarios to occur that would increase the range of outcomes.

The Actuary has also been unable to recommend a central estimate for the IBNR liability relating to child sexual assault nor estimate a probability of likelihood for each scenario due to the limited empirical evidence available to support any selection of probabilities, and hence is unable to determine a weighted average of the plausible scenarios.

Given the range of key uncertainties described above, the amount attributable to IBNR liabilities in respect of claims relating to child sexual assault under the VSS could reasonably lie within the range of $549 million to $1,071 million (2021: $493.0 million to $997.0 million). The increase in the range is driven by increases to counselling component, due to the introduction of an explicit allowance for future cost inflation in counselling rates and increases to utilisation and average cost assumptions for counselling. Whilst the Actuary is of the view that it is not possible to reliably estimate the IBNR liability as at 30 June 2022 for child sexual assault claims, this will be reassessed as the VSS matures and the experience for child sexual assault claims begins to stabilise.

Further details on the Victims Support Scheme are provided in Note 19 and Note 29.

Other Matters

(i) There is a potential liability regarding the placement of forensic patients in the correctional facilities. Following a court decision in the case of the State of NSW v TD 2013 NSWCA32, the State and Corrective Services NSW are exposed to further claims for damages arising from non-compliance with the lawful orders of a Court or the Mental Health Review Tribunal. However, the Department is not aware of any outstanding claims as at 30 June 2022.

(ii) The liability for the development of the Long Bay Hospital and Clarence Correctional Centre is based on a financing arrangement involving floating interest rate bank debt. The estimate value of the contingent liability cannot be fully determined because of uncertain future events.

Contingent assets

The Department does not have any contingent assets as at 30 June 2022 and 30 June 2021.

24. Budget Review

The budgeted amounts are drawn from the original budgeted financial statements presented to Parliament for the Department in respect of the reporting period. The John Williams Memorial Charitable Trust does not have a published budget and has not been included. Subsequent amendments to the original budget (e.g. adjustments for transfer of functions between entities as a result of Administrative Arrangement Orders) are not reflected in the budgeted amounts. Major variances between the original budgeted amounts and the actual amounts disclosed in the primary financial statements are explained below.

Net result

The actual net result was lower than budget by $58.5 million, primarily due to:

Expenses

Total expenses excluding losses were $2,456.0 million favourable to budget, driven mainly by:

Employee related expenses – favourable to budget by $120.7 million
The major variances to budget are due to the following items:

- Favourable: long service leave actuarial assessment of $94.6 million net gain, not reflected in the Department's original budget
- Favourable: $63.0 million of saving resulting from vacancies held in various business divisions due to Covid-19 impact offset by overspend in contractor expenses
- Unfavourable: additional pressures on workers compensation insurance expenses of $36.7 million.

Operating expenses – unfavourable to budget by $372.5 million
The major variances are a result of the differences between the financial statement account mapping and the account mapping in the budget and unbudgeted transactions, being:

- Unfavourable: Victim Compensation expenses of $88.0 million are mapped to Grants and Subsidies in the budget
- Unfavourable: $32.8 million of other expenses within Operating expenses are mapped to Other expenses in the budget
- Unfavourable: $25.0 million of unbudgeted growth in counselling, financial assistance, and recognition payments for victims of crime
- Unfavourable: $60.0 million outsourced management fee not budgeted
- Unfavourable: $63.0 million overspend in contractor expenses due to vacancies in various divisions
- Unfavourable: $38.0 million unbudgeted personal protective equipment spending offset by goods received free of charge from Ministry of Health
- Unfavourable: $41.9 million of Cloud Computing adjustment recorded in the various expense lines based on the nature of the expense not budgeted
- Unfavourable: $26.4 million of unbudgeted Treasury Managed Fund hindsight payment.

Depreciation and amortisation – favourable to budget by $50.6 million
The major variance to budget is the change in accounting treatment for configuration or customisation costs in cloud based computing arrangements, resulting in a reduction in depreciation and amortisation expenses.

Grants and subsidies – favourable to budget by $ $2,592.1 million
The major variance to budget is transfer payments to the National Disability Insurance Agency (NDIA) of $3,277.3 million not included in actual grants expenditure in accordance with *AASB 1050 Administered Items*.

Other significant variances to budget are due to the following items:

- Favourable: differences between the financial statement account mapping and the account mapping in the budget. Victims' compensation expenses of $88.0 million are mapped to grants and subsidies in the budget
- Unfavourable: cluster grants to cluster agencies were $298.2 million over budget due to budget adjustments approved by NSW Treasury
- Unfavourable: Out of Home Care program overspend in current year of $230.3 million
- Unfavourable: $226.7 million overspend in various grant programs offset by additional budget approved by Treasury during the year.

Finance costs – favourable to budget by $32.3 million
Mainly attributable to variances resulting from the remeasurement of service concession arrangements of $59.9 million in budget compared to actuals of $32.3 million.

24. Budget Review (cont'd)

Expenses (cont'd)

Other expenses – favourable to budget by $32.8 million
The variance is due to actual other expenses of $32.8 million which are mapped to other expenses in the budget being mapped to operating expenses in the Statement of Comprehensive Income.

Revenue

Total revenue was $2,582.0 million unfavourable to budget, driven by:

Appropriations – unfavourable to budget by $2,744.8 million
The major variance to budget is transfer payments to the National Disability Insurance Agency (NDIA) of $3,269.6 million not included in actual appropriation revenue in accordance with AASB *1050 Administered Items.*

Other significant variances to budget are due to the following items:
- Favourable: net budget adjustments to appropriations approved by NSW Treasury in the 2021-22 financial year of $731.6 million
- Unfavourable: appropriations paid to cluster agencies through cluster grants recognised as administered income of $134.1 million not included in appropriations actuals
- Favourable: Cluster Agencies not fully drawing down the approved budget of $69.4 million.

Sale of goods and services – unfavourable to budget by $1.3 million
The major variance is a result of the differences between the financial statement account mapping and the account mapping in the budget. Personnel services revenue of $84.8 million is mapped to sale of goods and services in the budget.

Other significant variances to budget are due to the following items:
- Favourable: Correctives Services Industries revenue was $12.7 million over budget due to an increase in production and sales
- Favourable: rental income is mapped to Investment revenue in the budget and other income in the financial statements, which was $5.5 million
- Favourable: unbudgeted Licence fee revenue offset against Outsourced Management Fee of $60 million.

Investment revenue – unfavourable to budget by $5.6 million
The major variance is a result of the difference between the financial statement account mapping and the account mapping in the budget. Rental income is mapped to Investment revenue in the budget and Sale of goods and services in the financial statements, which was $5.5 million.

Retained taxes, fees and fines – unfavourable to budget by $2.0 million
Attributable to an decrease in the receipt of restitution order and confiscation revenue for Victims Services of $2.0 million, compared to budget.

Grants and contributions - favourable to budget by $139.1 million
Mainly attributable to additional budget approvals by NSW Treasury of $92.6 million during the 2021-22 financial year and receipt of grant revenues that were not budgeted for and $38.0 million of personal protective equipment received free of charge from the Ministry of Health were not budgeted for.

Personnel services revenue – favourable to budget by $82.0 million
The variance is due to personnel services revenue of $84.8 million being mapped to Sale of goods and services in the budget.

Acceptance by the Crown of employee benefits and other liabilities – unfavourable to budget by $104.5 million
Mainly attributable to long service leave actuarial assessment of $94.6 million not reflected in the budget.

Other income – favourable to budget by $54.5 million
The major variance is a result of differences between the financial statement account mapping and the account mapping in the budget and unbudgeted transactions, being:
- Favourable: $15.7 million of additional NSW Treasury approved budget
- Favourable: $14.9 million of Treasury Managed Fund adjustment not budgeted for
- Favourable: $12.3 million of Insurance claim revenue not budgeted for
- Favourable: $8.6 million higher than expected miscellaneous income.

24. Budget Review (cont'd)

Loss on disposal and impairment reversal on financial assets – unfavourable to budget by $38.5 million
Loss on disposal was unfavourable to budget by $41.5 million and impairment reversal on financial assets was favourable to budget by $2.6 million mainly due to gain or loss items not budgeted for.

Other losses – favourable to budget by $106.4 million
Mainly attributable to the net gain of $104.5 million (inclusive of $87.5 million reversal of accumulated impairment provision) that was recorded from the derecognition of the right-of-use asset and lease liability with Property NSW as at 30 June 2022 not budgeted for.

Assets and liabilities

The major variances between original budget and actual assets and liabilities in the Statement of Financial Position are noted below:

Assets

Current Assets were favourable to budget by $71.4 million
Mainly attributable to increases in cash balances by $121.2 million and inventories by $3.0 million, offset by a decrease in receivables of $41.5 million and decrease in non-current assets held for sale of $11.2 million mainly due to the sale of Brewarrina and Ivanhoe correctional centres.

Non-Current Assets were unfavourable to budget by $316.7 million
Mainly attributable to increase in property, plant and equipment balances of $782.6 million due to an interim revaluation increment of $532.0 million and overall increase of $251.0 million of service concession assets, which were not reflected in the budget, offset by a decrease of $911.0 million in right-of-use assets balance mainly due derecognition of right-of-use assets of $633.5 million and a further $195.9 write-off of intangible assets.

Liabilities

Current Liabilities were favourable to budget by $53.9 million
Mainly attributable to decrease in borrowings due to derecognition of lease liabilities and decrease in provision due to victims' support scheme - 'lodged but not yet paid claims', offset by payables for operating expenditure increase.

Non-Current Liabilities were favourable to budget by $454.9 million
Mainly attributable to decrease in borrowings due to derecognition of lease liabilities offset by a net increase in the provisions for Victims Support Scheme IBNR and 'lodged but not yet paid claims'.

Cash flows

Cash flows from operating activities
Actual cash flows from operating activities are prepared inclusive of GST, whereas the budget is prepared exclusive of GST. As a result, the budget variances are overstated by the GST amount.

Further, the unfavourable budget results of $17.3 million in net cash flows from operating activities and of $8.5 million in net cash flows from financing activities were offset by a favourable budget result of $136.0 million in net cash flows from investing activities. These offsetting budget variations were mainly attributable to underspends in purchases of land and buildings, plant and equipment, and intangible assets.

25. Reconciliation of cash flows from operating activities to net result

	PARENT		CONSOLIDATED	
	2022 **$'000**	2021 Restated $'000	**2022** **$'000**	2021 Restated $'000
Reconciliation of cash flows from operating activities to net result as reported in the Statement of Comprehensive Income as follows:				
Net cash used on operating activities	475,423	507,528	475,409	507,470
Net loss on disposal of assets	(41,085)	(5,261)	(41,085)	(5,261)
Impairment loss on intangible assets	-	(9)	-	(9)
Impairment gain / (loss) on right-of-use assets	24	(52,291)	24	(52,291)
Gain / (loss) on disposal of right-of-use assets*	106,523	167	106,523	167
Intangible assets transferred to expense	(19,067)	-	(19,067)	-
Impairment loss on carrying value of property, plant and equipment	-	(592)	-	(592)
Impairment gain / (loss) on financial assets	2,574	(4,232)	2,574	(4,232)
Bad debts written off	(12)	(87)	(12)	(87)
Depreciation and amortisation	(439,928)	(446,697)	(440,090)	(446,837)
Unwinding of discount	(620)	(355)	(620)	(355)
Write back of unused make good provision	(17,874)	(3,617)	(17,874)	(3,617)
Decrease / (Increase) in creditors	(86,551)	111,492	(86,551)	111,492
Decrease / (Increase) in provisions	6,826	(161,235)	6,826	(161,235)
Increase / (decrease) in prepayments and other assets	(6,401)	21,680	(6,401)	21,680
Assets transferred to expense	(7,544)	(60,736)	(7,544)	(60,736)
Net result	**(27,712)**	(94,245)	**(27,888)**	(94,443)

* The gain / (loss) on disposal of right-of-use assets includes the net gain of $104.5 million (inclusive of $87.5 million reversal of accumulated impairment provision) from the derecognition of the right-of-use asset and lease liability with Property NSW as at 30 June 2022. Please refer to Note 13 and Note 18 for further details on the derecognition.

26. Financial instruments

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

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

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

De-recognition of financial assets and financial liabilities

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 the cash flows from the financial assets expire; or if the Department transfers its rights to receive cash flows from the asset or has assumed an obligation to pay the received cash flows in full without material delay to a third party under a ‘pass-through’ arrangement; and either:

- the Department has transferred substantially all the risks and rewards of the asset; or
- the Department has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control.

When the Department has transferred its rights to receive cash flows from an asset or has entered into a pass-through arrangement, it evaluates if, and to what extent, it has retained the risks and rewards of ownership.

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

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

A financial liability is derecognised when the obligation specified in the contract is discharged or cancelled or expires. When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as the de-recognition of the original liability and the recognition of a new liability. The difference in the respective carrying amounts is recognised in the net result.

26. Financial instruments (cont'd)

(i) Financial instrument categories

	Note	Category	PARENT		CONSOLIDATED	
			$'000		$'000	
Class: Financial Assets			**Carrying Amount**			
			2022	2021	**2022**	2021
Cash and cash equivalents	9	Amortised cost	227,705	122,937	229,014	124,260
Receivables[15]	10	Amortised cost	128,390	128,930	128,390	128,930
			356,095	251,867	**357,404**	253,190

Class: Financial Liabilities			**Carrying Amount**			
			2022	2021	**2022**	2021
Payables[16]	17	Financial liabilities measured at amortised cost	371,060	291,327	371,060	291,327
Other borrowings	18	Financial liabilities measured at amortised cost	-	149	-	149
Service concession financial liabilities	18	Financial liabilities measured at amortised cost	1,107,351	1,162,469	1,107,351	1,162,469
Lease liabilities	18	Financial liabilities measured at amortised cost	129,777	765,651	129,777	765,651
			1,608,188	2,219,596	**1,608,188**	2,219,596

The Department determines the classification of its financial assets and liabilities after initial recognition and, when allowed and appropriate, re-evaluates this at each financial year end.

(ii) Credit Risk

Credit risk arises when there is the possibility of the Department's debtors defaulting on their contractual obligations, resulting in a financial loss to the Department. The maximum exposure to credit risk is generally represented by the carrying amount of the financial assets (net of any allowance for credit losses and allowance for impairment).

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

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

The Department considers a financial asset in default when contractual payments are 90 days past due. However, in certain cases, the Department may also consider a financial asset to be in default when internal or external information indicates the Department is unlikely to receive the outstanding contractual amounts in full before taking into account any credit enhancements held by the Department.

[15] Excludes statutory receivables and prepayments (that is, not within scope of AASB 7 *Financial Instruments: Disclosures* (AASB 7)). Includes lease receivables.

[16] Excludes statutory payables and unearned revenue (that is, not within scope of AASB 7).

26. Financial instruments (cont'd)

(ii) Credit Risk (cont'd)

Cash and cash equivalents

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

Accounting policy for impairment of trade debtors and other financial assets

Receivables – trade receivables

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

The Department applies the AASB 9 simplified approach to measuring expected credit losses which uses a lifetime expected loss allowance for all trade receivables including lease receivables.

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

The expected loss rates are based on historical observed loss rates. The historical loss rates are adjusted to reflect management assumption and current and forward-looking information on macroeconomic factors affecting the ability of the customers to settle the receivables. The Department has identified the unemployment rate, wages growth rate and CPI inflation to be the most relevant factors, and accordingly adjusts the historical loss rates based on expected changes in these factors.

Trade receivables are written off when there is no reasonable expectation of recovery.

The loss allowance for trade receivables for the current and prior period was determined as follows:

PARENT AND CONSOLIDATED

Bond Receivables

2022 **$'000**	**Current**	**<30 days**	**30-60 days**	**61-90 days**	**>91 days**	**Total**
Expected credit loss rate	0.1%	95.9%	99.6%	100.0%	100.0%	-
Estimated total gross carrying amount	**7,459**	**6**	**5**	**7**	**2,618**	**10,095**
Expected credit loss	**7**	**6**	**5**	**7**	**2,618**	**2,643**

2021 $'000	**Current**	**<30 days**	**30-60 days**	**61-90 days**	**>91 days**	**Total**
Expected credit loss rate	0.1%	92.1%	100.0%	100.0%	100.0%	-
Estimated total gross carrying amount	8,582	14	9	13	3,032	11,650
Expected credit loss	8	13	9	13	3,032	3,075

26. Financial instruments (cont'd)

(ii) Credit Risk (cont'd)

PARENT AND CONSOLIDATED

Rental Receivables

2022 **$'000**	**Current**	**<30 days**	**30-60 days**	**61-90 days**	**>91 days**	**Total**
Expected credit loss rate	29.7%	47.4%	64.3%	100.0%	100.0%	-
Estimated total gross carrying amount	**320**	**(343)**	**570**	**171**	**1,949**	**2,667**
Expected credit loss	**95**	**(163)**	**366**	**171**	**1,949**	**2,418**

2021 $'000	**Current**	**<30 days**	**30-60 days**	**61-90 days**	**>91 days**	**Total**
Expected credit loss rate	43.2%	61.8%	76.5%	100.0%	100.0%	-
Estimated total gross carrying amount	1,639	1,005	814	604	4,640	8,702
Expected credit loss	708	621	623	604	4,640	7,196

PARENT AND CONSOLIDATED

Trades Receivables - Court

2022 **$'000**	**Current**	**<30 days**	**30-60 days**	**61-90 days**	**>91 days**	**Total**
Expected credit loss rate	9.8%	49.3%	87.2%	100.0%	100.0%	-
Estimated total gross carrying amount	**5,146**	**1,409**	**494**	**455**	**16,892**	**24,396**
Expected credit loss	**506**	**695**	**431**	**455**	**16,892**	**18,979**

2021 $'000	**Current**	**<30 days**	**30-60 days**	**61-90 days**	**>91 days**	**Total**
Expected credit loss rate	25.7%	75.8%	91.2%	100.0%	100.0%	-
Estimated total gross carrying amount	2,093	846	599	557	12,302	16,397
Expected credit loss	539	641	546	557	12,302	14,585

26. Financial instruments (cont'd)

(ii) Credit Risk (cont'd)

PARENT AND CONSOLIDATED

Trade Receivables - Correctional Centres

2022 $'000	**Current**	**<30 days**	**30-60 days**	**61-90 days**	**>91 days**	**Total**
Expected credit loss rate	4.9%	11.2%	57.3%	100.0%	100.0%	-
Estimated total gross carrying amount	**1,307**	**1,008**	**124**	**84**	**1,105**	**3,628**
Expected credit loss	**64**	**113**	**71**	**84**	**1,105**	**1,437**

2021 $'000	**Current**	**<30 days**	**30-60 days**	**61-90 days**	**>91 days**	**Total**
Expected credit loss rate	3.8%	6.5%	-	91.0%	100.0%	-
Estimated total gross carrying amount	1,229	142	(302)	10	1,380	2,459
Expected credit loss	47	9	-	9	1,380	1,445

PARENT AND CONSOLIDATED

Trade Receivables - Other

2022 $'000	**Current**	**<30 days**	**30-60 days**	**61-90 days**	**>91 days**	**Total**
Expected credit loss rate	2.5%	10.1%	27.9%	21.9%	100.0%	-
Estimated total gross carrying amount	**641**	**232**	**16**	**-**	**859**	**1,748**
Expected credit loss	**16**	**24**	**4**	**-**	**859**	**903**

2021 $'000	**Current**	**<30 days**	**30-60 days**	**61-90 days**	**>91 days**	**Total**
Expected credit loss rate	10.1%	14.2%	38.6%	76.5%	100.0%	-
Estimated total gross carrying amount	976	679	309	25	280	2,269
Expected credit loss	99	96	119	19	280	613

26. Financial instruments (cont'd)

(ii) Credit Risk (cont'd)

PARENT AND CONSOLIDATED

Other Receivables

2022 $'000	**Current**	**<30 days**	**30-60 days**	**61-90 days**	**>91 days**	**Total**
Expected credit loss rate	26.5%	63.2%	86.5%	100.0%	100.0%	-
Estimated total gross carrying amount	**378**	**130**	**6**	**26**	**667**	**1,207**
Expected credit loss	**100**	**82**	**6**	**26**	**667**	**881**

2021 $'000	**Current**	**<30 days**	**30-60 days**	**61-90 days**	**>91 days**	**Total**
Expected credit loss rate	28.0%	55.2%	-	-	100.0%	-
Estimated total gross carrying amount	2,530	38	(107)	(74)	1,904	4,291
Expected credit loss	708	21	-	-	1,904	2,633

Note: The analysis excludes statutory receivables and prepayments, as these are not within the scope of AASB 7. Therefore, the 'total' will not reconcile to the receivables total in Note 10.

The Department is not materially exposed to concentrations of credit risk to a single debtor or group of debtors as at 30 June 2022 and 2021.

Authority deposits

The Department has placed its Wards Trust funds on deposit with TCorp, which has been rated "AAA" by Standard and Poor's. These deposits are similar to money market or bank deposits and are placed for a fixed term. The interest rate payable by TCorp is negotiated initially and is fixed for the term of the deposit. There were no indicators for impairment on these securities during the year. Refer to Note 27 for details of Trust funds.

(iii) Liquidity Risk

Liquidity risk is the risk that the Department will be unable to meet its payment obligations when they fall due. The Department continuously manages risk through monitoring future cash flows, which coordinates the payment of creditors with cash inflows from the Crown and cash receipts from debtors. Liabilities are recognised for amounts due to be paid in the future for goods or services received, whether or not invoiced. Amounts owing to suppliers (which are unsecured) are settled in accordance with the policy set out in NSW TC11-12 *Payments of Accounts.* For small business suppliers, where terms are not specified, payment is made not later than 30 days from date of receipt of a correctly rendered invoice. For other suppliers, if trade terms are not specified, payment is made no later than the end of the month following the month in which an invoice or a statement is received. For small business suppliers, where payment is not made within the specified time period, simple interest must be paid automatically unless an existing contract specifies otherwise. For payments to other suppliers, the payment of simple interest is at the discretion of the Secretary. The rates of interest applied were 8.04% (2021: 8.10%) per annum for the quarter ended 30 September, 8.01% (2021: 8.10%) per annum for the quarter ended 31 December, 8.04% (2021: 8.02%) for the quarter ended 31 March and 8.07% (2021: 8.01%) for the quarter ended 30 June 2022.

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

26. Financial instruments (cont'd)

The table below summarises the maturity profile of the Department's financial liabilities based on contractual undiscounted payments, together with the interest rate exposure.

Maturity Analysis and interest rate exposure of financial liabilities

2022	Weighted average effective interest rate	Interest rate exposure				Maturity dates		
		Nominal Amount	Fixed Interest Rate	Variable Interest Rate	Non-Interest Bearing	< 1 year	1-5 years	> 5 years
		$'000	$'000	$'000	$'000	$'000	$'000	$'000
PARENT								
Payables:								
Accrued capital expenditure	-	26,541	-	-	26,541	26,541	-	-
Accrued grant expenditure	-	4,098	-	-	4,098	4,098	-	-
Accrued operating expenditure	-	245,398	-	-	245,398	245,398	-	-
Accrued salaries, wages and on-costs	-	56,692	-	-	56,692	56,692	-	-
Creditors	-	38,331	-	-	38,331	38,331	-	-
Borrowings:								
Other borrowings	3.24	-	-	-	-	-	-	-
Service concession financial liabilities	2.42	1,289,583	-	1,289,583	-	397,313	209,946	682,324
Lease liabilities	10.23	227,720	227,720	-	-	20,363	67,636	139,721
		1,888,363	**227,720**	**1,289,583**	**371,060**	**788,736**	**277,582**	**822,045**
CONSOLIDATED								
Payables:								
Accrued capital expenditure	-	26,541	-	-	26,541	26,541	-	-
Accrued grant expenditure	-	4,098	-	-	4,098	4,098	-	-
Accrued operating expenditure	-	245,398	-	-	245,398	245,398	-	-
Accrued salaries, wages and on-costs	-	56,692	-	-	56,692	56,692	-	-
Creditors	-	38,331	-	-	38,331	38,331	-	-
Borrowings:		-	-	-	-	-	-	-
Other borrowings	3.24	-	-	-	-	-	-	-
Service concession financial liabilities	2.42	1,289,583	-	1,289,583	-	397,313	209,946	682,324
Lease liabilities	10.23	227,720	227,720	-	-	20,363	67,636	139,721
		1,888,363	**227,720**	**1,289,583**	**371,060**	**788,736**	**277,582**	**822,045**

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

26. Financial instruments (cont'd)

Maturity Analysis and interest rate exposure of financial liabilities

2021	Weighted average effective interest rate	Interest rate exposure				Maturity dates		
		Nominal Amount Restated	Fixed Interest Rate	Variable Interest Rate	Non-Interest Bearing Restated	< 1 year Restated	1-5 years	> 5 years
		$'000	$'000	$'000	$'000	$'000	$'000	$'000
PARENT								
Payables:								
Accrued capital expenditure	-	28,830	-	-	28,830	28,830	-	-
Accrued grant expenditure	-	2,682	-	-	2,682	2,682	-	-
Accrued operating expenditure	-	189,408	-	-	189,408	189,408	-	-
Accrued salaries, wages and on-costs	-	45,275	-	-	45,275	45,275	-	-
Creditors	-	25,132	-	-	25,132	25,132	-	-
Borrowings:								
Other borrowings	3.24	149	149	-	-	149	-	-
Service concession financial liabilities	2.42	1,371,204	-	1,371,204	-	82,642	599,716	688,846
Lease liabilities	4.20	946,561	946,561	-	-	116,950	364,461	465,150
		2,609,241	**946,710**	**1,371,204**	**291,327**	**491,068**	**964,177**	**1,153,996**
CONSOLIDATED								
Payables:								
Accrued capital expenditure		28,830	-	-	28,830	28,830	-	-
Accrued grant expenditure		2,682	-	-	2,682	2,682	-	-
Accrued operating expenditure		189,408	-	-	189,408	189,408	-	-
Accrued salaries, wages and on-costs		45,275	-	-	45,275	45,275	-	-
Creditors		25,132	-	-	25,132	25,132	-	-
Borrowings:								
Other borrowings	3.24	149	149	-	-	149	-	-
Service concession financial liabilities	2.42	1,371,204	-	1,371,204	-	82,642	599,716	688,846
Lease liabilities	4.20	946,561	946,561	-	-	116,950	364,461	465,150
		2,609,241	**946,710**	**1,371,204**	**291,327**	**491,068**	**964,177**	**1,153,996**

26. Financial instruments (cont'd)

(iii) Market Risk

Market risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices. The Department's exposures to market risk are primarily through interest rate risk on the Department's borrowings. The Department has no exposure to foreign currency risk and does not enter into commodity contracts.

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

Interest Rate Risk

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. Exposure to interest rate risk arises primarily through the Department's interest-bearing liabilities. This risk is minimised by undertaking mainly fixed rate borrowings, primarily with NSW TCorp. The Department does not account for any fixed rate financial instruments at fair value through profit or loss or at fair value through other comprehensive income. Therefore, for these financial instruments, a change in interest rates would not affect the carrying value or interest paid/earned. A reasonably possible change of +/- 1% is used, consistent with current trends in interest rates (based on official RBA interest rate volatility over the last five years). The basis will be reviewed annually and amended where there is a structural change in the level of interest rate volatility.

The following table demonstrates the sensitivity to a reasonably possible change in interest rates:

	PARENT				CONSOLIDATED			
	2022	**2022**	2021	2021	**2022**	**2022**	2021	2021
	$'000	**$'000**	$'000	$'000	**$'000**	**$'000**	$'000	$'000
	-1%	**+1%**	-1%	+1%	**-1%**	**+1%**	-1%	+1%
Net result	**(279)**	**279**	(429)	429	**(279)**	**279**	(429)	429
Equity	**(279)**	**279**	(429)	429	**(279)**	**279**	(429)	429

(iv) Fair value measurement

i. Fair value compared to carrying amount

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

The Department does not hold financial assets or financial liabilities where their fair values differ from carrying amount.

ii. Fair value recognised in the Statement of Financial Position

Management assessed that cash, trade receivables, trade payables, and other current liabilities approximate their fair values, largely due to the short-term maturities of these instruments. The Department does not hold financial assets or financial liabilities that are valued at fair value using valuation techniques.

27. Trust Funds

The Department holds monies in trust, which represent funds belonging to parties involved in court cases, or amounts held in trust for third parties including inmates, Wards, persons in care.

The following is a summary of the transactions in the trust accounts.

(a) Ward trust fund

The Department holds money in bank trust accounts which are used for Ward persons in residential care.

	PARENT		CONSOLIDATED	
	2022	2021	**2022**	2021
	$'000	$'000	**$'000**	$'000
Cash at the beginning of the financial year	**45,629**	32,155	**45,629**	32,155
Add: Receipts	**527,012**	476,831	**527,012**	476,831
Less: Expenditure	**(511,169)**	(463,357)	**(511,169)**	(463,357)
Cash balance at the end of the financial year	**61,472**	45,629	**61,472**	45,629

(b) Client funds

The Department holds monies in bank trust accounts which are used for persons in residential care.

Cash at the beginning of the financial year	**-**	55	**-**	55
Add: Receipts	**-**	200	**-**	200
Less: Expenditure	**-**	(255)	**-**	(255)
Cash balance at the end of the financial year	**-**	-	**-**	-

The client funds accounts were closed during the 2021 year due to transfer of disability services.

(c) Inmates funds

The Department holds monies in trust, which represent funds belonging to inmates. Trust monies are held in public monies accounts on behalf of inmates. Interest earned is brought to account in the financial statements and used for the benefit of inmates.

Cash at the beginning of the financial year	**9,275**	7,611	**9,275**	7,611
Add: Receipts	**59,191**	62,228	**59,191**	62,228
Less: Expenditure	**(59,813)**	(60,564)	**(59,813)**	(60,564)
Cash balance at the end of the financial year	**8,653**	9,275	**8,653**	9,275

Recognition and measurement

The Department performs only a custodial role in respect of these monies, and because the monies cannot be used for the achievement of the Department's own objectives, these funds are not recognised in the financial statements.

In addition to the above, the Department holds monies outside of the Public Monies Account and invests them in accordance with various Court rules and orders.

For the Supreme Court, an amount of $159.6 million (2021: $173.1 million) is held outside the Department's Public Monies Account for Supreme Court matters and is invested with NSW Trustee and Guardian. This amount is not included in the above figures.

For the District Court, an amount of $24.2 million (2021: $19.1 million) is held outside the Department's Public Monies Account for District Court matters, being invested with NSW Trustee and Guardian, and represents suitors' monies that the District Court has ordered the Registrar to invest on behalf of the parties concerned and for the sole benefit of those parties. This amount is not included in the above figures.

Bail securities other than cash, are held by the Supreme Court, District Courts and Local Courts. *The Bail Act, 2013*, does not define security, so many things are put forward by persons as security, for example, land title documents, jewellery, motor vehicles, bills of sale, bank guarantees.

27. Trust Funds (cont'd).

For the Land and Environment Court, an amount of $Nil (2021: $0.1 million) is held outside the Department's Public Monies Account for the Land and Environment Court matters and is invested with NSW Trustee and Guardian. This amount is not included in the above figures.

The Department is liable for the monies it holds in trust.

28. Administered Assets and Liabilities

	PARENT		CONSOLIDATED	
	2022	2021	**2022**	2021
	$'000	$'000	**$'000**	$'000
Administered Assets				
In-kind receivables - NDIA	**189,093**	146,849	**189,093**	146,849
Other receivables	**23,315**	19,547	**23,315**	19,547
Less:				
Allowance for impairment	**(4,351)**	(3,731)	**(4,351)**	(3,731)
Total administered assets	**208,057**	162,665	**208,057**	162,665

Refer to Note 7 for further details on In-kind receivables - NDIA. Other receivables are mainly related to courts and transport fines recorded by the Department but not yet referred to Revenue NSW for collection at the end of the reporting period.

The Department has $Nil administered liabilities as at 30 June 2022 (2021: $Nil).

29. Victims Support Fund

The Victims Support Fund (previously named the Victims Compensation Fund) was constituted with an effective date of 1 February 1990, for the purpose of compensating victims for injuries resulting from acts of violence, witnesses to such acts, close relatives of deceased victims and to law enforcement victims. The affairs of the Victims Support Fund are managed by the Secretary, Department of Communities and Justice. The Victims Support Fund focuses on the immediate and ongoing support and treatment of victims with minimal reliance on lump sum payments. It provides support to victims of crime when they need it most and addresses support holistically.

Under the Victims Support Fund, clients are generally able to claim for various types of practical and financial support for a period of 2 to 10 years (with some exceptions). The Victims Support Fund is focused on building a package of care which may include some or all of the following:

1. Counselling
2. Financial assistance for immediate needs up to $5,000
3. Financial assistance for economic loss up to $30,000
4. Recognition payment based on the nature of the offence.

All transactions relating to victims support, as reflected in these financial statements, flow through the Victims Support Fund.

Collections payable to the Fund include:

- Restitution payments by offenders
- Monies collected under the *Confiscation of Proceeds of Crime Act, 1989*
- Monies required to be credited to the Fund under the *Criminal Assets Recovery Act 1990*
- Victims' support levies collected under section 106 of the *Victims Rights and Support Act 2013* by the Supreme Court, Drug, Local and Children's Courts, Land and Environment Court and the Industrial Relations Commission.

Further details on the Victims Support Scheme are provided in Note 19 and Note 23.

30. Related party disclosures

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

	PARENT		CONSOLIDATED	
	2022	2021	**2022**	2021
	$'000	$'000	**$'000**	$'000
Short-term employee benefits	**3,786**	3,187	**3,786**	3,187
Other long-term employee benefits	**118**	112	**118**	112
Post-employment benefits	**366**	292	**366**	292
Termination benefits	**-**	-	**-**	-
Total remuneration	**4,270**	3,591	**4,270**	3,591

The Department did not enter into any transactions with key management personnel, their close family members and controlled or jointly controlled entities thereof.

During the year, the Department entered into transactions with other entities that are controlled/jointly controlled/significantly influenced by the NSW Government. These transactions in aggregate are a significant portion of the Department's rendering of services and receiving of services.

These transactions include:

- Long Service Leave and Defined Benefit Superannuation assumed by the Crown
- Appropriations (and subsequent adjustments to appropriations)
- Transactions relating to the Treasury Banking System
- Employer contributions paid to Defined Benefit Superannuation funds
- Receipts from the provision of personnel and related services to Stronger Communities cluster agencies
- Grants paid to Stronger Communities cluster agencies
- Payments into the Treasury Managed Fund for workers' compensation insurance and other insurances.

The Department did not have any related party transactions with the Cluster portfolio Ministers during the financial year.

31. COVID-19 disclosures

The COVID-19 global pandemic developed rapidly in 2020 and had major impact on individuals, businesses and the government sector. The primary area of heightened risk from COVID-19 is to the Department's workforce, in both public-facing and office-based roles, as well as for vulnerable client groups supported by the Department. As a result, significant focus has been placed on managing work health and safety risks, physical, mental and social. Most office-based staff were moved to working from home arrangements during the lockdown periods in 2020 and 2021, and when major outbreaks occurred, such as the Omicron outbreak between January to March 2022. Frontline staff have also been provided with guidance and direction in relation to hygiene, vaccination, travel, illness prevention, and flexible working arrangements.

Measures taken to contain the pandemic have affected NSW's economy and the Department's activities in various ways. As the pandemic evolved in 2021, the Department continued to support the health and safety of its staff, built on experience and adapted services to provide ongoing support to customers. With the easing of restrictions in early 2022 and the opening of the new central office at 6 Parramatta Square, the Department has accelerated return to workplace plans across all divisions consistent with COVID-safe workplace measures.

Whilst it is difficult to quantify the financial impact of COVID-19, the Department has identified where possible, the impact of COVID-19 on its revenue, expenditure, assets and liabilities:

COVID-19 IMPACT ON STATEMENT OF COMPREHENSIVE INCOME

	Notes	PARENT		CONSOLIDATED	
		2022	2021	**2022**	2021
		$'000	$'000	**$'000**	$'000
Expenses excluding losses					
Employee related expenses	2(a)	**45,626**	30,266	**45,626**	30,266
Operating expenses	2(b)	**94,141**	46,261	**94,141**	46,261
Grants and subsidies	2(d)	**479,735**	320,480	**479,735**	320,480
Total expenses excluding losses		**619,502**	397,007	**619,502**	397,007
Revenue					
Appropriation and transfers to Crown	3(a)	**547,833**	428,061	**547,833**	428,061
Sale of goods and services from contracts with customers	3(b)	**-**	1	**-**	1
Grants and other contributions	3(e)	**52,680**	11,068	**52,680**	11,068
Acceptance by the Crown of employee benefits and other liabilities	3(g)	**(186)**	-	**(186)**	-
Total revenue		**600,327**	439,130	**600,327**	439,130
Operating result		**(19,175)**	42,123	**(19,175)**	42,123
Other losses	5	**-**	(44,761)	**-**	(44,761)
Net result from continuing operations		**(19,175)**	(2,638)	**(19,175)**	(2,638)

31. COVID-19 disclosures (cont'd)

COVID-19 IMPACT ON STATEMENT OF FINANCIAL POSITION

		2022 $'000	2021 $'000	2022 $'000	2021 $'000
Non-Current Assets					
Property, plant and equipment	12				
Land and buildings		**26,460**	17,928	**26,460**	17,928
Plant and equipment		**68,811**	28,315	**68,811**	28,315
Total property, plant and equipment[17]		**95,271**	46,243	**95,271**	46,243
Intangible assets	14	**28,188**	12,000	**28,188**	12,000
Right-of-use assets - Accumulated Impairment Loss	13	**-**	(80,017)	**-**	(80,017)
Total Non-Current Assets		**123,459**	(21,774)	**123,459**	(21,774)
Total Assets		**123,459**	(21,774)	**123,459**	(21,774)
LIABILITIES					
Current Liabilities					
Payables	17	**7,091**	3,299	**7,091**	3,299
Total Current Liabilities		**7,091**	3,299	**7,091**	3,299
Net Assets		**116,368**	(25,073)	**116,368**	(25,073)

[17] The amount of property, plant and equipment is gross and does not include depreciation.

The net results and operations of the Department at 30 June 2022, has not been significantly impacted by COVID-19, mainly due to receipt of COVID-19 stimulus funding.

The judgements, key assumptions and estimations applied to the financial statements as listed below, have not been impacted by COVID-19, other than as described in detail in Note 13 in relation to the impairment losses for right of use assets.

- Expected Credit Loss allowance (Note 10): There is no additional allowances for expected credit losses due to COVID-19 at 30 June 2022, as collections were not impacted
- Inventories (Note 11): There is no additional write down to net realisable value for inventories due to COVID-19 at 30 June 2022
- Property, Plant and Equipment and Fair value measurement of non-financial assets (Note 12 and 13): Nil impact to fair value of property, plant and equipment, mainly due to conditions and useful life of long lived revalued assets or depreciated assets are unlikely to change due to the pandemic. The Department does not have assets measured at fair value using the income-based approach that would be impacted by the pandemic
- Payables, borrowings, provisions and other liabilities (Note 17 - 20): There is no material impact, other than those in the normal course of business.

32. Events after the reporting period

The Department is not aware of any events since balance date that would materially affect the disclosures outlined in these financial statements.

End of audited financial statements

1.2 John Williams Memorial Charitable Trust

Financial statements for the year ended 30 June 2022

INDEPENDENT AUDITOR'S REPORT

John Williams Memorial Charitable Trust

To Members of the New South Wales Parliament

Opinion

I have audited the accompanying financial statements of the John Williams Memorial Charitable Trust (the Trust), which comprise the Statement by the Accountable Authority, the Statement of Comprehensive Income for the year ended 30 June 2022, the Statement of Financial Position as at 30 June 2022, the Statement of Changes in Equity and the Statement of Cash Flows, for the year then ended, notes comprising a Statement of Significant Accounting Policies, and other explanatory information.

In my opinion, the financial statements:

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

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

Basis for Opinion

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

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

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

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

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

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

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

Level 19, Darling Park Tower 2, 201 Sussex Street, Sydney NSW 2000
GPO Box 12, Sydney NSW 2001 | **t** 02 9275 7101 | mail@audit.nsw.gov.au | audit.nsw.gov.au

The Secretary's Responsibilities for the Financial Statements

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

In preparing the financial statements, the Secretary is responsible for assessing the Trust's ability to continue as a going concern, disclosing as applicable, matters related to going concern and using the going concern basis of accounting.

Auditor's Responsibilities for the Audit of the Financial Statements

My objectives are to:

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

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

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

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

- that the Trust carried out its activities effectively, efficiently and economically
- about the security and controls over the electronic publication of the audited financial statements on any website where they may be presented
- about any other information which may have been hyperlinked to/from the financial statements.

Chris Harper
Director, Financial Audit

Delegate of the Auditor-General for New South Wales

13 October 2022
SYDNEY

Contents

JOHN WILLIAMS MEMORIAL CHARITABLE TRUST

Statement by the Accountable Authority

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

- have been prepared in accordance with the Australian Accounting Standards and the applicable requirements of the Act, the *Government Sector Finance Regulation 2018* and the Treasurer's directions, and
- present fairly John Williams Memorial Charitable Trust's financial position, financial performance and cash flows.

Michael Tidball
Secretary
12 October 2022

Andrew Simpson
Acting Chief Financial Officer
12 October 2022

John Williams Memorial Charitable Trust
STATEMENT OF COMPREHENSIVE INCOME
For the year ended 30 June 2022

	Notes	Actual 2022 $'000	Actual 2021 $'000
Expenses excluding losses			
Operating expenses	2	**168**	162
Depreciation	3	**162**	140
Total expenses excluding losses		**330**	302
Revenue			
Investment revenue	4(a)	**2**	2
Rent income	4(b)	**152**	102
Total revenue		**154**	104
Net result		**(176)**	(198)
Total other comprehensive income	6(a)	**1,057**	690
TOTAL COMPREHENSIVE INCOME		**881**	492

The accompanying notes form part of these financial statements.

John Williams Memorial Charitable Trust
STATEMENT OF FINANCIAL POSITION
As at 30 June 2022

	Notes	Actual 2022 $'000	Actual 2021 $'000
ASSETS			
Current assets			
Cash and cash equivalents	5	**1,309**	1,323
Total current assets		**1,309**	1,323
Non-current assets			
Property, plant and equipment			
- Land and buildings	6	**11,145**	10,250
Total property, plant and equipment		**11,145**	10,250
Total non-current assets		**11,145**	10,250
Total assets		**12,454**	11,573
LIABILITIES			
Current liabilities			
Accrued expense		**-**	-
Total current liabilities		**-**	-
Total liabilities		**-**	-
Net assets		**12,454**	11,573
EQUITY			
Reserves		**2,570**	1,513
Accumulated funds		**9,884**	10,060
Total equity		**12,454**	11,573

The accompanying notes form part of these financial statements.

John Williams Memorial Charitable Trust
STATEMENT OF CHANGES IN EQUITY
For the year ended 30 June 2022

	Notes	Accumulated Funds $'000	Asset Revaluation Surplus $'000	Total Equity $'000
Balance at 1 July 2021		**10,060**	**1,513**	**11,573**
Net result for the year		**(176)**	**-**	**(176)**
Total other comprehensive income	6(a)	**-**	**1,057**	**1,057**
Total comprehensive income for the year		**(176)**	**1,057**	**881**
Balance at 30 June 2022		**9,884**	**2,570**	**12,454**

	Notes	Accumulated Funds $'000	Asset Revaluation Surplus $'000	Total Equity $'000
Balance at 1 July 2020		10,258	823	11,081
Net result for the year		(198)	-	(198)
Total other comprehensive income	6(a)	-	690	690
Total comprehensive income for the year		(198)	690	492
Balance at 30 June 2021		10,060	1,513	11,573

The accompanying notes form part of these financial statements.

John Williams Memorial Charitable Trust
STATEMENT OF CASH FLOWS
For the year ended 30 June 2022

	Notes	**Actual 2022 $'000**	Actual 2021 $'000
Cash flows from operating activities			
Payments			
Auditors remuneration and maintenance expense		**(168)**	(162)
Total payments		**(168)**	(162)
Receipts			
Interest received		**2**	2
Rent income		**152**	102
Total receipts		**154**	104
Net cash flows used in operating activities	9	**(14)**	(58)
Net (decrease) in cash and cash equivalents		**(14)**	(58)
Opening cash and cash equivalents		**1,323**	1,381
Closing cash and cash equivalents	5	**1,309**	1,323

The accompanying notes form part of these financial statements.

1. Summary of Significant Accounting Policies

a. Reporting entity

The Crown in the right of the State of NSW is the trustee of the John Williams Memorial Charitable Trust (the Trust). In 2005, the Director-General of the Department of Ageing, Disability and Home Care now known as the Department of Communities and Justice (DCJ), determined Ageing, Disability and Home Care (ADHC), as an emanation of the Crown, was authorised to administer the Trust. Effective from 1 July 2009, the Secretary, formerly known as the Director-General of the Department of Human Services (DHS), became administrator of the Trust, as a result of the *Public Sector Employment and Management (Departmental Amalgamations) Order 2009*. In December 2010, pursuant to S12 of the *Charitable Trusts Act 1993*, the administration of the Trust was transferred from the Secretary, formerly known as Director General of DHS, to the Deputy Secretary of ADHC.

Effective from 3 April 2011, DHS changed its name to the Department of Family and Community Services (FACS) as a result of the *Public Sector Employment and Management (Departments) Order 2011*. In the absence of the Deputy Secretary of ADHC, the administration of the Trust was reverted to the Secretary of FACS.

Subsequently, effective from 1 July 2019:
- FACS was abolished
- The persons employed in the FACS were transferred to the Department of Communities and Justice (DCJ)
- The administration of the Trust was reverted from the Secretary of FACS to the Secretary of DCJ

as a result of the *Administrative Arrangements (Administrative Changes – Public Service Agencies) Order 2019*.

The purpose of the Trust is to provide respite care and accommodation for children with disabilities. The Trust accomplishes this purpose by providing properties to be used for this purpose by children with a disability.

The Trust is a not-for-profit entity (as profit is not its principal objective) and it has no cash generating units. The reporting entity is consolidated as part of the DCJ financial statements and the NSW Total State Sector Financial Statements.

These financial statements for the year ended 30 June 2022 have been authorised for issue by the Secretary, Department of Communities and Justice, on 12 October 2022.

b. Basis of preparation

The Trust’s financial statements are general purpose financial statements which have been prepared on an accrual basis and in accordance with:
- applicable Australian Accounting Standards (including Australian Accounting Interpretations).
- the requirements of the *Government Sector Finance Act 2018* (the GSF Act); and
- Treasurer’s Directions issued under the GSF Act.

The Trust's financial statements have been prepared on a going concern basis.

Property, plant and equipment and financial assets at ‘fair value through profit and loss’ are measured at fair value. Other financial statement items are prepared in accordance with the historical cost convention.

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

Refer to Note 13 for any significant judgements or management assumptions used which may be impacted by the COVID-19 global pandemic.

All amounts are rounded to the nearest one thousand dollars and are expressed in Australian currency.

1. Summary of Significant Accounting Policies (continued)

c. Statement of Compliance

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

d. Equity and reserves

i. Revaluation surplus

The revaluation surplus is used to record increments and decrements on the revaluation of non-current assets. This accords with the Trust's policy on the revaluation of property, plant and equipment as discussed in Note 6.

ii. Accumulated funds

The category "accumulated funds" includes all current and prior period retained funds.

e. Comparative information

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

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

i. Effective for the first time in 2021-22

The accounting policies applied in 2021-22 are consistent with those of the previous financial year.

ii. Issued but not yet effective

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

The following new Accounting Standards have not been applied and are not yet effective as per NSW Treasury Policy and Guidelines TPG22-07.

- AASB 2020-1 Amendments to Australian Accounting Standards – *Classification of Liabilities as Current or Non-current*
- AASB 2020-6 Amendments to Australian Accounting Standards – *Classification of Liabilities as Current or Non-current – Deferral of Effective Date*
- AASB 2021-2 Amendments to Australian Accounting Standards – *Disclosure of Accounting Policies and Definition of Accounting Estimates*
- AASB 2021-6 Amendments to Australian Accounting Standards – *Disclosure of Accounting Policies: Tier 2 and Other Australian Accounting Standards*
- AASB 2021-7a,b,c Amendments to Australian Accounting Standards – *Effective Date of Amendments to AASB 10 and AASB 128 and Editorial Corrections*

The Trust has assessed the impact of the new standards and interpretations on issue but not yet effective where relevant and considers the impact to be not material.

2. Operating expenses

	2022 $'000	2021 $'000
Auditors remuneration - audit of financial statements	**17**	17
Maintenance expense	**151**	145
	168	162

Recognition and Measurement
Maintenance
Maintenance costs are charged as expenses per the terms of the Provider Lease Agreement, except where they relate to the replacement of a part or component of an asset, in which case the costs are capitalised and depreciated.

3. Depreciation

	2022 $'000	2021 $'000
Buildings	**162**	140
	162	140

4. Revenue

The responsible Minister for each GSF agency is taken to have been given an appropriation out of the Consolidated Fund under the authority s4.7 of the *Government Sector Finance Act*, at the time the GSF agency receives or recovers any deemed appropriation money, for an amount equivalent to the money that is received or recovered by the GSF agency. The spending authority of the responsible Minister from deemed appropriation money has been delegated or sub-delegated to officers of the Trust for its own services.

The delegation/sub-delegations for FY21/22 and FY20/21, authorising officers of the Trust to spend Consolidated Fund money, impose limits to the amounts of individual transactions, but not the overall expenditure of the Trust. The individual transaction limits have been properly observed. The Trust did not receive any appropriation out of the Consolidated Fund money in the current year and prior year.

a. Investment revenue

	2022 $'000	2021 $'000
Interest received on bank account	**2**	2
	2	2

The Trust's banker pays interest on the aggregate net credit daily balance of the bank account. The interest rate is varied by the bank in line with money market rate movements and is credited to the individual account on a monthly basis.

Recognition and Measurement
Investment revenue
Interest revenue is recognised using the effective interest rate to the gross carrying amount of a financial asset except for financial assets that subsequently become credit-impaired. For financial assets that become credit-impaired the effective interest rate is applied to the amortised cost of the financial assets.

4. Revenue (Continued)

b. Rent income

	2022 **$'000**	2021 $'000
Rent income	**152**	102
	152	102

Recognition and Measurement
Rent Income
Rent is recognised as revenue on a straight-line basis over the term of the lease and in accordance with AASB 16 *Leases*.

5. Cash and Cash Equivalents

	2022 **$'000**	2021 $'000
Cash at bank	**1,309**	1,323
	1,309	1,323

For the purposes of the Statement of Cash Flows, cash and cash equivalents include cash at bank, cash on hand, short-term deposits with original maturities of three month or less or is subject to an insignificant risk of changes in value and bank overdraft.

Cash and cash equivalent assets recognised in the Statement of Financial Position are reconciled at the end of the financial year to the Statement of Cash Flows as follows:

	2022 **$'000**	2021 $'000
Cash and cash equivalents (per Statement of Financial Position)	**1,309**	1,323
Closing cash and cash equivalents (per Statement of Cash Flows)	**1,309**	1,323

Refer to Note 11 for details regarding credit risk and market risk arising from financial instruments.

6. Property, plant, and equipment
a. Total property, plant, and equipment

	Land and Buildings $'000	Total $'000
At 1 July 2021 - At fair value		
Gross carrying amount	**11,058**	**11,058**
Accumulated depreciation and impairment	**(808)**	**(808)**
Net carrying amount	**10,250**	**10,250**
At 30 June 2022 - fair value		
Gross carrying amount	**12,077**	**12,077**
Accumulated depreciation and impairment	**(932)**	**(932)**
Net carrying amount	**11,145**	**11,145**

Reconciliation
A reconciliation of the carrying amount of each class of property, plant and equipment at the beginning and end of the current reporting period is set out below:

	Land and Buildings $'000	Total $'000
Year ended 30 June 2022		
Net carrying amount at the beginning of the year	**10,250**	**10,250**
Net change in revaluation surplus of property, plant and equipment	**1,057**	**1,057**
Depreciation expense	**(162)**	**(162)**
Net carrying amount at end of year	**11,145**	**11,145**

All of the above land and buildings are under operating leases where the Trust is the lessor.

	Land and Buildings $'000	Total $'000
At 1 July 2020 – fair value		
Gross carrying amount	10,503	10,503
Accumulated depreciation and impairment	(803)	(803)
Net carrying amount	9,700	9,700
At 30 June 2021 – fair value		
Gross carrying amount	11,058	11,058
Accumulated depreciation and impairment	(808)	(808)
Net carrying amount	10,250	10,250

Reconciliation
A reconciliation of the carrying amount of each class of property, plant and equipment at the beginning and end of the reporting period is set out below:

	Land and Buildings $'000	Total $'000
Year ended 30 June 2021		
Net carrying amount at the beginning of the year	9,700	9,700
Net change in revaluation surplus of property, plant and equipment	690	690
Depreciation expense	(140)	(140)
Net carrying amount at end of year	10,250	10,250

6. Property, plant, and equipment (Continued)
b. Property, plant, and equipment held and used by the entity

There are Nil property, plant and equipment held and used by the Trust.

c. Property, plant and equipment where entity is lessor under operating leases

All property, plant and equipment included in Note 6(a) above, are under operating leases where the Trust is the lessor.

Recognition and Measurement
Acquisition of assets
Assets acquired are initially recognised at cost. Cost is the amount of cash or cash equivalents paid or the fair value of the other consideration given to acquire the asset at the time of its acquisition or construction or, where applicable, the amount attributed to that asset when initially recognised in accordance with the requirements of other Australian Accounting Standards.

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

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

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

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

Revaluation of property, plant and equipment
Physical non-current assets are valued in accordance with the *Valuation of Physical Non-Current Assets at Fair Value* Policy and Guidelines Paper (TPP21-09) and Treasurer's Direction *Valuation of Physical Non-Current Assets at Fair Value'* (TD21-05). TD21-05 and TPP21-09 adopt fair value in accordance with AASB 13 *Fair Value Measurement*, AASB 116 *Property, Plant and Equipment* and AASB 140 *Investment Property*.

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

Fair value of property, plant and equipment is based on a market participants' perspective, using valuation techniques (market approach, cost approach, income approach) that maximise relevant observable inputs and minimise unobservable inputs. Also refer to Note 7 for further information regarding fair value.

Revaluations are made with sufficient regularity to ensure the carrying amount of each asset in the class does not differ materially from its fair value at reporting date. The Trust conducts a comprehensive revaluation at least every three years for its land and buildings. The last comprehensive revaluation of the Trust's land and building was completed as at 31 March 2021 by a qualified independent valuer.

Interim revaluations are conducted between comprehensive revaluations where cumulative changes to indicators suggest fair value may differ materially from carrying value. The Trust used an external professionally qualified valuer to conduct the interim fair value assessment for land and buildings as at 30 June 2022.

The effect on valuation of the land and building assets due to the outbreak of COVID-19 is discussed in Note 13.

Non-specialised assets with short useful lives are measured at depreciated historical cost, as a surrogate for fair value.

6. Property, plant and equipment (Continued)

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

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

Revaluation increments are credited directly to revaluation surplus, except that, to the extent that an increment reverses a revaluation decrement in respect of that class of asset previously recognised as an expense in the net result, the increment is recognised immediately as revenue in the net result.

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

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

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

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

Impairment of property, plant and equipment
As a not-for-profit entity with no cash generating units, impairment under AASB 136 *Impairment of Assets* is unlikely to arise. As property, plant and equipment is carried at fair value, impairment can only arise in the rare circumstances where the costs of disposal are material. As a not-for-profit entity, an impairment loss is recognised in net result to the extent the impairment loss exceeds the amount in the revaluation surplus for the class of asset.

Depreciation of property, plant and equipment
Depreciation is provided for on a straight-line basis for all depreciable assets so as to write off the depreciable amount of each asset as it is consumed over its useful life to the Trust.

The estimated useful lives of the Trust's depreciable assets used for each class of assets are as follows:

Asset Class	Estimated Useful Life
Land	Infinite - not depreciated
Buildings	34 to 42 years

Major inspection costs
When each major inspection is performed, the labour cost of performing major inspections for faults is recognised in the carrying amount of an asset as a replacement of a part, if the recognition criteria are satisfied. In all other circumstances, the labour costs are expensed.

7. Fair value measurement of non-financial assets
a. Fair value hierarchy

2022	Level 1 $'000	Level 2 $'000	Level 3 $'000	Total $'000
Property, plant, and equipment				
Land and buildings	**-**	**5,964**	**5,181**	**11,145**
	-	**5,964**	**5,181**	**11,145**

2021	Level 1 $'000	Level 2 $'000	Level 3 $'000	Total $'000
Property, plant, and equipment				
Land and buildings	-	5,423	4,827	10,250
	-	5,423	4,827	10,250

7. Fair value measurement of non-financial assets (Continued)

b. Valuation techniques, inputs and processes

A comprehensive revaluation of all the Trust's properties has been performed by an external professionally qualified valuer as at 31 March 2021. A full valuation is conducted every three years and in the intervening periods relevant indexation factors are used as an estimate of fair value. The Trust's land and building assets were revalued as at 30 June 2022 by application of relevant indices provided by an external valuer.

Level	Asset class	Valuation technique	Inputs	Processes
2	Land - homes - with minor modification	Market approach	Observable inputs - recent sales considering matters such as zoning, location, topography, aspect, frontage, size, shape, date of valuation and current market sentiment.	Direct comparison approach against recent sales considering matters such as zoning, location, topography, aspect, frontage, size, shape, date of valuation and current market sentiment.
3	Land - with purpose built or significantly modified buildings	Market approach	Observable inputs - recent sales in the residential property market considering matters such as zoning, location, topography, aspect, frontage, size, shape, date of valuation and current market sentiment. Unobservable inputs - buildings on the land are either purpose built or significantly modified and as land and building are considered as one complete asset for existing use purposes, these assets are measured at level 3.	Direct comparison approach against recent sales considering matters such as zoning, location, topography, aspect, frontage, size, shape, date of valuation and current market sentiment.
2	Buildings - homes with minor modification	Market approach	Observable inputs - recent sales of comparable properties with adjustment for condition, location, comparability etc.	Visual inspection of the properties and assessment against recent sales of comparable properties with adjustment for condition, location, comparability etc.
3	Buildings - purpose built or significantly modified homes	Cost approach using costs incurred in the construction of purpose built or significantly modified properties	Observable inputs - actual construction costs are used for these purpose built and significantly modified buildings located on residential land. Unobservable inputs – the highly modified and costly nature of the buildings positioned on residential land and utilised for mandated services.	Actual construction costs are checked against the latest Rawlinsons Construction Handbook, Australian Bureau Statistics and external valuer's quantity surveyor.

7. Fair value measurement of non-financial assets (Continued)

c. Reconciliation of recurring Level 3 fair value measurements

2022	**Land and Buildings $'000**	**Total $'000**
Fair value as at 1 July 2021	**4,827**	**4,827**
Revaluation increments recognised in other comprehensive income	**418**	**418**
Depreciation	**(64)**	**(64)**
Fair value as at 30 June 2022	**5,181**	**5,181**

2021	**Land and Buildings $'000**	**Total $'000**
Fair value as at 1 July 2020	4,573	4,573
Revaluation increments recognised in other comprehensive income	318	318
Depreciation	(64)	(64)
Fair value as at 30 June 2021	4,827	4,827

Recognition and Measurement
Fair value measurement and hierarchy

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

A number of the Trust's accounting policies and disclosures require the measurement of fair values, for both financial and non-financial assets and liabilities. When measuring fair value, the valuation technique used maximises the use of relevant observable inputs and minimises the use of unobservable inputs. Under AASB 13, the Trust categorises, for disclosure purposes, the valuation techniques based on the inputs used in the valuation techniques as follows:

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

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

8. Contingent Liabilities and Contingent Assets

The Trust has no contingent liabilities and contingent assets at 30 June 2022 (2021: $Nil).

9. Reconciliation of Cash Flows from Operating Activities to Net Result

	2022 $'000	2021 $'000
Net cash used in operating activities	**(14)**	(58)
Depreciation	**(162)**	(140)
Net result for the year	**(176)**	(198)

10. Commitments

Capital commitments
The Trust has no capital expenditure commitments as at 30 June 2022 (2021: $Nil).

11. Financial instruments

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

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

The Secretary of the Department of Communities and Justice has responsibility for the establishment and oversight of risk management and reviews and agrees policies for managing each of these risks.

a. Financial instrument categories

i. As at 30 June 2022

Financial Assets	Note	Category	Carrying Amount 2022 $'000
Class:			
Cash and cash equivalents	5	Amortised cost	**1,309**

ii. As at 30 June 2021

Financial Assets	Note	Category	Carrying Amount 2021 $'000
Class:			
Cash and cash equivalents	5	Amortised cost	1,323

b. Credit risk

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

Credit risk arises from the financial assets of the Trust, including cash. No collateral is held by the Trust. The Trust has not granted any financial guarantees. Credit risk associated with the Trust's financial assets, is managed through the selection of counterparties and establishment of minimum credit rating standards.

11. Financial instruments (Continued)

Cash

Cash comprises cash on hand and bank balances with Westpac Bank. Interest was earned on daily bank balances at the monthly average TCorp 11am unofficial cash rate, adjusted for a management fee to NSW Treasury.

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

The Trust has no debtors as at 30 June 2022 (2021: $Nil).

c. Liquidity risk

Liquidity risk is the risk that the Trust will be unable to meet its payment obligations when they fall due. The Trust continuously manages risk through monitoring future cash flows and maturities planning to ensure adequate holding of high-quality liquid assets. The objective is to maintain continuity of funding.

No assets have been pledged as collateral. The Trust’s exposure to liquidity risk is deemed insignificant based on prior periods’ data and current assessment of risk.

The Trust has no liabilities as at 30 June 2022 (2021: $Nil).

d. Market risk

Market risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices. The Trust’s exposure to market risk is primarily through interest rate risk on the Trust’s cash balances. The Trust has no exposure to foreign currency risk and does not enter into commodity contracts.

The effect on profit and equity due to a reasonably possible change in risk variable is outlined in the information below, for interest rate risk and other price risk. A reasonably possible change in risk variable has been determined after taking into account the economic environment in which the Trust operates and the time frame for the assessment (i.e. until the end of the next annual reporting period). The sensitivity analysis is based on risk exposures in existence at the Statement of Financial Position date. The analysis is performed on the same basis for 2022. The analysis assumes that all other variables remain constant.

e. Interest rate risk

Interest rate risk is the risk that the value of financial instruments will fluctuate due to changes in market interest rates. A reasonably possible change of +/- 1% is used, consistent with current trends in interest rates (based on official RBA interest rate volatility over the last five years). The basis will be reviewed annually and amended where there is a structural change in the level of interest rate volatility. The Trust’s exposure to interest rate risk is set out below.

	2022 $'000		2021 $'000	
	(1%)	**+1%**	(1%)	+1%
Net Result	**(13)**	**13**	(13)	13
Equity	**(13)**	**13**	(13)	13

The interest change due to the outbreak of COVID-19 is discussed in Note 13.

f. Fair value measurement

Fair value compared to carrying amount
Financial instruments are generally recognised at amortised cost.

The amortised cost of financial instruments recognised in the statement of financial position approximates the fair value, because of the short-term nature of many of the financial instruments.

12. Related party disclosures

A related party is a person or entity that is related to the entity that is preparing financial statements. As a controlled entity of the Department of Communities and Justice (DCJ), the Trust is a related party of all NSW Government controlled agencies and State-Owned Corporations.

a. Key Management Personnel

In accordance with AASB 124 *Related party disclosures,* Key Management Personnel (KMP) are those having authority and responsibility for planning, directing and controlling the activities of the entity including whether executive or otherwise.

The Ministers and the Executive Board comprising the Secretary and Deputy Secretaries have been identified as the KMP of DCJ. Through the Secretary, the DCJ Executive Board has direct oversight of the activities of the Trust.

Key management personnel compensation
Ministers are compensated by NSW Legislature. Ministerial compensation has been centrally compiled by Treasury and the Department of Premier and Cabinet for distribution to agencies for inclusion in the agencies financial statements.

KMP compensation is disclosed in the financial statements of DCJ, the principal department of the cluster. KMP compensation of the DCJ Executive Board for the financial year ended 30 June 2022 is disclosed in the 30 June 2022 Financial Statements of DCJ.

b. Related Party Transactions

There were no related party transactions during the year ended 30 June 2022 (2021: Nil) with related entities of the Trust or Key Management Personnel.

13. COVID-19 disclosures

Property, Plant and Equipment and Fair value measurement of non-financial assets (Note 6 and 7): Nil impact to fair value of property, plant and equipment, mainly due to conditions and useful life of long lived revalued assets or depreciated assets are unlikely to change due to the pandemic. The Trust does not have assets measured at fair value using the income-based approach that would be impacted by the pandemic.

The pandemic may result in an interest rate change of higher than +/-1% in the future years, however this change cannot be reasonably ascertained by the Trust as at 30 June 2022.

The pandemic has not affected the operations of the Trust nor have any other significant financial impact to disclose.

14. Events after the reporting period

The Trust's management is not aware of any circumstances that occurred after balance date which would render particulars included in the financial statements to be misleading.

End of audited financial statements.