Communities and Justice

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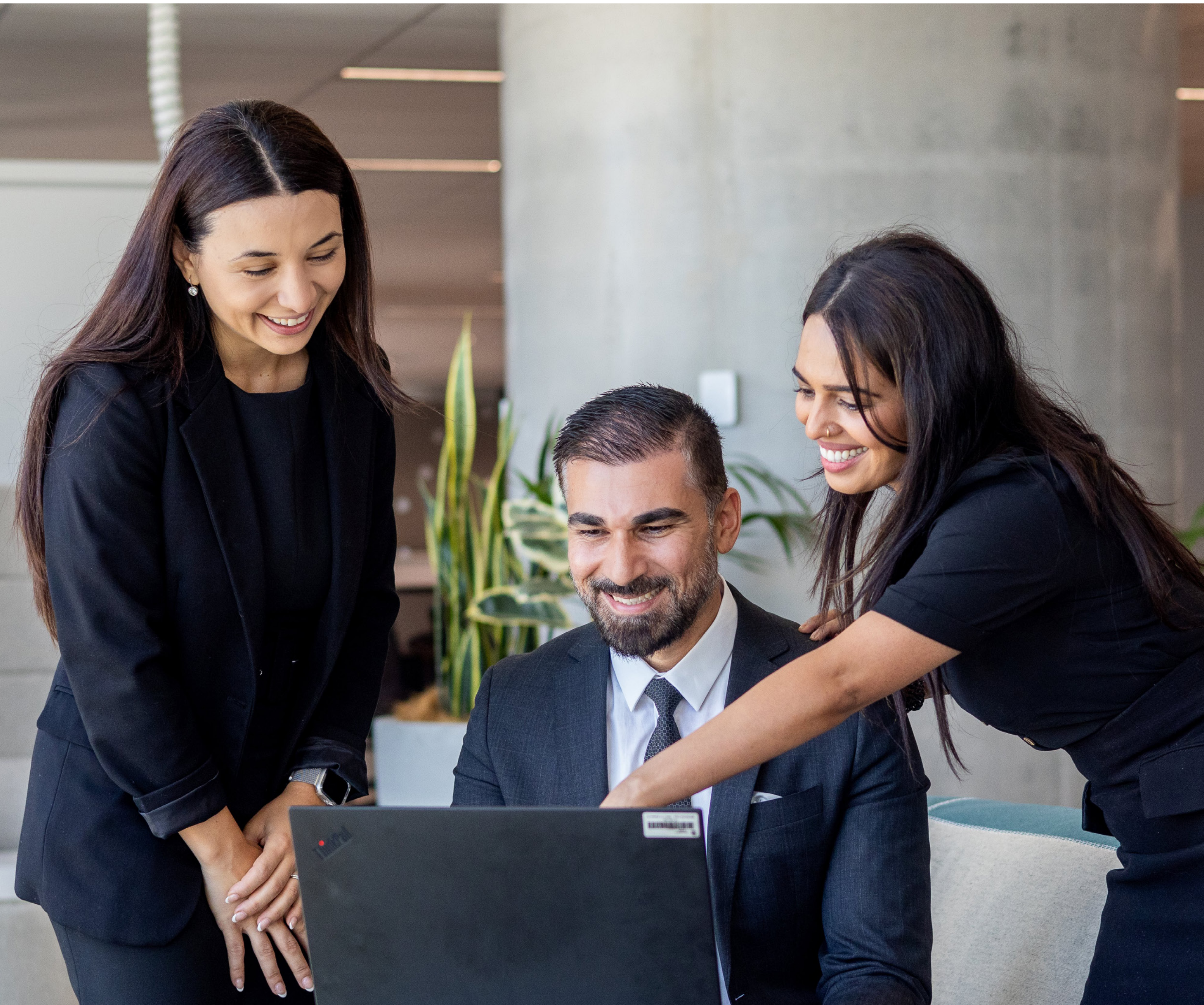
2023–24 Annual Report

Volume 2 – Audited Financial Statements



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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 2024, the Statement of Financial Position as at 30 June 2024, the Statement of Changes in Equity and the Statement of Cash Flows for the year then ended, and notes to the financial statements, including a Statement of Material Accounting Policy Information 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 2024 (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).

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

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 2024. 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.

<table>
<tr><th>Key Audit Matter</th><th>How my audit addressed the matter</th></tr>
<tr><td colspan="2">Fair valuation of property, plant and equipment</td></tr>
<tr><td>The Department engaged a valuer to conduct a valuation of its land and building assets in 2023–24, resulting in a net increase of $672 million to the carrying value of the class at balance date. The Department reported a total $9.2 billion in property, plant and equipment measured at fair value.

I considered this to be a key audit matter because of the:
• financial significance of the balances
• extent of significant management judgements underpinning key assumptions used in the valuation process
• 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 13 and 17 of the financial statements.</td><td>Key audit procedures included the following:
• assessed the competency, capability and objectivity of the valuer
• assessed the appropriateness of the methodology used and the key assumptions and judgements adopted
• assessed the sufficiency and appropriateness of management's fair value assessment against the requirements of applicable Australian Accounting Standards
• agreed valuation amounts to the reported financial statement balances
• assessed the adequacy of the financial statement disclosures against the requirements of applicable Australian Accounting Standards.</td></tr>
<tr><td colspan="2">Victim Support Scheme claims liabilities and associated contingent liabilities</td></tr>
<tr><td>The liability for VSS claims relates to lodged but not yet paid claims and incurred but not reported (IBNR) claims.

At 30 June 2024, the Department reported:
• a liability for lodged but not yet paid claims and IBNR claims related to domestic violence and other offences of $179 million and $314 million respectively, based on management's judgement and actuarial expertise
• a contingent liability for IBNR claims related to child sexual assault due to the 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</td><td>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</td></tr>
</table>

Key Audit Matter	How my audit addressed the matter
Victim Support Scheme claims liabilities and associated contingent liabilities (cont.)	
• 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 20 and 24 of the financial statements.	– the appropriateness of management's conclusion as to whether a reliable estimate of IBNR claims related to child sexual assault could be reliably measured, including the reasonableness of key actuarial assumptions and management judgements applied – assessed the adequacy of the financial statement disclosures against the requirements of applicable Australian Accounting Standards.

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 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 and the consolidated entity carried out its 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.

Jan-Michael Perez
Director, Financial Audit

Delegate of the Auditor-General for New South Wales

17 September 2024
SYDNEY

STATEMENT BY THE SECRETARY
for the year ended 30 June 2024

Pursuant to Section 7.6(4) of the *Government Sector Finance Act 2018* ('the GSF 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 GSF Act, the *Government Sector Finance Regulation 2024*; and
- the Treasury Directions issued under the GSF 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 2024.

Michael Tidball
Secretary
Department of Communities and Justice

10 September 2024

Matt Easdown
Chief Financial Officer
Department of Communities and Justice

10 September 2024

Department of Communities and Justice
Statement of Comprehensive Income
for the year ended 30 June 2024

	Notes	PARENT			CONSOLIDATED	
		Actual 2024 $'000	Budget 2024 $'000	Actual 2023 $'000	**Actual 2024 $'000**	Actual 2023 $'000
Continuing operations						
Expenses excluding losses						
Employee related expenses	2(a)	**3,562,441**	3,427,466	3,189,275	**3,562,441**	3,189,275
Operating expenses	2(b)	**1,891,443**	1,599,997	1,806,438	**1,891,664**	1,806,647
Depreciation and amortisation	2(c)	**384,243**	354,890	363,939	**384,438**	364,118
Grants and subsidies	2(d)	**11,450,037**	15,127,849	11,132,555	**11,450,037**	11,132,555
Finance costs	2(e)	**34,902**	43,620	37,475	**34,902**	37,475
Other expenses		**-**	40,385	-	**-**	-
Total expenses excluding losses		**17,323,066**	20,594,207	16,529,682	**17,323,482**	16,530,070
Revenue						
Appropriation (net of transfer payments)	3(a)	**16,008,343**	19,551,557	15,807,609	**16,008,343**	15,807,609
Sale of goods and services from contracts with customers	3(b)	**385,890**	355,675	312,073	**385,890**	312,073
Investment revenue	3(c)	**1,058**	1,098	740	**1,116**	779
Retained taxes, fees and fines	3(d)	**26,142**	11,900	24,581	**26,142**	24,581
Grants and other contributions	3(e)	**157,014**	158,214	254,746	**157,014**	254,746
Personnel services revenue	3(f)	**144,653**	-	88,991	**144,653**	88,991
Acceptance by the Crown of employee benefits and other liabilities	3(g)	**165,293**	133,653	103,694	**165,293**	103,694
Other income	3(h)	**120,474**	146,709	176,638	**120,694**	176,837
Total revenue		**17,008,867**	20,358,806	16,769,072	**17,009,145**	16,769,310
Operating result		**(314,199)**	(235,401)	239,390	**(314,337)**	239,240
Loss on disposal	4	**(25,261)**	-	(21,471)	**(25,261)**	(21,471)
Impairment gain/ (loss) on financial assets		**(2,661)**	-	903	**(2,661)**	903
Other gains / (losses)	5	**2,090**	(142)	13	**2,090**	13
Net result from continuing operations		**(340,031)**	(235,543)	218,835	**(340,169)**	218,685
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	13	**680,827**	-	451,241	**681,605**	451,745
Total other comprehensive income		**680,827**	-	451,241	**681,605**	451,745
TOTAL COMPREHENSIVE INCOME		**340,796**	(235,543)	670,076	**341,436**	670,430

The accompanying notes form part of these financial statements.

Department of Communities and Justice
Statement of Financial Position
as at 30 June 2024

	Notes	PARENT			CONSOLIDATED	
		Actual 2024 $'000	Budget 2024 $'000	Actual 2023 $'000	**Actual 2024 $'000**	Actual 2023 $'000
ASSETS						
Current Assets						
Cash and cash equivalents	9	**233,617**	109,108	188,641	**235,012**	189,980
Receivables	10	**321,122**	442,375	293,217	**321,122**	293,217
Inventories	11	**21,083**	25,401	25,401	**21,083**	25,401
		575,822	576,884	507,259	**577,217**	508,598
Non-current assets held for sale	16	**101**	101	101	**101**	101
Total Current Assets		**575,923**	576,985	507,360	**577,318**	508,699
Non-Current Assets						
Receivables	10	**31,966**	31,152	31,152	**31,966**	31,152
Financial assets at fair value	12	**2,274**	-	-	**2,274**	-
Property, plant and equipment	13					
Land and buildings		**9,287,369**	8,486,133	8,596,910	**9,299,422**	8,608,380
Plant and equipment		**732,613**	725,976	743,733	**732,613**	743,733
Total property, plant and equipment		**10,019,982**	9,212,109	9,340,643	**10,032,035**	9,352,113
Right-of-use assets	14	**211,280**	214,201	214,209	**211,280**	214,209
Intangible assets	15	**97,036**	125,799	121,309	**97,036**	121,309
Total Non-Current Assets		**10,362,538**	9,583,261	9,707,313	**10,374,591**	9,718,783
Total Assets		**10,938,461**	10,160,246	10,214,673	**10,951,909**	10,227,482
LIABILITIES						
Current Liabilities						
Payables	18	**416,345**	349,283	359,505	**416,345**	359,506
Borrowings	19	**48,183**	44,736	45,726	**48,183**	45,726
Provisions	20	**635,104**	553,648	553,648	**635,104**	553,648
Other current liabilities	21	**7,844**	13,024	13,024	**7,844**	13,024
Total Current Liabilities		**1,107,476**	960,691	971,903	**1,107,476**	971,904
Non-Current Liabilities						
Borrowings	19	**776,913**	793,991	811,471	**776,913**	811,471
Provisions	20	**449,252**	353,802	353,802	**449,252**	353,802
Total Non-Current Liabilities		**1,226,165**	1,147,793	1,165,273	**1,226,165**	1,165,273
Total Liabilities		**2,333,641**	2,108,484	2,137,176	**2,333,641**	2,137,177
Net Assets		**8,604,820**	8,051,762	8,077,497	**8,618,268**	8,090,305
EQUITY						
Reserves		**2,467,223**	1,790,520	1,787,446	**2,471,075**	1,790,520
Accumulated funds		**6,137,597**	6,261,242	6,290,051	**6,147,193**	6,299,785
Total Equity		**8,604,820**	8,051,762	8,077,497	**8,618,268**	8,090,305

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 2024

PARENT	Notes	Accumulated funds $'000	Asset revaluation reserve $'000	Total equity $'000
Balance at 1 July 2023		6,290,051	1,787,446	8,077,497
Net result for the year		(340,031)	-	(340,031)
Other comprehensive income				
Net change in revaluation surplus of property, plant and equipment	13	-	680,827	680,827
Transfer from asset revaluation reserve on disposal of assets		1,050	(1,050)	-
Total other comprehensive income		**1,050**	**679,777**	**680,827**
Total comprehensive income for the year		**(338,981)**	**679,777**	**340,796**
Transactions with owners in their capacity as owners				
Increase in net assets from equity transfers - 1 February 2024	22(i)	186,527	-	186,527
Balance at 30 June 2024		**6,137,597**	**2,467,223**	**8,604,820**

PARENT	Notes	Accumulated funds $'000	Asset revaluation reserve $'000	Total equity $'000
Balance at 1 July 2022		6,071,301	1,336,194	7,407,495
Net result for the year		218,835	-	218,835
Other comprehensive income				
Net change in revaluation surplus of property, plant and equipment	13	-	451,241	451,241
Transfer from asset revaluation reserve on disposal of assets		(11)	11	-
Total other comprehensive income		**(11)**	**451,252**	**451,241**
Total comprehensive income for the year		**218,824**	**451,252**	**670,076**
Transactions with owners in their capacity as owners				
Decrease in net assets from equity transfers - 16 December 2022	22(ii)	(74)	-	(74)
Balance at 30 June 2023		**6,290,051**	**1,787,446**	**8,077,497**

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 2024

CONSOLIDATED	Notes	Accumulated funds $'000	Asset revaluation reserve $'000	Total equity $'000
Balance at 1 July 2023		6,299,785	1,790,520	8,090,305
Net result for the year		(340,169)	-	(340,169)
Other comprehensive income				
Net change in revaluation surplus of property, plant and equipment	13	-	681,605	681,605
Transfer from asset revaluation reserve on disposal of assets		1,050	(1,050)	-
Total other comprehensive income		**1,050**	**680,555**	**681,605**
Total comprehensive income for the year		**(339,119)**	**680,555**	**341,436**
Transactions with owners in their capacity as owners				
Increase in net assets from equity transfers - 1 February 2024	22(i)	186,527	-	186,527
Balance at 30 June 2024		**6,147,193**	**2,471,075**	**8,618,268**

CONSOLIDATED	Notes	Accumulated funds $'000	Asset revaluation reserve $'000	Total equity $'000
Balance at 1 July 2022		6,081,185	1,338,764	7,419,949
Net result for the year		218,685	-	218,685
Other comprehensive income				
Net change in revaluation surplus of property, plant and equipment	13	-	451,745	451,745
Transfer from asset revaluation reserve on disposal of assets		(11)	11	-
Total other comprehensive income		**(11)**	**451,756**	**451,745**
Total comprehensive income for the year		**218,674**	**451,756**	**670,430**
Transactions with owners in their capacity as owners				
Decrease in net assets from equity transfers - 16 December 2022	22(ii)	(74)	-	(74)
Balance at 30 June 2023		**6,299,785**	**1,790,520**	**8,090,305**

The accompanying notes form part of these financial statements.

Department of Communities and Justice
Statement of Cash Flows
for the year ended 30 June 2024

	Notes	PARENT Actual 2024 $'000	Budget 2024 $'000	Actual 2023 $'000	CONSOLIDATED Actual 2024 $'000	Actual 2023 $'000
CASH FLOWS FROM OPERATING ACTIVITIES						
Payments						
Employee related		**(3,299,279)**	(3,306,113)	(3,052,838)	**(3,299,279)**	(3,052,838)
Suppliers for goods and services		**(2,247,209)**	(1,847,662)	(2,329,506)	**(2,247,431)**	(2,329,714)
Grants and subsidies		**(11,451,428)**	(15,265,456)	(11,127,151)	**(11,451,428)**	(11,127,151)
Finance costs		**(34,328)**	(43,602)	(36,776)	**(34,328)**	(36,776)
Total payments		**(17,032,244)**	(20,462,833)	(16,546,271)	**(17,032,466)**	(16,546,479)
Receipts						
Appropriations (excluding equity appropriations)		**16,008,343**	19,551,557	15,807,609	**16,008,343**	15,807,609
Sale of goods and services		**556,270**	355,670	410,218	**556,270**	410,218
Retained taxes, fees and fines		**26,142**	-	24,581	**26,142**	24,581
Interest received		**1,058**	1,098	740	**1,116**	779
Grants and other contributions		**151,627**	158,214	230,691	**151,627**	230,691
Other		**571,942**	562,507	642,144	**572,162**	642,343
Total receipts		**17,315,382**	20,629,046	17,115,983	**17,315,660**	17,116,221
NET CASH FLOWS FROM OPERATING ACTIVITIES	26	**283,138**	166,213	569,712	**283,194**	569,742
CASH FLOWS FROM INVESTING ACTIVITIES						
Proceeds from sale of property, plant and equipment		**91**	-	3,687	**91**	3,687
Purchase of property, plant and equipment and intangible assets		**(208,371)**	(211,248)	(221,126)	**(208,371)**	(221,126)
NET CASH FLOWS FROM INVESTING ACTIVITIES		**(208,280)**	(211,248)	(217,439)	**(208,280)**	(217,439)
CASH FLOWS FROM FINANCING ACTIVITIES						
Repayment of borrowings		**(30,950)**	(35,837)	(376,420)	**(30,950)**	(376,420)
Payment of principal portion of lease liabilities		**(15,458)**	-	(14,917)	**(15,458)**	(14,917)
NET CASH FLOWS FROM FINANCING ACTIVITIES		**(46,408)**	(35,837)	(391,337)	**(46,408)**	(391,337)
NET INCREASE IN CASH AND CASH EQUIVALENTS		**28,450**	(80,872)	(39,064)	**28,506**	(39,034)
Opening cash and cash equivalents		**188,641**	189,980	227,705	**189,980**	229,014
Increase in cash from equity transfers - 1 February 2024	22(i)	**16,526**	-	-	**16,526**	-
CLOSING CASH AND CASH EQUIVALENTS	9	**233,617**	109,108	188,641	**235,012**	189,980

The accompanying notes form part of these financial statements.

1. Statement of Material Accounting Policy Information

(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 2023-24 incorporates:

- employee related transactions and balances of:
  - NSW Trustee and Guardian (including the Office of the Public Guardian)
  - Legal Profession Admission Board
  - Trustees of the Anzac Memorial Building
  - Legal Services Council
  - Office of Ageing and Disability Commissioner
  - Aboriginal Housing Office
  - NSW Land and Housing Corporation
  - Teacher Housing Authority of NSW.
- Courts and Tribunals
- Corrective Services NSW (including Corrective Services Industries)
- Youth Justice NSW
- NSW Office of Veterans Affairs
- Family and Community Services
- Homes NSW (excluding the Aboriginal Housing Office, NSW Land and Housing Corporation and Teacher Housing Authority of NSW which are statutory entities not controlled by the Department)
- 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 2024 have been authorised for issue by the Secretary on the date the accompanying statement was signed.

(b) Administrative restructure and other activities

As per the *Administrative Arrangements (Administrative Changes-Miscellaneous) Order (No. 6) 2023*, issued on December 6, 2023, the following took effect on 1 February 2024, to establish the new Homes Division:

- the staff and functions of the Housing Services team of the Homes, Property and Development Group within the Department of Planning, Housing and Infrastructure, including the Police Force Housing were transferred to the Department

1. Statement of Material Accounting Policy Information (cont'd)

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

- Aboriginal Housing Office, NSW Land and Housing Corporation and Teacher Housing Authority of NSW were transferred to the Department's portfolio including the transfer of staff from the Department of Planning, Housing and Infrastructure to the Department on personnel services arrangements.

Refer to Note 22(i), Note 13 and Note 15 for details of assets and liabilities transferred in and out as part of the administrative restructure.

In accordance with the *Administrative Arrangements (Administrative Changes-Miscellaneous) Order (No 10) 2022* issued on 16 December 2022, the following occurred:

- The staff employed in the Welfare Services Branch of Resilience NSW were transferred to the Department effective 16 December 2022
- Monies in two trust accounts managed by Resilience NSW were transferred to the Department effective as at 16 December 2022. As the funds in these two accounts will be held in trust, these trust accounts will not form part of the Department's financial statements.

Refer to Note 28(b) for Trust Funds' details. Refer to Note 22(ii) and 22(iii) for details of assets and liabilities transferred in and out as part of the administrative restructure in 2022-23.

(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 2024 are prepared on a going concern basis. There is an excess of current liabilities over current assets of $531.6 million (2023: $464.5 million) and a loss from continuing operations of $340.0 million (2023: gain of $218.8 million), whilst the net cash flows from operating activities is positive by $283.1 million (2023: $569.7 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.

1. Statement of Material Accounting Policy Information (cont'd)

(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 29.

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

(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 13.

(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

1. Statement of Material Accounting Policy Information (cont'd)

(i) Budgeted amounts (cont'd)

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 25.

(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. Certain comparatives in Notes 2(a), 2(b), 3(b), 3(h), Note 10 and Note 18 have been reclassified to ensure alignment with current year presentation.

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

(i) Effective for the first time in 2023-24

The accounting policies applied in 2023-24 are consistent with those of the previous financial year. Several amendments and interpretations apply for the first time in 2023-24, but do not have a material 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 '*Treasury mandates of options and major policy decisions under Australian Accounting Standards'* NSW Treasury Policy and Guidelines Paper (TPG 24-06).

- AASB 17 *Insurance Contracts*
- AASB 2014-10 *Amendments to Australian Accounting Standards – Sale or Contribution of Assets between Investor and its Associate or Joint Venture*
- AASB 2020-1 *Amendments to Australian Accounting Standards – Classification of Liabilities as Current or Non-current*
- AASB 2021-7c *Amendments to Australian Accounting Standards – Effective Date of Amendments to AASB 10 and AASB 128 and Editorial Corrections*
- AASB 2022-5 *Amendments to Australian Accounting Standards – Lease Liability in a Sale and Leaseback*
- AASB 2022-6 *Amendments to Australian Accounting Standards – Non-current Liabilities with Covenants*
- AASB 2022-9 *Amendments to Australian Accounting Standards – Insurance Contracts in the Public Sector*
- AASB 2022-10 *Amendments to Australian Accounting Standards – Fair Value Measurement of Non-Financial Assets of Not-for-Profit Public Sector Entities*
- AASB 2023-1 *Amendments to Australian Accounting Standards – Supplier Finance Arrangements*.

1. Statement of Material Accounting Policy Information (cont'd)

(l) 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.

(m) 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	
	2024	2023	**2024**	2023
	$'000	$'000	**$'000**	$'000
Salaries and wages (including annual leave)	**2,747,293**	2,516,654	**2,747,293**	2,516,654
Superannuation - defined benefit plan	**35,171**	40,604	**35,171**	40,604
Superannuation - defined contribution plan	**281,794**	246,509	**281,794**	246,509
Long service leave	**137,738**	61,511	**137,738**	61,511
Payroll tax and fringe benefits tax	**180,577**	161,429	**180,577**	161,429
Redundancy	**1,712**	3,129	**1,712**	3,129
Workers' compensation insurance premiums	**177,070**	159,342	**177,070**	159,342
Other	**1,086**	97	**1,086**	97
	3,562,441	3,189,275	**3,562,441**	3,189,275

Employee related costs capitalised in fixed asset accounts are excluded from the above and totalled $8.7 million (2023: $9.9 million).

The Department made reclassifications between Employee related expenses and Operating expenses and other reclassification within Employee related expenses lines to enhance the presentation in 2023-24 which resulted in realignment of comparatives.

2. Expenses excluding losses (cont'd)

(b) Operating expenses

	PARENT		CONSOLIDATED	
	2024	2023	**2024**	2023
	$'000	$'000	**$'000**	$'000
Auditor's remuneration - audit of the financial statements	**1,640**	1,421	**1,658**	1,438
Auditor's remuneration - internal	**104**	274	**104**	274
Cleaning	**18,785**	33,282	**18,785**	33,282
Consultants	**3,486**	5,541	**3,486**	5,541
Expense relating to short-term leases	**1,390**	942	**1,390**	942
General administration	**6,629**	7,295	**6,629**	7,295
Insurance premiums	**80,784**	49,216	**80,784**	49,216
Motor vehicle operating	**21,551**	17,175	**21,551**	17,175
Prison hospital service fee	**10,040**	10,323	**10,040**	10,323
Repairs and maintenance (refer Note 2(b) – Note A below)	**209,556**	192,992	**209,759**	193,184
Telecommunication	**19,673**	22,249	**19,673**	22,249
Travel	**28,555**	30,475	**28,555**	30,475
Victims compensation costs	**210,754**	132,670	**210,754**	132,670
Fees for services	**108,706**	110,201	**108,706**	110,201
Staff related costs	**38,830**	52,550	**38,830**	52,550
Contractors and outsourced services	**129,781**	166,155	**129,781**	166,155
Legal and other professional fees	**180,171**	157,409	**180,171**	157,409
Postage and stationery	**23,053**	19,917	**23,053**	19,917
IT related costs	**131,717**	129,303	**131,717**	129,303
Corrective Services Industries and inmate related (refer Note 2(b) - Note B below)	**144,032**	133,824	**144,032**	133,824
Building outgoings	**131,145**	125,717	**131,145**	125,717
Utilities and rates	**59,481**	59,389	**59,481**	59,389
Tenancy management fees - disability services	**11,274**	10,904	**11,274**	10,904
Bad debt expense	**26**	70	**26**	70
Cloud computing costs	**8,800**	11,367	**8,800**	11,367
Other expenses	**50,512**	39,819	**50,512**	39,819
Service Concession Arrangements costs	**260,968**	285,958	**260,968**	285,958
	1,891,443	1,806,438	**1,891,664**	1,806,647

The Department made reclassifications between Employee related expenses and Operating expenses and other reclassification within Operating expenses lines to enhance the presentation in 2023-24 which resulted in realignment of comparatives.

	PARENT		CONSOLIDATED	
	2024	2023	**2024**	2023
	$'000	$'000	**$'000**	$'000
Note A - Reconciliation - Total maintenance				
Maintenance expense - contracted labour and other (non-employee related) as above	**209,556**	192,992	**209,759**	193,184
Employee related maintenance expense included in Note 2 (a)	**6,673**	6,331	**6,673**	6,331
Total maintenance expense included in Note 2 (a) and 2 (b)	**216,229**	199,323	**216,432**	199,515
Note B - Total Cost of Goods Sold				
Direct costs as reported above (Note 2 (b))	**47,266**	41,211	**47,266**	41,211
Indirect costs - determined on a pro rata basis comprising salaries and wages, property outgoings, repairs and maintenance and depreciation	**17,379**	17,811	**17,379**	17,811
	64,645	59,022	**64,645**	59,022

2. Expenses excluding losses (cont'd)

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	
	2024	2023	**2024**	2023
	$'000	$'000	**$'000**	$'000
Depreciation				
Buildings	**246,226**	227,106	**246,421**	227,285
Plant and equipment	**100,100**	99,898	**100,100**	99,898
Right-of-use asset - land and buildings	**5,654**	5,945	**5,654**	5,945
Right-of-use asset - plant and equipment	**11,586**	11,363	**11,586**	11,363
	363,566	344,312	**363,761**	344,491
Amortisation				
Intangibles	**20,677**	19,627	**20,677**	19,627
	20,677	19,627	**20,677**	19,627
Total depreciation and amortisation	**384,243**	363,939	**384,438**	364,118

Refer to Note 13, Note 14 and Note 15 for recognition and measurement policies on depreciation and amortisation.

(d) Grants and subsidies

	PARENT		CONSOLIDATED	
	2024	2023	**2024**	2023
	$'000	$'000	**$'000**	$'000
Adult community and offender management services	**13,788**	24,762	**13,788**	24,762
Child protection	**297,626**	280,427	**297,626**	280,427
Community support and development	**56,412**	76,637	**56,412**	76,637
Family and domestic violence	**299,904**	222,619	**299,904**	222,619
Homelessness	**491,679**	366,707	**491,679**	366,707
Justice services	**136,320**	113,180	**136,320**	113,180
Juvenile programs	**23,059**	21,645	**23,059**	21,645
Out of home care and permanency support	**1,735,222**	1,591,232	**1,735,222**	1,591,232
Targeted early intervention	**175,026**	173,995	**175,026**	173,995
Their futures matter	**-**	23,821	**-**	23,821
Victim services	**3,392**	1,153	**3,392**	1,153
Portfolio grants*	**7,403,410**	7,710,290	**7,403,410**	7,710,290
Disability services	**19,704**	18,542	**19,704**	18,542
Social housing	**783,097**	493,043	**783,097**	493,043
Other grants	**11,398**	14,502	**11,398**	14,502
	11,450,037	11,132,555	**11,450,037**	11,132,555

*The Department as the Lead Department within the Communities and Justice Portfolio receives appropriations from NSW Treasury. Agencies within the Portfolio 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	
	2024	2023	**2024**	2023
	$'000	$'000	**$'000**	$'000
• NSW Police Force	**4,877,561**	4,736,244	**4,877,561**	4,736,244
• Fire and Rescue NSW	**1,020,940**	906,026	**1,020,940**	906,026
• NSW Rural Fire Service	**537,654**	491,119	**537,654**	491,119
• NSW Office of Sport	**292,697**	130,173	**292,697**	130,173
• Legal Aid Commission of NSW	**270,371**	225,815	**270,371**	225,815
• NSW State Emergency Service	**271,537**	192,170	**271,537**	192,170
• NSW Crime Commission	**33,159**	30,178	**33,159**	30,178
• Multicultural NSW	**57,777**	48,565	**57,777**	48,565
• Aborginal Housing Office*	**41,714**	-	**41,714**	-
• Resilience NSW**	**-**	950,000	**-**	950,000
Total	**7,403,410**	7,710,290	**7,403,410**	7,710,290

*On 1 February 2024, the Aboriginal Housing Office was transferred to the Communities and Justice Portfolio by the *Administrative Arrangement (Administrative Changes-Miscellaneous) Order (No. 6) 2023*.

**On 16 December 2022, the Resilience NSW was abolished as per the *Administrative Arrangements (Administrative Changes- Miscellaneous) Order (No 10) 2022.* As a result, there are no Resilience NSW grants for the current year.

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	
	2024	2023	**2024**	2023
	$'000	$'000	**$'000**	$'000
Unwinding of discount and effect of changes in discount rate on provisions	**574**	699	**574**	699
Interest expense from financial liabilities at amortised cost*	**23,343**	26,334	**23,343**	26,334
Interest expense from lease liabilities	**10,985**	10,442	**10,985**	10,442
	34,902	37,475	**34,902**	37,475

*The interest expense from financial liabilities at amortised cost of $23.3 million (2023: $26.3 million) is related to financial liabilities arising from service concession arrangements. Refer to Note 13 and Note 19 for further details on service concession arrangements and related liabilities.

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 as 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 at responsible minister level	**2024 $'000**	2023 $'000
Amount Appropriated per *Appropriation Act*	**19,551,557**	20,533,735
Standing or Special Appropriations		
Variations made to the Appropriations during the financial year		
Section 4.9 GSF Act (transfer of functions between GSF agencies)	**141,503**	(883,990)
Section 4.11 GSF Act (Variations of annual Appropriations for Commonwealth grants)	**44,926**	12,472
Section 4.13 GSF Act Exigency of Government (additional Appropriation approved by Treasurer and Governor for exigencies of government)	**-**	-
Exigency of Government (per Section 34 of the Appropriation Act)	**-**	-
Other: State contingencies (per Section 35 of the Appropriation Act)	**-**	37,500
Total spending authority from Parliamentary Appropriations, other than Deemed Appropriations	**19,737,986**	19,699,717
Add:		
The spending authority from Deemed Appropriations during the current year	**1,783,006**	1,531,653
The unutilised spending authority from Deemed Appropriations in prior years	**1,112,890**	241,095
Total	**22,633,882**	21,472,465
Less: total expenditure out of Consolidated Fund	**(21,336,920)**	(20,336,511)
Variance	**1,296,962**	1,135,954
Less:		
The spending authority from Appropriations lapsed at 30 June	**-**	-
Protected items underspend during the current year	**(142,504)**	(23,064)
Deemed Appropriations balance carried forward to following years	**1,154,458**	1,112,890

Department of Communities and Justice
Notes to the financial statements
for the year ended 30 June 2024

3. Revenue (cont'd)

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

Summary of Compliance at responsible minister level	2024 $'000	2023 $'000
Transfer payments	**3,550,013**	3,509,691
Appropriations (per Statement of Comprehensive Income)	**16,008,343**	15,807,609
Appropriations drawn down	**19,558,356**	19,317,300

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.

3. Deemed appropriations is a legal concept under the GSF Act, that does not have a corresponding financial statement line item. Instead, deemed appropriations may come from various sources, such as sale of goods and services, and the corresponding revenue is disclosed in the relevant sections of these items in the financial statements.

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.

Lead departments

The Department receives its funding under appropriations from the Consolidated Fund. Appropriations for each financial year are set out in the Appropriation Bill that is prepared and tabled for that year.

3. Revenue (cont'd)

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

The *Appropriation Act 2023* (Appropriation Act) and the subsequent variations appropriate the sum of $19,738.0 million (2023: $19,699.7 million) to the Attorney General out of the Consolidated Fund for the services of the Department for the year 2023–24. 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
- NSW Office of Sport
- Home Purchase Assistance Fund
- Multicultural NSW
- NSW Trustee and Guardian
- Office of Ageing and Disability Commissioner
- The Trustees of the Anzac Memorial Building
- Aboriginal Housing Office
- NSW State Emergency Service.

The lead Minister for each entity above, being the Attorney General is taken to have been given an appropriation out of the Consolidated Fund under the authority of section 4.7 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. These deemed appropriations are taken to have been given for the services of the Department.

The delegation/sub-delegations for 2023-24 and 2022-23, 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 they relate to expenditure in reliance on a sum appropriated by legislation, the delegation/sub-delegations are subject to the overall authority of the Department to spend monies appropriated under relevant legislation. The individual transaction limits have been properly observed. The information in relation to the aggregate expenditure limit from the Appropriation Act and other sources is disclosed in the summary of compliance table.

The summary of compliance has been prepared by 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. 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 Communities and Justice Portfolio 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 $0.1 million (2023: $0.4 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	
	2024	2023	**2024**	2023
	$'000	$'000	**$'000**	$'000
Sale of goods				
Sale of goods - Corrective Services Industries	**13,420**	13,283	**13,420**	13,283
	13,420	13,283	**13,420**	13,283
Rendering of services				
Filing fees	**94,603**	87,463	**94,603**	87,463
Court Fees	**61,833**	56,999	**61,833**	56,999
Corrective Services Industries	**54,061**	49,986	**54,061**	49,986
Statement of claims	**16,665**	13,503	**16,665**	13,503
Management fees	**82,270**	9,268	**82,270**	9,268
Minor usage charges	**6,198**	5,421	**6,198**	5,421
Transcription services	**3,014**	2,445	**3,014**	2,445
Sheriffs fees	**2,914**	2,652	**2,914**	2,652
Canteen sales	**2,823**	1,778	**2,823**	1,778
Other fees	**16,472**	9,193	**16,472**	9,193
	340,853	238,708	**340,853**	238,708
Licence fees				
Licence fees	**31,617**	60,082	**31,617**	60,082
	31,617	60,082	**31,617**	60,082
	385,890	312,073	**385,890**	312,073

The Department made reclassifications between Sale of goods and services and Other income and other reclassification within Sale of good and services lines to enhance the presentation in 2023-24 which resulted in realignment of comparatives.

3. Revenue (cont'd)

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

Recognition and measurement

(i) Sale of goods

Revenue from sale of goods is recognised as or 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.

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
(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.
(iii) 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	
	2024	2023	**2024**	2023
	$'000	$'000	**$'000**	$'000
Bank interest	**1,058**	740	**1,116**	779
	1,058	740	**1,116**	779

(d) Retained taxes, fees and fines

	PARENT		CONSOLIDATED	
	2024	2023	**2024**	2023
	$'000	$'000	**$'000**	$'000
Restitution orders raised	**9,232**	8,709	**9,232**	8,709
Confiscation of crime proceeds	**4,207**	3,766	**4,207**	3,766
Victims compensation levies	**12,703**	12,106	**12,703**	12,106
	26,142	24,581	**26,142**	24,581

Recognition and measurement

Retained fees comprise monies due from individuals relating to matters dealt with by the NSW Civil and Administrative Tribunal (NCAT) Administrative and Equal Opportunity Division, 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 NCAT 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	
	2024	2023	**2024**	2023
	$'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	**6,964**	815	**6,964**	815
Grants without sufficiently specific performance obligations				
Grants for the operation of the Dust Diseases Tribunal	**5,568**	6,891	**5,568**	6,891
Grants for the operation of NSW Civil and Administrative Tribunal consumer and commercial division	**26,993**	26,030	**26,993**	26,030
Funding for Land and Environment Court	**-**	1,164	**-**	1,164
Funding for Legal Aid to access Public Defenders	**1,132**	1,100	**1,132**	1,100
Early Childhood Education Grants	**187**	1,675	**187**	1,675
Digital Restart Fund	**1,530**	102,704	**1,530**	102,704
Social and Affordable Housing Fund grants	**82,663**	65,246	**82,663**	65,246
Redundancy grants from the Crown	**-**	603	**-**	603
Personal protective equipment received free of charge	**4,843**	22,284	**4,843**	22,284
Home Purchase Assistance Fund grants	**4,979**	4,412	**4,979**	4,412
Correctional centres health service grants	**2,287**	2,231	**2,287**	2,231
Aboriginal child and family centre program grants	**-**	1,700	**-**	1,700
Brighter Beginnings Program	**1,250**	-	**1,250**	-
Affordable Rental Housing State Environmental Planning Policy	**1,528**	-	**1,528**	-
Other grants	**17,090**	17,891	**17,090**	17,891
	157,014	254,746	**157,014**	254,746

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 2024.

3. Revenue (cont'd)

(f) Personnel services

	PARENT		CONSOLIDATED	
	2024	2023	**2024**	2023
	$'000	$'000	**$'000**	$'000
Personnel services	**144,653**	88,991	**144,653**	88,991
	144,653	88,991	**144,653**	88,991

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, the Trustees of the Anzac Memorial Building, and since 1 February 2024, it also includes Aboriginal Housing Office, NSW Land and Housing Corporation and Teacher Housing Authority of NSW. 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	
	2024	2023	**2024**	2023
	$'000	$'000	**$'000**	$'000
The following liabilities and / or expenses have been assumed by the Crown:				
Superannuation defined benefit	**34,589**	39,934	**34,589**	39,934
Long service leave	**128,894**	61,583	**128,894**	61,583
Payroll tax	**1,810**	2,177	**1,810**	2,177
	165,293	103,694	**165,293**	103,694

(h) Other income

	PARENT		CONSOLIDATED	
	2024	2023	**2024**	2023
	$'000	$'000	**$'000**	$'000
Agency performance adjustment	**1,507**	7,333	**1,507**	7,333
Law Society contributions	**6,819**	6,697	**6,819**	6,697
Rental income	**64,113**	52,620	**64,333**	52,819
Insurance claims	**10,424**	19,302	**10,424**	19,302
Natural disaster claims	**13,937**	22,582	**13,937**	22,582
PaTH contributions from agencies	**16,700**	36,530	**16,700**	36,530
Other	**6,974**	31,574	**6,974**	31,574
	120,474	176,638	**120,694**	176,837

The Department made reclassifications between Sale of goods and services and Other income and other reclassification within Other income lines to enhance the presentation in 2023-24 which resulted in realignment of comparatives.

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*.

4. Loss on disposal

	PARENT		CONSOLIDATED	
	2024	2023	**2024**	2023
	$'000	$'000	**$'000**	$'000
Loss on disposal of land and buildings, plant and equipment and intangibles				
Proceeds from disposal*	**91**	3,687	**91**	3,687
Written down value of assets disposed	**(25,352)**	(25,158)	**(25,352)**	(25,158)
Net loss on disposal of land and buildings, plant and equipment and intangibles	**(25,261)**	(21,471)	**(25,261)**	(21,471)

*Net proceeds from disposal in 2024 includes $1 proceeds from sale of sub-divided lots of Grafton Correctional Centre to Grafton Ngerrie Local Aboriginal Land Council on 1 March 2024 and $Nil proceeds from transfer of Hay Courthouse Residence to Hay Local Aboriginal Land Council due to Aboriginal Land Claim.

*Net proceeds from disposal in 2023 includes gross proceeds from sale of Berrima Correctional Centre to Blue Sox Investments for $7.0 million on 24 February 2023 net of cost to sell of $3.3 million and proceeds from sale of 1 Wilshire Street cottage residence for $1 to Illawarra Local Aboriginal Land Council. The cost to sell for Berrima Correctional Centre comprises of agency fees of $0.4 million to Property NSW and withdrawal fees of $2.9 million to Illawarra Local Aboriginal Land Council

5. Other gains / (losses)

	PARENT		CONSOLIDATED	
	2024	2023	**2024**	2023
	$'000	$'000	**$'000**	$'000
Unrealised gains / (losses) on derivatives at fair value through profit or loss	**2,274**	-	**2,274**	-
Realised gains / (losses) on derivatives at fair value through profit or loss	**70**	-	**70**	-
Gain / (loss) on disposal of right-of-use assets	**4**	13	**4**	13
Impairment loss on carrying value of property, plant and equipment	**(258)**	-	**(258)**	-
	2,090	13	**2,090**	13

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 13
Leases – Note 14
Intangible assets – Note 15

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 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 $4.0 million at 30 June 2024 (2023: $8.6 million) and will be recognised as income by 30 June 2025. Refer to Note 3(e) Grants and Contributions and Note 21 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 $11.2 million (2023: $9.2 million) and Murdi Paaki Social Housing agreement of $2.2 million (2023: $2.1 million) as at 30 June 2024.

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	
	2024	2023	**2024**	2023
	$'000	$'000	**$'000**	$'000
Administered Income				
National Disability Insurance Scheme	**3,390,812**	3,355,542	**3,390,812**	3,355,542
National Legal Assistance Partnership	**150,808**	143,667	**150,808**	143,667
Fire services provision assistance	**6,643**	6,267	**6,643**	6,267
Legal assistance - flood	**1,750**	4,215	**1,750**	4,215
	3,550,013	3,509,691	**3,550,013**	3,509,691

	PARENT		CONSOLIDATED	
	2024	2023	**2024**	2023
	$'000	$'000	**$'000**	$'000
Administered Expenses				
National Disability Insurance Scheme	**3,367,983**	3,347,635	**3,367,983**	3,347,635
National Legal Assistance Partnership	**150,808**	143,667	**150,808**	143,667
Fire services provision assistance	**6,643**	6,267	**6,643**	6,267
Legal assistance - flood	**1,750**	4,215	**1,750**	4,215
	3,527,184	3,501,784	**3,527,184**	3,501,784

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 2023-24 is $3,810.3 million (2023: $3,748.9 million) including cash contributions paid by the Department to NDIA in 2023-24 of $3,390.8 million (2023: $3,355.5 million) and in-kind contribution of $419.5 million (2023: $393.4 million). The transfer payment expense for 2023-24 includes a credit of $197.0 million (2023: $189.1 million) for the in-kind contribution administered receivable at 1 July 2023 and excludes $219.8 million (2023: $197.0 million) for the in-kind administered receivable at 30 June 2024 which will be offset against 2024-25 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 the 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 Portfolio grants.

7. Transfer payments (cont'd)

(c) 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 Portfolio grants to Fire and Rescue NSW (FRNSW) and NSW Rural Fire Service (RFS) who provide the specified services according to the MOU.

(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 Portfolio grants.

Refer to Note 3 (a), Note 8 and Note 29 for details on administered expenses, income and assets.

Department of Communities and Justice
Notes to the financial statements
for the year ended 30 June 2024

8. Consolidated disaggregated disclosure statements

Expense and income 2024	Thriving and inclusive communities $'000	Caring for children and families $'000	Accessing justice and legal services $'000	Responding to homelessness, growing social and affordable housing $'000	Supporting young offenders and reducing adult reoffending $'000	Not attributable $'000	Total $'000
Expenses excluding losses							
Employee related expenses	32,208	734,403	704,039	318,561	1,773,230	-	3,562,441
Operating expenses	10,974	314,076	483,874	109,267	973,473	-	1,891,664
Depreciation and amortisation	31,010	14,194	89,639	6,798	242,797	-	384,438
Grants and subsidies	83,152	2,507,777	144,075	1,274,776	36,847	7,403,410	11,450,037
Finance costs	6	258	6,556	222	27,860	-	34,902
Total expenses excluding losses	**157,350**	**3,570,708**	**1,428,183**	**1,709,624**	**3,054,207**	**7,403,410**	**17,323,482**
Revenue							
Appropriations[1]	-	-	-	-	-	16,008,343	16,008,343
Sale of goods and services from contracts with customers	202	10,128	191,816	56,322	127,422	-	385,890
Investment revenue	-	5	25	490	596	-	1,116
Retained taxes, fees and fines	-	-	26,142	-	-	-	26,142
Grants and other contributions	5,044	4,523	48,566	93,116	5,765	-	157,014
Personnel services	5,758	-	93,806	45,089	-	-	144,653
Acceptance by Crown of employee benefits and other liabilities	1,293	23,147	52,796	11,065	76,992	-	165,293
Other income	12,689	20,035	30,109	18,493	39,368	-	120,694
Total revenue	**24,986**	**57,838**	**443,260**	**224,575**	**250,143**	**16,008,343**	**17,009,145**
Operating result	**(132,364)**	**(3,512,870)**	**(984,923)**	**(1,485,049)**	**(2,804,064)**	**8,604,933**	**(314,337)**
Loss on disposal	(19)	(962)	(10,748)	(280)	(13,252)	-	(25,261)
Impairment loss on financial assets	(1)	(27)	(1,925)	735	(1,443)	-	(2,661)
Other losses	-	1	1	(258)	2,346	-	2,090
Net result from continuing operations	**(132,384)**	**(3,513,858)**	**(997,595)**	**(1,484,852)**	**(2,816,413)**	**8,604,933**	**(340,169)**
Other Comprehensive Income							
Net change in revaluation surplus of property, plant and equipment	869	8,633	373,389	1,391	297,323	-	681,605
Total Other Comprehensive Income	**869**	**8,633**	**373,389**	**1,391**	**297,323**	**-**	**681,605**
TOTAL COMPREHENSIVE INCOME	**(131,515)**	**(3,505,225)**	**(624,206)**	**(1,483,461)**	**(2,519,090)**	**8,604,933**	**341,436**

The names and purposes of each service delivery areas are summarised below.

[1] Appropriations are made on an entity basis and not to individual service delivery areas. Consequently appropriations are included in the "Not Attributable" column. Portfolio grant funding is also unlikely to be attributable to individual service delivery areas. Consequently, Portfolio 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 2024

8. Consolidated disaggregated disclosure statements (cont'd)

Expense and income 2023	Thriving and inclusive communities $'000	Caring for children and families $'000	Accessing justice and legal services $'000	Responding to homelessness, growing social and affordable housing $'000	Supporting young offenders and reducing adult reoffending $'000	Not attributable $'000	Total $'000
Expenses excluding losses							
Employee related expenses	30,614	666,465	659,603	235,696	1,596,897	-	3,189,275
Operating expenses	50,087	316,406	398,431	110,003	931,720	-	1,806,647
Depreciation and amortisation	28,169	18,055	81,209	4,065	232,620	-	364,118
Grants and subsidies	100,626	2,292,092	123,388	859,750	46,409	7,710,290	11,132,555
Finance costs	5	242	6,625	83	30,520	-	37,475
Total expenses excluding losses	**209,501**	**3,293,260**	**1,269,256**	**1,209,597**	**2,838,166**	**7,710,290**	**16,530,070**
Revenue							
Appropriations[1]	-	-	-	-	-	15,807,609	15,807,609
Sale of goods and services from contracts with customers	1,189	2,195	170,838	2,326	135,525	-	312,073
Investment revenue	39	-	19	429	292	-	779
Retained taxes, fees and fines	-	-	24,581	-	-	-	24,581
Grants and other contributions	3,201	28,528	69,132	82,163	71,722	-	254,746
Personnel services	4,931	-	84,060	-	-	-	88,991
Acceptance by Crown of employee benefits and other liabilities	707	15,684	47,198	6,312	33,793	-	103,694
Other income	49,840	22,100	21,372	33,254	50,271	-	176,837
Total revenue	**59,907**	**68,507**	**417,200**	**124,484**	**291,603**	**15,807,609**	**16,769,310**
Operating result	**(149,594)**	**(3,224,753)**	**(852,056)**	**(1,085,113)**	**(2,546,563)**	**8,097,319**	**239,240**
Loss on disposal	(78)	(2,863)	(4,610)	(961)	(12,959)	-	(21,471)
Impairment loss on financial assets	1,944	141	(1,241)	8	51	-	903
Other losses	-	3	3	1	6	-	13
Net result from continuing operations	**(147,728)**	**(3,227,472)**	**(857,904)**	**(1,086,065)**	**(2,559,465)**	**8,097,319**	**218,685**
Other Comprehensive Income							
Net change in revaluation surplus of property, plant and equipment	589	5,529	142,217	1,319	302,091	-	451,745
Total Other Comprehensive Income	**589**	**5,529**	**142,217**	**1,319**	**302,091**	**-**	**451,745**
TOTAL COMPREHENSIVE INCOME	**(147,139)**	**(3,221,943)**	**(715,687)**	**(1,084,746)**	**(2,257,374)**	**8,097,319**	**670,430**

The names and purposes of each service delivery areas are summarised below.

[1] Appropriations are made on an entity basis and not to individual service delivery areas. Consequently appropriations are included in the "Not Attributable" column. Portfolio grant funding is also unlikely to be attributable to individual service delivery areas. Consequently, Portfolio grant funding is also included in the "Not Attributable" column.

8. Consolidated disaggregated disclosure statements (cont'd)

Assets and liabilities 2024	Thriving and inclusive communities $'000	Caring for children and families $'000	Accessing justice and legal services $'000	Responding to homelessness, growing social and affordable housing $'000	Supporting young offenders and reducing adult reoffending $'000	Not attributable $'000	Total $'000
ASSETS							
Current Assets							
Cash and cash equivalents	2,657	50,508	43,546	17,825	120,476	-	235,012
Receivables	2,840	109,663	118,722	39,017	50,880	-	321,122
Inventories	-	-	-	-	21,083	-	21,083
	5,497	**160,171**	**162,268**	**56,842**	**192,439**	**-**	**577,217**
Non-current assets held for sale	-	-	101	-	-	-	101
Total Current Assets	**5,497**	**160,171**	**162,369**	**56,842**	**192,439**	**-**	**577,318**
Non-Current Assets							
Receivables	585	384	29,742	171	1,084	-	31,966
Financial assets at fair value	-	-	-	-	2,274	-	2,274
Property, plant and equipment	14,649	199,449	3,700,713	47,412	6,069,812	-	10,032,035
Right-of-use assets	167	6,670	85,602	2,354	116,487	-	211,280
Intangible assets	98	3,912	80,475	1,381	11,170	-	97,036
Total Non-Current Assets	**15,499**	**210,415**	**3,896,532**	**51,318**	**6,200,827**	**-**	**10,374,591**
Total Assets	**20,996**	**370,586**	**4,058,901**	**108,160**	**6,393,266**	**-**	**10,951,909**
LIABILITIES							
Current Liabilities							
Payables	3,224	111,489	105,821	41,333	154,478	-	416,345
Borrowings	6	253	7,450	89	40,385	-	48,183
Provisions	4,964	106,297	215,284	46,962	261,597	-	635,104
Other current liabilities	78	3,106	2,677	1,096	887	-	7,844
Total Current Liabilities	**8,272**	**221,145**	**331,232**	**89,480**	**457,347**	**-**	**1,107,476**
Non-Current Liabilities							
Borrowings	35	1,414	41,160	499	733,805	-	776,913
Provisions	302	5,654	425,281	2,495	15,520	-	449,252
Other non-current liabilities	-	-	-	-	-	-	-
Total Non-Current Liabilities	**337**	**7,068**	**466,441**	**2,994**	**749,325**	**-**	**1,226,165**
Total Liabilities	**8,609**	**228,213**	**797,673**	**92,474**	**1,206,672**	**-**	**2,333,641**
NET ASSETS	**12,387**	**142,373**	**3,261,228**	**15,686**	**5,186,594**	**-**	**8,618,268**

The names and purposes of each service delivery areas are summarised below.

8. Consolidated disaggregated disclosure statements (cont'd)

Assets and liabilities 2023	Thriving and inclusive communities $'000	Caring for children and families $'000	Accessing justice and legal services $'000	Responding to homelessness, growing social and affordable housing $'000	Supporting young offenders and reducing adult reoffending $'000	Not attributable $'000	Total $'000
ASSETS							
Current Assets							
Cash and cash equivalents	2,358	40,784	35,163	14,393	97,282	-	189,980
Receivables	3,435	96,512	105,551	34,117	53,602	-	293,217
Inventories	-	-	-	-	25,401	-	25,401
	5,793	**137,296**	**140,714**	**48,510**	**176,285**	**-**	**508,598**
Non-current assets held for sale	-	-	101	-	-	-	101
Total Current Assets	**5,793**	**137,296**	**140,815**	**48,510**	**176,285**	**-**	**508,699**
Non-Current Assets							
Receivables	612	432	29,153	158	797	-	31,152
Financial assets at fair value	-	-	-	-	-	-	-
Property, plant and equipment	15,013	244,747	3,167,480	55,767	5,869,106	-	9,352,113
Right-of-use assets	144	6,468	89,227	2,206	116,164	-	214,209
Intangible assets	69	12,079	89,677	1,054	18,430	-	121,309
Total Non-Current Assets	**15,838**	**263,726**	**3,375,537**	**59,185**	**6,004,497**	**-**	**9,718,783**
Total Assets	**21,631**	**401,022**	**3,516,352**	**107,695**	**6,180,782**	**-**	**10,227,482**
LIABILITIES							
Current Liabilities							
Payables	2,827	98,487	97,375	34,759	126,058	-	359,506
Borrowings	3	136	7,133	46	38,408	-	45,726
Provisions	4,321	98,120	194,564	34,990	221,653	-	553,648
Other current liabilities	129	5,156	4,445	1,820	1,474	-	13,024
Total Current Liabilities	**7,280**	**201,899**	**303,517**	**71,615**	**387,593**	**-**	**971,904**
Non-Current Liabilities							
Borrowings	18	808	42,427	276	767,942	-	811,471
Provisions	111	3,069	344,349	1,113	5,160	-	353,802
Other non-current liabilities	-	-	-	-	-	-	-
Total Non-Current Liabilities	**129**	**3,877**	**386,776**	**1,389**	**773,102**	**-**	**1,165,273**
Total Liabilities	**7,409**	**205,776**	**690,293**	**73,004**	**1,160,695**	**-**	**2,137,177**
NET ASSETS	**14,222**	**195,246**	**2,826,059**	**34,691**	**5,020,087**	**-**	**8,090,305**

The names and purposes of each service delivery areas are summarised below.

8. Consolidated disaggregated disclosure statements (cont’d)

Administered expenses and income 2024	Thriving and inclusive communities $'000	Caring for children and families $'000	Accessing justice and legal services $'000	Responding to homelessness, growing social and affordable housing $'000	Supporting young offenders and reducing adult reoffending $'000	Not attributable $'000	Total $'000
Administered Expenses							
Transfer payments	3,367,983	-	-	-	-	159,201	3,527,184
Other	-	-	-	-	-	13,874	13,874
Total Administered Expenses	**3,367,983**	**-**	**-**	**-**	**-**	**173,075**	**3,541,058**
Administered Income							
Transfer receipts	3,390,812	-	152,558	-	-	6,643	3,550,013
Consolidated Fund							
Taxes, fees and fines	-	-	13,874	-	-	-	13,874
Total Administered Income	**3,390,812**	**-**	**166,432**	**-**	**-**	**6,643**	**3,563,887**
Administered income less expenses	**22,829**	**-**	**166,432**	**-**	**-**	**(166,432)**	**22,829**

The names and purposes of each service delivery areas are summarised below.

Administered assets and liabilities are disclosed in Note 29.

8. Consolidated disaggregated disclosure statements (cont'd)

Administered expenses and income 2023	Thriving and inclusive communities $'000	Caring for children and families $'000	Accessing justice and legal services $'000	Responding to homelessness, growing social and affordable housing $'000	Supporting young offenders and reducing adult reoffending $'000	Not attributable $'000	Total $'000
Administered Expenses							
Transfer payments	3,347,635	-	-	-	-	154,149	3,501,784
Other	-	-	-	-	-	14,930	14,930
Total Administered Expenses	**3,347,635**	**-**	**-**	**-**	**-**	**169,079**	**3,516,714**
Administered Income							
Transfer receipts	3,355,542	-	147,882	-	-	6,267	3,509,691
Consolidated Fund							
Taxes, fees and fines	-	-	14,930	-	-	-	14,930
Total Administered Income	**3,355,542**	**-**	**162,812**	**-**	**-**	**6,267**	**3,524,621**
Administered income less expenses	**7,907**	**-**	**162,812**	**-**	**-**	**(162,812)**	**7,907**

The names and purposes of each service delivery areas are summarised below.

8. Consolidated disaggregated disclosure statements (cont'd)

Disaggregated disclosure description for the years ended 30 June 2023 and 30 June 2024

(a) Thriving 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) Caring for children and families

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

(c) Accessing justice and legal services

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

(d) Responding to homelessness, growing social and affordable housing

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

(e) Supporting young offenders and reducing adult 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	
	2024	2023	**2024**	2023
	$'000	$'000	**$'000**	$'000
Cash at bank and on hand	**233,617**	188,641	**235,012**	189,980
Total cash and cash equivalents	**233,617**	188,641	**235,012**	189,980

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)	**233,617**	188,641	**235,012**	189,980
Closing cash and cash equivalents (per Statement of Cash Flows)	**233,617**	188,641	**235,012**	189,980

Cash at bank includes $13.4 million (2023: $11.3 million) that is restricted. Refer to Note 6 for further details.

Refer to Note 27 for details regarding credit risk and market risk arising from financial instruments.

10. Receivables

	PARENT		CONSOLIDATED	
	2024	2023	**2024**	2023
	$'000	$'000	**$'000**	$'000
Current				
Trade receivables from contracts with customers	**35,403**	33,138	**35,403**	33,138
Rental receivables	**8,286**	2,590	**8,286**	2,590
Bond loan receivables	**14,605**	11,658	**14,605**	11,658
Other receivables	**664**	3,165	**664**	3,165
	58,958	50,551	**58,958**	50,551
Less: Allowance for expected credit losses*				
- Trade receivables from contracts with customers	**(26,444)**	(23,600)	**(26,444)**	(23,600)
- Other receivables	**(2,332)**	(2,759)	**(2,332)**	(2,759)
Total expected credit losses	**(28,776)**	(26,359)	**(28,776)**	(26,359)
Amounts due from other government agencies	**73,728**	97,583	**73,728**	97,583
Goods and services tax recoverable from ATO	**25,861**	43,908	**25,861**	43,908
Long service leave	**18,873**	18,243	**18,873**	18,243
Personnel services	**37,265**	15,550	**37,265**	15,550
Victims compensation fund/criminal injuries	**7,240**	7,102	**7,240**	7,102
Prepayments	**103,963**	67,607	**103,963**	67,607
Trade receivables - other	**24,010**	19,032	**24,010**	19,032
	321,122	293,217	**321,122**	293,217

The Department made reclassifications between Current receivables and Current payables and other reclassification within Current receivables lines to enhance the presentation in 2023-24 which resulted in realignment of comparatives.

***Movements in the allowance for expected credit losses**	**2024**	2023	**2024**	2023
	$'000	$'000	**$'000**	$'000
Balance at 1 July	**26,359**	27,261	**26,359**	27,261
Amounts written off during the year	**(238)**	(35)	**(238)**	(35)
Increase/(decrease) in allowance recognised in net results	**2,661**	(903)	**2,661**	(903)
Other movement	**(6)**	36	**(6)**	36
Balance at 30 June	**28,776**	26,359	**28,776**	26,359

	PARENT		CONSOLIDATED	
	2024	2023	**2024**	2023
	$'000	$'000	**$'000**	$'000
Non-current				
Lease incentives	**411**	585	**411**	585
Long service leave	**2,097**	1,804	**2,097**	1,804
Personnel services	**460**	318	**460**	318
Victims compensation fund/criminal injuries	**28,962**	28,409	**28,962**	28,409
Other receivables	**36**	36	**36**	36
	31,966	31,152	**31,966**	31,152
Total Receivables	**353,088**	324,369	**353,088**	324,369

10. Receivables (cont'd)

(a) Trade receivables from contracts with customers

	PARENT		CONSOLIDATED	
	2024	2023	**2024**	2023
	$'000	$'000	**$'000**	$'000
Amounts receivable from contracts with customers	**130,150**	124,265	**130,150**	124,265
Less:				
Amounts receivable that do not meet the asset recognition criteria	**(68,303)**	(91,127)	**(68,303)**	(91,127)
Allowance for impairment	**(26,444)**	(23,600)	**(26,444)**	(23,600)
	35,403	9,538	**35,403**	9,538

(b) Retained fees – Victim Support Fund debtors

	PARENT 2024	PARENT 2023	CONSOLIDATED 2024	CONSOLIDATED 2023
Amounts receivable from restitution orders made or confirmed by the Victims Compensation Tribunal	**300,030**	290,258	**300,030**	290,258
Less:				
Amounts receivable that do not meet the asset recognition criteria	**(263,829)**	(254,749)	**(263,829)**	(254,749)
Victims Compensation Fund Debtors	**36,201**	35,509	**36,201**	35,509
This is represented by:				
Current	**7,240**	7,102	**7,240**	7,102
Non-current	**28,961**	28,407	**28,961**	28,407
	36,201	35,509	**36,201**	35,509

(c) Retained fees – Criminal injuries Compensation

	PARENT 2024	PARENT 2023	CONSOLIDATED 2024	CONSOLIDATED 2023
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	**-**	-	**-**	-
Non-current	**2**	2	**2**	2
	2	2	**2**	2

Details regarding credit risk of trade receivables that are neither past due nor impaired, are disclosed in Note 27.

Recognition and measurement

The Department recognises a financial asset or a financial liability when, and only when, it becomes a party to the contractual provisions of the instrument. To determine when the Department becomes a party to the contractual provisions of the instrument, the Department considers:

- Whether the Department has a legal right to receive cash (financial asset) or a legal obligation to pay cash (financial liability); or
- Whether at least one of the parties has performed under the agreement.

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.

10. Receivables (cont'd)

Recognition and measurement (cont'd)

(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 2024. 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".

(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 $300.0 million (2023: $290.3 million) does not meet the asset recognition criteria because the Department has a documented history of non-payment by the perpetrators of crimes. The 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 (2023: $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 27.

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	
	2024	2023	**2024**	2023
	$'000	$'000	**$'000**	$'000
Raw materials - at cost	**8,155**	9,288	**8,155**	9,288
Work in progress - at cost	**563**	610	**563**	610
Finished goods - at cost	**11,413**	13,796	**11,413**	13,796
Livestock - At net realisable value[2]	**952**	1,707	**952**	1,707
	21,083	25,401	**21,083**	25,401

Recognition and measurement

Inventories 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.

[2] 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. Non-current – Financial assets at fair value

	PARENT		CONSOLIDATED	
	2024	2023	**2024**	2023
	$'000	$'000	**$'000**	$'000
Derivatives				
Interest rate swap	**2,274**	-	**2,274**	-
Non-current - financial assets at fair value	**2,274**	-	**2,274**	-

Refer to Note 27 for further information regarding fair value measurement, credit risk, and market risk arising from financial instruments.

During the year ended 30 June 2024, the Department entered into an arrangement with NSW TCorp to mitigate exposure to changes in interest rates arising from contractual payments to be made to an external operator under the service concession arrangement for Clarence Correctional Centre. Refer to Note 13 for further details.

Recognition and Measurement

The Department recognises a financial asset or a financial liability when, and only when, it becomes a party to the contractual provisions of the instrument. To determine when the Department becomes a party to the contractual provisions of the instrument, the Department considers:

- Whether the entity has a legal right to receive cash (financial asset) or a legal obligation to pay cash (financial liability); or
- Whether at least one of the parties has performed under the agreement.

The Department's financial assets at fair value are classified, at initial recognition, as subsequently measured at fair value through profit or loss.

Transaction costs of financial assets carried at fair value through profit or loss are expensed in net results.

Financial assets at fair value through profit or loss include financial assets held for trading, financial assets designated upon initial recognition at fair value through profit or loss, or financial assets mandatorily required to be measured at fair value under AASB 9.

Financial assets are held for trading if acquired for the purpose of selling or repurchasing in the near term.

Derivatives, including separated embedded derivatives, are also classified as held for trading unless they are designated as effective hedging instruments. The interest rate swap is not designated in an accounting hedge relationship.

The interest rate swap derivative is carried as financial assets when the fair value is positive and as financial liabilities when the fair value is negative. The change in fair value of the derivative financial assets or liabilities are recognised in net results and presented net within other gains/(losses).

13. Property, plant and equipment

(a) Total property, plant and equipment

PARENT	Land and buildings $'000	Plant and equipment $'000	Total $'000
At 1 July 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**
Year ended 30 June 2023			
Net carrying amount at beginning of year	8,320,166	681,946	9,002,112
Additions[3]	49,379	152,176	201,555
Disposals	(8,791)	(12,204)	(20,995)
Impairment losses	-	-	-
Net change in revaluation surplus of property, plant and equipment	451,241	-	451,241
Transfers (to)/from intangible assets	(2,604)	22,127	19,523
Transfers from assets held for sale (Note 16)	15,428	-	15,428
Depreciation expense	(227,106)	(99,898)	(327,004)
Assets transferred to expense[4]	-	(1,217)	(1,217)
Reclassification between classes	(803)	803	-
Net carrying amount at end of year	**8,596,910**	**743,733**	**9,340,643**

[3] 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.

[4] 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 $1.2 million in 2022-23. 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.

13. 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 2023 - fair value			
Gross carrying amount	12,282,306	1,235,729	13,518,035
Accumulated depreciation and impairment	(3,685,396)	(491,996)	(4,177,392)
Net carrying amount	**8,596,910**	**743,733**	**9,340,643**
Year ended 30 June 2024			
Net carrying amount at beginning of year	8,596,910	743,733	9,340,643
Additions[3]	100,423	81,572	181,995
Disposals	(13,560)	(4,758)	(18,318)
Impairment losses	(258)	-	(258)
Net change in revaluation surplus of property, plant and equipment	680,827	-	680,827
Transfers (to)/from intangible assets	(869)	11,851	10,982
Depreciation expense	(246,226)	(100,100)	(346,326)
Assets transferred in from administrative restructure - 1 February 2024 (Note 22)	170,867	-	170,867
Assets transferred to expense[4]	(389)	(41)	(430)
Reclassification between classes	(356)	356	-
Net carrying amount at end of year	**9,287,369**	**732,613**	**10,019,982**
At 30 June 2024 - fair value			
Gross carrying amount	13,211,123	1,122,024	14,333,147
Accumulated depreciation and impairment	(3,923,754)	(389,411)	(4,313,165)
Net carrying amount	**9,287,369**	**732,613**	**10,019,982**

The net carrying amount of service concession assets included in land and buildings is $1,272.9 million and plant and equipment is $166.8 million as at 30 June 2024 (2023: land and buildings - $1,260.6 million, plant and equipment - $187.8 million). The decrease in asset value in 2023-24 is due to depreciation of $51.6 million and disposal of $1.1 million offset by increase of $4.9 million of addition and $39.1 million from revaluation of land and buildings (2023: $85.6 million increase from revaluation of land and buildings offset by depreciation of $49.7 million and disposal of $0.2 million).

Further details regarding the fair value measurement of property, plant and equipment are disclosed in Note 17.

[3] 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.

[4] Asset transferred to repair and maintenance expense due to non-capital in nature. 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 $Nil in 2023-24. 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.

13. 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 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**
Year ended 30 June 2023			
Net carrying amount at beginning of year	8,331,311	681,946	9,013,257
Additions[3]	49,379	152,176	201,555
Disposals	(8,791)	(12,204)	(20,995)
Impairment losses	-	-	-
Net change in revaluation surplus of property, plant and equipment	451,745	-	451,745
Transfers (to)/from intangible assets	(2,604)	22,127	19,523
Transfers from assets held for sale (Note 16)	15,428	-	15,428
Depreciation expense	(227,285)	(99,898)	(327,183)
Assets transferred to expense[4]	-	(1,217)	(1,217)
Reclassification between classes	(803)	803	-
Net carrying amount at end of year	**8,608,380**	**743,733**	**9,352,113**

[3] 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.

[4] 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 $1.2 million in 2022-23. 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.

13. 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 2023 - fair value			
Gross carrying amount	12,294,810	1,235,729	13,530,539
Accumulated depreciation and impairment	(3,686,430)	(491,996)	(4,178,426)
Net carrying amount	**8,608,380**	**743,733**	**9,352,113**
Year ended 30 June 2024			
Net carrying amount at beginning of year	8,608,380	743,733	9,352,113
Additions[3]	100,423	81,572	181,995
Disposals	(13,560)	(4,758)	(18,318)
Impairment losses	(258)	-	(258)
Net change in revaluation surplus of property, plant and equipment	681,605	-	681,605
Transfers (to)/from intangible assets	(869)	11,851	10,982
Depreciation expense	(246,421)	(100,100)	(346,521)
Assets transferred in from administrative restructure - 1 February 2024 (Note 22)	170,867	-	170,867
Assets transferred to expense[4]	(389)	(41)	(430)
Reclassification between classes	(356)	356	-
Net carrying amount at end of year	**9,299,422**	**732,613**	**10,032,035**
At 30 June 2024 - fair value			
Gross carrying amount	13,224,223	1,122,024	14,346,247
Accumulated depreciation and impairment	(3,924,801)	(389,411)	(4,314,212)
Net carrying amount	**9,299,422**	**732,613**	**10,032,035**

Further details regarding the fair value measurement of property, plant and equipment are disclosed in Note 17.

The net carrying amount of service concession assets included in land and buildings is $1,272.9 million and plant and equipment is $166.8 million as at 30 June 2024 (2023: land and buildings - $1,260.6 million, plant and equipment - $187.8 million). The decrease in asset value in 2023-24 is due to depreciation of $51.6 million and disposal of $1.1 million offset by increase of $4.9 million of addition and $39.1 million from revaluation of land and buildings (2023: $85.6 million increase from revaluation of land and buildings offset by depreciation of $49.7 million and disposal of $0.2 million).

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 $372.0 million (2023: $345.1 million) at 30 June 2024.

[3] 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.

[4] Asset transferred to repair and maintenance expense due to non-capital in nature. 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 $Nil in 2023-24. 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.

13. 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 $'000
At 1 July 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**
Year ended 30 June 2023			
Net carrying amount at beginning of year	7,061,795	681,946	7,743,741
Additions[3]	47,027	152,176	199,203
Disposals	(8,791)	(12,204)	(20,995)
Impairment losses	-	-	-
Net change in revaluation surplus of property, plant and equipment	389,452	-	389,452
Transfers (to)/from intangible assets	(2,604)	22,127	19,523
Transfers from assets held for sale (Note 16)	15,428	-	15,428
Depreciation expense	(203,381)	(99,898)	(303,279)
Assets transferred to expense[4]	-	(1,217)	(1,217)
Reclassification between classes	(803)	803	-
Transfers to assets where the Department is lessor	(2,526)	-	(2,526)
Net carrying amount at end of year	**7,295,597**	**743,733**	**8,039,330**

[3] 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.

[4] 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 $1.2 million in 2022-23. 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.

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

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

PARENT	**Land and buildings $'000**	**Plant and equipment $'000**	**Total $'000**
At 1 July 2023 - fair value			
Gross carrying amount	10,830,436	1,235,729	12,066,165
Accumulated depreciation and impairment	(3,534,839)	(491,996)	(4,026,835)
Net carrying amount	**7,295,597**	**743,733**	**8,039,330**
Year ended 30 June 2024			
Net carrying amount at beginning of year	7,295,597	743,733	8,039,330
Additions[3]	92,270	81,572	173,842
Disposals	(13,560)	(4,758)	(18,318)
Impairment losses	-	-	-
Net change in revaluation surplus of property, plant and equipment	512,429	-	512,429
Transfers (to)/from intangible assets	(869)	11,851	10,982
Transfers from assets held for sale (Note 16)	-	-	-
Depreciation expense	(216,442)	(100,100)	(316,542)
Assets transferred to expense[4]	(389)	(41)	(430)
Reclassification between classes	(356)	356	-
Transfers to assets where the Department is lessor	(49,592)	-	(49,592)
Net carrying amount at end of year	**7,619,088**	**732,613**	**8,351,701**
At 30 June 2024 - fair value			
Gross carrying amount	11,361,327	1,122,024	12,483,351
Accumulated depreciation and impairment	(3,742,239)	(389,411)	(4,131,650)
Net carrying amount	**7,619,088**	**732,613**	**8,351,701**

[3] 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.

[4] 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 $Nil in 2023-24. 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.

13. 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 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**
Year ended 30 June 2023			
Net carrying amount at beginning of year	7,061,795	681,946	7,743,741
Additions[3]	47,027	152,176	199,203
Disposals	(8,791)	(12,204)	(20,995)
Impairment losses	-	-	-
Net change in revaluation surplus of property, plant and equipment	389,452	-	389,452
Transfers (to)/from intangible assets	(2,604)	22,127	19,523
Transfers from assets held for sale (Note 16)	15,428	-	15,428
Depreciation expense	(203,381)	(99,898)	(303,279)
Assets transferred to expense[4]	-	(1,217)	(1,217)
Transfers from assets where the Department is lessor	(803)	803	-
Transfers to assets where the Department is lessor	(2,526)	-	(2,526)
Net carrying amount at end of year	**7,295,597**	**743,733**	**8,039,330**

[3] 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.

[4] 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 $1.2 million in 2022-23. 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.

13. 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 2023 - fair value			
Gross carrying amount	10,830,437	1,235,729	12,066,166
Accumulated depreciation and impairment	(3,534,840)	(491,996)	(4,026,836)
Net carrying amount	**7,295,597**	**743,733**	**8,039,330**
Year ended 30 June 2024			
Net carrying amount at beginning of year	7,295,597	743,733	8,039,330
Additions[3]	92,270	81,572	173,842
Disposals	(13,560)	(4,758)	(18,318)
Impairment losses	-	-	-
Net change in revaluation surplus of property, plant and equipment	512,429	-	512,429
Transfers (to)/from intangible assets	(869)	11,851	10,982
Transfers from assets held for sale (Note 16)	-	-	-
Depreciation expense	(216,441)	(100,100)	(316,541)
Assets transferred to expense[4]	(389)	(41)	(430)
Reclassification between classes	(356)	356	-
Transfers to assets where the Department is lessor	(49,592)	-	(49,592)
Net carrying amount at end of year	**7,619,089**	**732,613**	**8,351,702**
At 30 June 2024 - fair value			
Gross carrying amount	11,361,328	1,122,024	12,483,352
Accumulated depreciation and impairment	(3,742,239)	(389,411)	(4,131,650)
Net carrying amount	**7,619,089**	**732,613**	**8,351,702**

[3] 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.

[4] 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 $Nil in 2023-24. 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.

13. 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 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**
Year ended 30 June 2023			
Net carrying amount at beginning of year	1,258,371	-	1,258,371
Additions	2,352	-	2,352
Disposals	-	-	-
Net change in revaluation surplus of property, plant and equipment	61,789	-	61,789
Depreciation expense	(23,725)	-	(23,725)
Transfers from assets held and used by the Department	2,526	-	2,526
Net carrying amount at end of year	**1,301,313**	**-**	**1,301,313**

PARENT	Land and buildings $'000	Plant and equipment $'000	Total $'000
At 1 July 2023 - fair value			
Gross carrying amount	1,451,870	-	1,451,870
Accumulated depreciation and impairment	(150,557)	-	(150,557)
Net carrying amount	**1,301,313**	**-**	**1,301,313**
Year ended 30 June 2024			
Net carrying amount at beginning of year	1,301,313	-	1,301,313
Additions	8,153	-	8,153
Disposals	-	-	-
Impairment losses	(258)		(258)
Net change in revaluation surplus of property, plant and equipment	168,398	-	168,398
Depreciation expense	(29,784)	-	(29,784)
Asset transferred in from administrative restructure - 1 February 2024	170,867		170,867
Reclassification between classes	-		-
Transfers from assets held and used by the Department	49,592	-	49,592
Net carrying amount at end of year	**1,668,281**	**-**	**1,668,281**
At 30 June 2024 - fair value			
Gross carrying amount	1,849,796	-	1,849,796
Accumulated depreciation and impairment	(181,515)	-	(181,515)
Net carrying amount	**1,668,281**	**-**	**1,668,281**

13. 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 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**
Year ended 30 June 2023			
Net carrying amount at beginning of year	1,269,516	-	1,269,516
Additions	2,352	-	2,352
Disposals	-	-	-
Net change in revaluation surplus of property, plant and equipment	62,293	-	62,293
Depreciation expense	(23,904)	-	(23,904)
Transfers from assets held and used by the Department	2,526	-	2,526
Net carrying amount at end of year	**1,312,783**	**-**	**1,312,783**

CONSOLIDATED	**Land and buildings $'000**	**Plant and equipment $'000**	**Total $'000**
At 1 July 2023 - fair value			
Gross carrying amount	1,464,373	-	1,464,373
Accumulated depreciation and impairment	(151,590)	-	(151,590)
Net carrying amount	**1,312,783**	**-**	**1,312,783**
Year ended 30 June 2024			
Net carrying amount at beginning of year	1,312,783	-	1,312,783
Additions	8,153	-	8,153
Disposals	-	-	-
Impairment losses	(258)	-	(258)
Net change in revaluation surplus of property, plant and equipment	169,176	-	169,176
Depreciation expense	(29,980)	-	(29,980)
Asset transferred in from administrative restructure - 1 February 2024	170,867		170,867
Reclassification between classes	-		-
Transfers from assets held and used by the Department	49,592	-	49,592
Net carrying amount at end of year	**1,680,333**	**-**	**1,680,333**
At 30 June 2024 - fair value			
Gross carrying amount	1,862,895	-	1,862,895
Accumulated depreciation and impairment	(182,562)	-	(182,562)
Net carrying amount	**1,680,333**	**-**	**1,680,333**

13. 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 2023-24 is $2.9 million (2022-23: $2.9 million). The heritage collection is valued by an independent valuer once in every 5 years with the last valuation completed as at 31 March 2023 in accordance with the Accounting Standards and NSW Treasury policies. The next comprehensive revaluation will be at 31 March 2028. 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 17 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 was completed as at 31 March 2024 by a qualified independent valuer.

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

Recognition and measurement (cont'd)

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

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 14.

13. 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 *Service Concession Arrangements: Grantor* (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 extended until 31 March 2025.
Terms of the arrangement	Under the project deed arrangement, the Department is obligated to make the following payments:	Under the project deed arrangement, the Department is obligated to pay ongoing services payments and asset maintenance fees.

13. 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 (cont'd)	- 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. - The external operator has a forecasted floating interest rate on the loan repayment, ranging between 2.48% to 3.62% per annum up to the expiration date of the Department's contract with the external operator on 30 June 2040. The external operator had hedged their forecasted floating interest rate until 16 July 2022. - After the expiration of their hedge, the Department was exposed to the movements in interest rates subsequent to that date. Therefore, the Department has entered into a fifteen-year interest rate swap to hedge its interest rate exposure against the $307 million debt held by the external party as of 16 January 2024. The swap rate was effective from 16 January 2024 at fixed rate of 4.309% against 3 months Bank Bill Swap Rate (BBSW) plus 5bps spread. The interest rate swap is a derivative not designated in an accounting hedge relationship and therefore the interest rate swap will subsequently be measured at fair value through profit or loss. Refer to Note 12 for further details.	
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 2023	$727.2 million (SCAs) and $730.9 million (SCLs)	Parklea: $352.5 million (SCAs) Junee: $368.8 million (SCAs)
The carrying amount of SCAs and SCLs as at 30 June 2024	$728.7 million (SCAs) and $699.2 million (SCLs)	Parklea: $373.7 million (SCAs) Junee: $337.3 million (SCAs)

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

Recognition and measurement (cont'd)

Service concession assets (cont'd)

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.

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.

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

Recognition and measurement (cont'd)

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.

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	10 to 50 years	2% to 10%
Plant, furniture, motor vehicles and equipment - general and commercial	4 to 10 years	10% to 25%
Plant, furniture and equipment - industrial	20 years	5%
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)	8 to 40 years	2.5% to 12.5%
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.

14. Leases

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 (2023: $1.3 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 (2023: $Nil) 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 (2023: $Nil).

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.

14. Leases (cont'd)

As a Lessee (cont'd)

Office accommodation arrangements with Property and Development NSW (PDNSW) has a "substitution right" clause, that gives PDNSW a right to relocate the Department during the term of the agreement. Therefore, these agreements are not accounted for as a lease within the scope of AASB 16. This involves judgment that the "substitution right" clause in the agreement provides PDNSW with a substantive substitution right. Management judgments include an assessment that PDNSW 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 PDNSW to exercise the substitution right, due to the non-specialised nature of the relevant office accommodation. The accommodation charges are recognised as expenses when incurred over the agreement duration.

The Department is 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 PDNSW, if PDNSW 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 is the same as for other AASB 16 leases.

Right-of-use assets under leases

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

PARENT AND CONSOLIDATED

	Land and buildings $'000	Plant and equipment $'000	Total $'000
Balance at 1 July 2023	193,332	20,877	214,209
Additions	174	12,540	12,714
Depreciation expense	(5,654)	(11,586)	(17,240)
Lease modifications	-	1,739	1,739
Disposal	-	(142)	(142)
Balance at 30 June 2024	**187,852**	**23,428**	**211,280**

	Land and buildings $'000	Plant and equipment $'000	Total $'000
Balance at 1 July 2022	199,169	20,929	220,098
Additions	108	9,666	9,774
Depreciation expense	(5,945)	(11,363)	(17,308)
Lease modifications	-	1,866	1,866
Disposal	-	(221)	(221)
Balance at 30 June 2023	**193,332**	**20,877**	**214,209**

14. Leases (cont'd)

As a Lessee (cont'd)

Lease liabilities

The following table presents liabilities under leases:

PARENT AND CONSOLIDATED

	2024 $'000	2023 $'000
Balance at 1 July	**126,266**	129,777
Additions	**12,712**	9,774
Interest expenses	**10,985**	10,442
Payments	**(26,442)**	(25,358)
Disposal	**(143)**	(234)
Lease modifications	**1,737**	1,865
Balance at 30 June	**125,115**	126,266

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

	2024 $'000	2023 $'000
Depreciation expense of right-of-use assets	**17,240**	17,308
Interest expense on lease liabilities	**10,985**	10,442
Expense relating to short-term leases	**1,390**	942
Total amount recognised in the statement of comprehensive income	**29,615**	28,692

The Department had total cash outflows for leases of $26.4 million in 2023-24 (2023: $25.4 million).

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 2023-24:

(i) The Department had entered into a 16 year lease from 1 October 2017 and a 3 year lease from 1 July 2020 (currently on holdover) with the NSW Land and Housing Corporation (LAHC) for lease payments of $1 per annum. The 16 year lease is for the use of 11 (2023: 12) 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 holdover 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.

14. 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 14 (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.

14. 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.

14. Leases (cont'd)

As a Lessor for operating leases

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

PARENT AND CONSOLIDATED

	2024	2023
	$'000	$'000
Within one year	**23,782**	19,181
One to two years	**24,912**	20,139
Two to three years	**26,095**	21,146
Three to four years	**17,934**	22,202
Four to five years	**942**	14,665
Later than five years	**317**	1,306
Total (excluding GST)	**93,982**	98,639

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.

15. Intangible assets

PARENT AND CONSOLIDATED

	Software $'000	Total $'000
At 1 July 2022		
Cost (gross carrying amount)	214,719	214,719
Accumulated amortisation and impairment	(71,318)	(71,318)
Net carrying amount	**143,401**	**143,401**
Year ended 30 June 2023		
Net carrying amount at beginning of year	143,401	143,401
Additions	21,221	21,221
Transfer (to)/from property, plant and equipment	(19,523)	(19,523)
Disposals	(4,163)	(4,163)
Impairment losses	-	-
Amortisation expense	(19,627)	(19,627)
Net carrying amount at end of year	**121,309**	**121,309**
At 1 July 2023		
Cost (gross carrying amount)	211,987	211,987
Accumulated amortisation and impairment	(90,678)	(90,678)
Net carrying amount	**121,309**	**121,309**
Year ended 30 June 2024		
Net carrying amount at beginning of year	121,309	121,309
Additions	14,367	14,367
Transfer (to)/from property, plant and equipment	(10,982)	(10,982)
Disposals	(7,034)	(7,034)
Amortisation expense	(20,677)	(20,677)
Intangible assets transferred in from administrative restructure - 1 February 2024(Note 22(i))	53	53
Net carrying amount at end of year	**97,036**	**97,036**
At 30 June 2024		
Cost (gross carrying amount)	206,714	206,714
Accumulated amortisation and impairment	(109,678)	(109,678)
Net carrying amount	**97,036**	**97,036**

15. 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 (2023: $Nil) 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.

16. Non-current assets held for sale

	PARENT		CONSOLIDATED	
	2024	2023	**2024**	2023
	$'000	$'000	**$'000**	$'000
Assets held for sale - land and buildings	**101**	101	**101**	101
	101	101	**101**	101

Assets held for sale comprise Bourke residential court assets $0.1 million (2023: Bourke residential court assets $0.1 million).

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.

17. 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.

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

(a) Fair value hierarchy

	Parent			
2024	**Level 1 $'000**	**Level 2 $'000**	**Level 3 $'000**	**Total fair value $'000**
Property, plant and equipment (Note 13)				
Land and buildings	-	759,102	8,447,011	9,206,113
Plant and equipment	-	2,937	-	2,937
Non-current assets held for sale (Note 16)	-	-	101	101
Total Fair value measurement of non-financial assets	**-**	**762,039**	**8,447,112**	**9,209,151**

	Parent			
2023	**Level 1 $'000**	**Level 2 $'000**	**Level 3 $'000**	**Total fair value $'000**
Property, plant and equipment (Note 13)				
Land and buildings	-	535,666	7,954,793	8,490,459
Plant and equipment	-	2,937	-	2,937
Non-current assets held for sale (Note 16)	-	-	101	101
Total Fair value measurement of non-financial assets	**-**	**538,603**	**7,954,894**	**8,493,497**

	Consolidated			
2024	**Level 1 $'000**	**Level 2 $'000**	**Level 3 $'000**	**Total fair value $'000**
Property, plant and equipment (Note 13)				
Land and buildings	-	765,721	8,452,444	9,218,165
Plant and equipment	-	2,937	-	2,937
Non-current assets held for sale (Note 16)	-	-	101	101
Total Fair value measurement of non-financial assets	**-**	**768,658**	**8,452,545**	**9,221,203**

	Consolidated			
2023	**Level 1 $'000**	**Level 2 $'000**	**Level 3 $'000**	**Total fair value $'000**
Property, plant and equipment (Note 13)				
Land and buildings	-	541,912	7,960,016	8,501,928
Plant and equipment	-	2,937	-	2,937
Non-current assets held for sale (Note 16)	-	-	101	101
Total Fair value measurement of non-financial assets	**-**	**544,849**	**7,960,117**	**8,504,966**

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

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

(b) Valuation techniques, inputs and processes

A comprehensive revaluation of all the Department's properties has been performed by an external professionally qualified valuer as at 31 March 2024. A full valuation is conducted every three years, with the previous comprehensive valuation for Correctional centres and Youth Justice facilities occurring in 2018. During 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.

17. 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 – (i) Group homes – with buildings with minor modifications (ii) Stand-alone residences – corrective services and youth justice (iii) Police Force Housing	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 –old Grafton Correctional Centre (2023: Transferred from Assets held for Sale Note 16 to Property, Plant and Equipment Note 13)	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.

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

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

Asset Class	Level	Valuation technique	Inputs	Process
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.
Buildings – (i) Group homes – with buildings with minor modifications (ii) Standalone residences – corrective services and youth justice (iii) Police Force Housing	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.

17. 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 –old Grafton Correctional Centre (2023:Transferred from Assets held for Sale Note 16 to Property, Plant and Equipment Note 13)	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 – Specialised (court houses, correctional 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.

17. 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 2023	7,954,793	101	7,954,894
Additions	127,769	-	127,769
Net change in revaluation surplus of property, plant and equipment recognised in other comprehensive income	614,636	-	614,636
Transfer to Level 2	(5,906)	-	(5,906)
Disposals	(11,505)	-	(11,505)
Depreciation expense	(231,550)	-	(231,550)
Assets held for sale in/(out)	-	-	-
Other movements	(1,226)	-	(1,226)
Fair value as at 30 June 2024	**8,447,011**	**101**	**8,447,112**

	PARENT		
	Land and Buildings $'000	**Non-current assets held for sale $'000**	**Total $'000**
Fair value as at 1 July 2022	7,686,894	15,529	7,702,423
Additions	65,061	-	65,061
Net change in revaluation surplus of property, plant and equipment recognised in other comprehensive income	431,961	-	431,961
Transfer to Level 2	(15,428)	-	(15,428)
Disposals	(8,791)	-	(8,791)
Depreciation expense	(216,925)	-	(216,925)
Assets held for sale in/(out)	15,428	(15,428)	-
Other movements	(3,407)	-	(3,407)
Fair value as at 30 June 2023	**7,954,793**	**101**	**7,954,894**

17. 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 2023	7,960,016	101	7,960,117
Additions	127,769	-	127,769
Net change in revaluation surplus of property, plant and equipment recognised in other comprehensive income	614,919	-	614,919
Transfer to Level 2	(5,906)	-	(5,906)
Disposals	(11,505)	-	(11,505)
Depreciation expense	(231,623)	-	(231,623)
Assets held for sale in/(out) (Note 16)	-	-	-
Other movements	(1,226)	-	(1,226)
Fair value as at 30 June 2024	**8,452,444**	**101**	**8,452,545**

	CONSOLIDATED		
	Land and Buildings $'000	**Non-current assets held for sale $'000**	**Total $'000**
Fair value as at 1 July 2022	7,692,075	15,529	7,707,604
Additions	65,061	-	65,061
Net change in revaluation surplus of property, plant and equipment recognised in other comprehensive income	432,072	-	432,072
Transfer to Level 2	(15,428)	-	(15,428)
Disposals	(8,791)	-	(8,791)
Depreciation expense	(216,994)	-	(216,994)
Assets held for sale in/(out) (Note 16)	15,428	(15,428)	-
Other movements	(3,407)	-	(3,407)
Fair value as at 30 June 2023	**7,960,016**	**101**	**7,960,117**

18. Payables

	PARENT		CONSOLIDATED	
	2024	2023	**2024**	2023
	$'000	$'000	**$'000**	$'000
Current				
Accrued capital expenditure	**16,182**	28,191	**16,182**	28,191
Accrued grant expenditure	**8,111**	9,502	**8,111**	9,502
Accrued operating expenditure	**245,918**	217,346	**245,918**	217,346
Accrued salaries, wages and on-costs	**106,885**	79,701	**106,885**	79,701
Creditors	**39,249**	24,765	**39,249**	24,766
Total payables	**416,345**	359,505	**416,345**	359,506

Details regarding liquidity risk, including a maturity analysis of the above payables, are disclosed in Note 27.

Accrued operating expenditure includes accruals for claims relating to the Victims Support Fund totalling $7.9 million (2023: $10.6 million).

The Department made reclassifications between Current receivables and Current payables and other reclassification within Current payables lines to enhance the presentation in 2023-24 which resulted in realignment of comparatives.

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.

19. Borrowings

	PARENT		CONSOLIDATED	
	2024	2023	**2024**	2023
	$'000	$'000	**$'000**	$'000
Current borrowings				
Treasury advances repayable[5]	**120**	-	**120**	-
Lease liabilities (refer Note 14)	**15,132**	13,956	**15,132**	13,956
Service concession financial liabilities[6]	**32,931**	31,770	**32,931**	31,770
	48,183	45,726	**48,183**	45,726
Non-current borrowings				
Treasury advances repayable[5]	**700**	-	**700**	-
Lease liabilities (refer Note 14)	**109,983**	112,310	**109,983**	112,310
Service concession financial liabilities[6]	**666,230**	699,161	**666,230**	699,161
	776,913	811,471	**776,913**	811,471

Changes in liabilities arising from financing activities

	PARENT AND CONSOLIDATED			
	Treasury advances repayable $'000	**Leases $'000**	**Service Concession Arrangements**	**Total liabilities from financing activities $'000**
Balance at 1 July 2022	-	129,777	1,107,351	1,237,128
Cash flows[7]	-	(25,358)	(402,754)	(428,112)
New leases	-	9,774	-	9,774
Finance charges	-	10,442	26,334	36,776
Disposal of right-of-use liabilities	-	(234)	-	(234)
Other movements	-	1,865	-	1,865
Balance at 30 June 2023	**-**	**126,266**	**730,931**	**857,197**

	PARENT AND CONSOLIDATED			
	Treasury advances repayable $'000	**Leases $'000**	**Service Concession Arrangements**	**Total liabilities from financing activities $'000**
Balance at 1 July 2023	-	126,266	730,931	857,197
Cash flows	787	(26,442)	(55,080)	(80,735)
New leases	-	12,712	-	12,712
Finance charges	33	10,985	23,310	34,328
Disposal of right-of-use liabilities	-	(143)	-	(143)
Other movements	-	1,737	-	1,737
Balance at 30 June 2024	**820**	**125,115**	**699,161**	**825,096**

Details regarding liquidity risk including a maturity analysis of the above borrowings are disclosed in Note 27.

[5] The advance is related to funding secured through the Government Finance Facility (GFF) for the Courthouse rooftop solar program. The GFF supports resource efficiency projects and renewable energy infrastructure within NSW Government agencies.

[6] This relates to contractual payments to the operator. Refer to Note 13 for further details on the Department's service concession arrangements.

[7] Service Concession Arrangements cash flow includes Conditional Debt Pay Down (CDPD) payment of $332.9 million to the Service Operator in 2023.

19. 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 2024 and as at 30 June 2023. Refer to Note 24 regarding disclosures on Contingent liabilities.

20. Provisions

	PARENT		CONSOLIDATED	
	2024	2023	**2024**	2023
	$'000	$'000	**$'000**	$'000
Current				
Employee benefits and related on-costs				
Sundays and public holidays	**4,205**	5,756	**4,205**	5,756
Parental Leave	**14,107**	-	**14,107**	-
Annual leave*	**372,112**	327,341	**372,112**	327,341
Long service leave**	**131,156**	116,625	**131,156**	116,625
Total current employee benefits and related on-costs	**521,580**	449,722	**521,580**	449,722
*Current annual leave obligations expected to be settled after 12 months	**35,656**	50,103	**35,656**	50,103
**Current long service leave obligations expected to be settled after 12 months	**116,096**	106,058	**116,096**	106,058
	151,752	156,161	**151,752**	156,161
Other Provisions				
Restoration costs	**19,688**	20,315	**19,688**	20,315
Victims Support Scheme - lodged but not yet paid claims	**66,736**	60,011	**66,736**	60,011
Victims Support Scheme - incurred but not reported claims				
- Domestic violence	**14,500**	12,700	**14,500**	12,700
- Other offences	**12,600**	10,900	**12,600**	10,900
Other provisions	**-**	-	**-**	-
Total current other provisions	**113,524**	103,926	**113,524**	103,926
Total current provisions	**635,104**	553,648	**635,104**	553,648
Non-current				
Employee benefits and related on-costs				
Long service leave	**29,909**	11,478	**29,909**	11,478
Total non-current employee benefits and related on-costs	**29,909**	11,478	**29,909**	11,478
Other Provisions				
Restoration costs	**19,843**	20,324	**19,843**	20,324
Victims Support Scheme - lodged but not yet paid claims	**112,600**	92,100	**112,600**	92,100
Victims Support Scheme - incurred but not reported claims				
- Domestic violence	**192,900**	152,100	**192,900**	152,100
- Other offences	**94,000**	77,800	**94,000**	77,800
Total non-current other provisions	**419,343**	342,324	**419,343**	342,324
Total non-current provisions	**449,252**	353,802	**449,252**	353,802

20. Provisions (cont'd)

	PARENT		CONSOLIDATED	
	2024	2023	**2024**	2023
	$'000	$'000	**$'000**	$'000
Aggregate employee benefits and related on-costs				
Provisions	**551,489**	461,200	**551,489**	461,200
Accrued salaries, wages and on-costs (Note 18)	**106,885**	79,701	**106,885**	79,701
	658,374	540,901	**658,374**	540,901

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 2023	**40,639**	**152,111**	**253,500**	**446,250**
Additional provision recognised	2,311	85,100	60,900	**148,311**
Amounts used	(1,596)	(63,900)	-	**(65,496)**
Unused amounts reversed	(862)	-	-	**(862)**
Unwinding/change in the discount rate	574	5,325	9,200	**15,099**
Change in experience and actuarial assumptions	-	700	36,900	**37,600**
Other movements[8]	(1,535)	-	(46,500)	**(48,035)**
Carrying amount at 30 June 2024	**39,531**	**179,336**	**314,000**	**532,867**

	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 2022	**38,896**	**161,760**	**229,900**	**430,556**
Additional provision recognised	4,337	74,700	55,000	**134,037**
Amounts used	(394)	(63,300)	-	**(63,694)**
Unused amounts reversed	(2,899)	-	-	**(2,899)**
Unwinding/change in the discount rate	699	3,000	4,500	**8,199**
Change in experience and actuarial assumptions	-	(24,049)	4,600	**(19,449)**
Other movements[8]	-	-	(40,500)	**(40,500)**
Carrying amount at 30 June 2023	**40,639**	**152,111**	**253,500**	**446,250**

[8] Other movements in Victims Support Scheme - incurred but not reported claims relate to expected costs in respect of lodgements for the respective financial years.

20. 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% (2023: 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);
- District Court 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, the Trustees of the Anzac Memorial Building and the Aboriginal Housing Office. Refer to Note 1 (a) for details.

20. Provisions (cont'd)

Recognition and measurement (cont'd)

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

(ii) Long service leave (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 TPG24-23 *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 2024. No provision has been made in the financial statements for any IBNR claims in relation to child sexual assault (refer to Note 24 Contingent Liabilities) in 2023-24 and 2022-23 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.

20. 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 2024 was $63.9 million (2023: $63.3 million), including an accrual of $7.9 million (2023: $10.6 million). Refer to Note 24 and Note 30 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.

21. Other liabilities

	PARENT		CONSOLIDATED	
	2024	2023	**2024**	2023
	$'000	$'000	**$'000**	$'000
Current				
Liabilities under transfers to acquire or construct non-financial assets to be controlled by the Department	**3,968**	8,604	**3,968**	8,604
Unearned revenue	**3,876**	4,420	**3,876**	4,420
	7,844	13,024	**7,844**	13,024

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 $4.0 million (2023: $8.6 million) within 12 months and $Nil (2023: $Nil) after 12 months as at 30 June 2024, as the related assets are constructed/acquired.

	2024	2023
	$'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	**3,968**	8,604
Opening balance of liabilities arising from transfers to acquire/construct non-financial assets to be controlled by the Department	**8,604**	6,153
Add: receipt of cash during the financial year	**2,328**	3,266
Deduct: income recognised during the financial year	**(6,964)**	(815)
Closing balance of liabilities arising from transfers to acquire/construct non-financial assets to be controlled by the Department	**3,968**	8,604

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

(i) As per the *Administrative Arrangements (Administrative Changes-Miscellaneous) Order (No. 6) 2023*, issued on December 6, 2023, the staff and functions of the Housing Services team of the Homes, Property and Development Group within the Department of Planning, Housing and Infrastructure, including Police Force Housing were transferred to the Department effective 1 February 2024.

Refer to Note 1(b) for details of the administrative restructure.

The following statement discloses the assets and liabilities which were transferred into the Department from the Department of Planning, Housing and Infrastructure (DPHI) and the Property and Development NSW (PDNSW):

	Total transfer from DPHI to the Department (Parent) $'000	Total transfer from PDNSW to the Department (Parent) $'000	Total net assets transferred to the Department (Parent) $'000
Assets			
Current Assets			
Cash and cash equivalents	-	16,526	16,526
Receivables	17,862	2,988	20,850
Other current assets	-	788	788
Total current assets	**17,862**	**20,302**	**38,164**
Non-current assets			
Receivables	142	-	142
Property Plant and equipment	-	170,867	170,867
Intangible assets	-	53	53
Total non-current assets	**142**	**170,920**	**171,062**
Total Assets	**18,004**	**191,222**	**209,226**
Liabilities			
Current Liabilities			
Payables	5,357	4,018	9,375
Provisions	13,149	-	13,149
Total current liabilities	**18,506**	**4,018**	**22,524**
Non-current Liabilities			
Provisions	175	-	175
Total non-current liabilities	**175**	**-**	**175**
Total Liabilities	**18,681**	**4,018**	**22,699**
Net Assets	**(677)**	**187,204**	**186,527**

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

(ii) The staff employed in the Welfare Services Branch of Resilience NSW were transferred to the Department effective 16 December 2022 in accordance with *the Administrative Arrangements (Administrative Changes-Miscellaneous) Order (No 10) 2022* issued on 16 December 2022. Refer to Note 1(b) for details of the administrative restructure.

The following statement discloses the liabilities which were transferred from Resilience NSW to the Department:

	Total transfer from Resilience NSW to the Department (Parent) $'000
Assets	
Total Assets	**-**
Liabilities	
Current Liabilities	
Payables	-
Borrowings	-
Provisions	73
Other current liabilities	-
Total Current Liabilities	**73**
Non-Current Liabilities	
Provisions	1
Borrowings	-
Other non-current liabilities	-
Total Non-Current Liabilities	**1**
Total Liabilities	**74**
NET ASSETS	**74**

(iii) As per the *Administrative Arrangements (Administrative Changes-Miscellaneous) Order (No 10) 2022* dated 16 December 2022, monies in two trust accounts managed by Resilience NSW were transferred to the Department effective as at 16 December 2022. As the funds in these two accounts will be held in trust, these trust accounts will not have form part of the Department's financial statements. Refer to Note 1(b) for the administrative restructure and Note 28(b) for Trust Funds' details.

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

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.

23. Commitments for expenditure

a) Capital Commitments

	PARENT		CONSOLIDATED	
	2024	2023	**2024**	2023
	$'000	$'000	**$'000**	$'000
Aggregate capital expenditure for the acquisition of property, plant and equipment contracted for at reporting date and not provided for:				
Within one year	**34,871**	96,008	**34,871**	96,008
Later than one year and not later than five years	**-**	-	**-**	-
Later than five years	**-**	-	**-**	-
Total (including GST)	**34,871**	96,008	**34,871**	96,008

Input tax credits of $3.2 million (2023: $8.7 million) which is expected to be recoverable from the Australian Taxation Office is included above.

24. Contingent liabilities and contingent assets

Contingent liabilities

Suitors' Fund

There are 6 (2023: 5) claims estimated at $0.06 million (2023: $0.05 million) pending on the Suitors' Fund as at 30 June 2024. 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 (2023: $0.2 million) will be met by the Department.

Various other claims totalling $113.5 million (2023: $89.3 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.

24. 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 $743 million to $1,570 million (2023: $610 million to $1,169 million). The increase in the range is driven by updated "seed" assumptions used for projection of future lodgement numbers driven by higher lodgement numbers seen over the past two years as well as the inclusion of the IBNR liability for incidents that occurred in 2022-23 financial year. Whilst the Actuary is of the view that it is not possible to reliably estimate the IBNR liability as at 30 June 2024 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 20 and Note 30.

Other Matters

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 2024.

Contingent assets

The Department does not have any contingent assets as at 30 June 2024 and 30 June 2023.

25. 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 $104.5 million, primarily due to:

Expenses

Total expenses excluding losses were $3,271.1 million favourable to budget, driven mainly by:

Employee related expenses – unfavourable to budget by $135.0 million
The major variances to budget are due to the following items:

- Unfavourable: $76.2 million increase in long service leave due to updated present value calculations, change in oncosts rates from Treasury, increase in salaries and bond rates. The Commonwealth 10 years bond rate was 4.31% as at 30 June 2024 compared to 4.03% as at 30 June 2023
- Unfavourable: $75.0 million increase in Corrective Services mainly due to unbudgeted overtime expenses in Custody and Security division
- Unfavourable: $69.2 million additional in-year budget approval from NSW Treasury to fund the shortfall for employee related expenses relating to Homes NSW
- Unfavourable: $18.4 million increase in payroll tax mainly due to lower budgeted amount caused by increased contractor expenses from last year
- Favourable: $105.7 million decrease in employee related expenses compared to original budget, offset by overspend in contractor expenses included under operating expenses.

Operating expenses – unfavourable to budget by $291.4 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: $105.7 million overspend in Contractor expenses, offset savings in Employee related expense where it was budgeted for
- Unfavourable: $73.1 million relates to unbudgeted Victim Service actuarial adjustment
- Unfavourable: $40.4 million relates to Other expenses within Operating expenses mapped to Other expenses in the budget
- Unfavourable: $33.4 million Contribution to Treasury Managed Fund (TMF) for Agency Performance Adjustment (APA) mapped to Grant and Subsidies in budget
- Unfavourable: $14.1 million unbudgeted post Covid cleaning costs
- Unfavourable: $4.4 million increase in insurance premium mainly due to TMF for APA.

Depreciation and amortisation – unfavourable to budget by $29.4 million
Mainly attributable to additional depreciation on revaluation surplus and depreciation of assets transferred from Police Force Housing.

25. Budget Review (cont'd)

Expenses (cont'd)

Grants and subsidies – favourable to budget by $3,677.8 million
The major variance to budget is transfer payments to the National Disability Insurance Agency (NDIA) of $3,368.0 million and $159.2 million of Other Administered expenses not included in actual grants expenditure in the financial statements in accordance with AASB 1050 Administered Items. Whereas the budget includes NDIA payments in Grants expenditure

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

- Favourable: $132.1 million underspend in National Disability Insurance Scheme
- Favourable: $62.1 million underspend in Portfolio Grants to Portfolio agencies which has been subsequently adjusted through carry forward process
- Favourable: $42.0 million underspend in Core and Cluster program
- Favourable: $33.4 million actual TMF for APA mapped to Operating expenses in the financial statements
- Favourable: $25.8 million underspend in Commonwealth funded Family Domestic Violence program
- Favourable: $22.6 million underspend in Social Housing Grant and Community Support and Development grant
- Unfavourable: $117.0 million relates to increase in grants for temporary accommodation due to increasing demand and costs
- Unfavourable: $49.7 million relates to overspend in Out-of-Home-Care grants largely driven by additional costs from high risk emergency arrangement.

Finance costs – favourable to budget by $8.7 million
Mainly attributable to lower than expected interest expenses for service concession arrangement.

Other expenses – favourable to budget by $40.4 million
The variance is due to difference in mapping between budget and financial statements, $40.4 million of Other expenses in the budget is mapped to Operating expenses in the financial statements.

Revenue

Total revenue was $3,350.0 million unfavourable to budget, driven by:

Appropriations – unfavourable to budget by $3,543.2 million
The major variance to budget is transfer payments to NDIA of $3,390.8 million and $159.2 million of Other administered income not included in actual appropriation revenue in accordance with AASB *1050 Administered Items.* Whereas the budget includes NDIA payments in Appropriation

Other significant variance to budget is due to the following item:

- Favourable: $6.8 million in-year appropriations approval from NSW Treasury.

Sale of goods and services – favourable to budget by $30.2 million
The major variance to budget is the difference between the financial statement account mapping and the account mapping in the budget. Personnel services revenue of $103.9 million is mapped to sale of goods and services in the budget

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

- Favourable: $31.6 million actual licences fee as compared to budget since the budget for license fee ($61.6 million) is mapped to Other Revenue
- Favourable: $82.3 million increase in management fees mainly due to tenancy management fees relating to LAHC and AHO added during the year as a result of MoG changes effective 1 February 2024 which was not budgeted for
- Favourable: $21.2 million higher than expected Courts and Corrective Services revenue.

Retained taxes, fees and fines – favourable to budget by $14.2 million
Attributable to an increase in the receipt of restitution order and confiscation revenue for Victims Services of $14.2 million, compared to budget.

Personnel services revenue – favourable to budget by $144.7 million
The variance is due to personnel services revenue being mapped to Sale of goods and services in the budget.

25. Budget Review (cont'd)

Revenue (cont'd)

Acceptance by the Crown of employee benefits and other liabilities –favourable to budget by $31.6 million
Mainly attributable to increase in long service leave is due to updated year end present value calculations, change in oncosts rates, and increase in bond rates.

Other income – unfavourable to budget by $26.2 million
The major variances to budget are due to the following items:

- Unfavourable: $61.6 million Licence fee revenue mapped to Other revenue in the budget, and an unbudgeted $14.2 million reversal of prior year accrual due to decreased actual License fee revenue
- Favourable: $29.8 million unbudgeted PaTH contribution from other agencies and additional rental revenue from Group Homes
- Favourable: $14.0 million Natural Disaster relief revenue not budgeted for
- Favourable: $2.5 million unbudgeted revenue from first time recognised assets (Land and Buildings) identified during the comprehensive revaluation.
- Favourable: $2.6 million unbudgeted water charges recovery and insurance recoveries

Loss on disposal – unfavourable to budget by $25.3 million
Loss on disposal was unfavourable to budget mainly due to gain or loss items 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 unfavourable to budget by $1.1 million
Mainly attributable to a decrease in receivables of $121.3 million due to the timing of payment. In addition, $4.3 million decrease in inventory due to a $2.4 million decrease in finished goods, a $1.1 million decrease in raw materials mainly due to materials issued for production, and a $0.8 million decrease in valuation of livestock, compared to budget. The decrease was offset by an increase in cash balances by $124.5 million mainly due to the Department reserving funds to pay for approved but unfunded carry forwards in the 2024-25 financial year.

Non-Current Assets were favourable to budget by $779.3 million
Mainly attributable to increase in property, plant and equipment balance due to unbudgeted comprehensive revaluation increment, and due to transfer of assets from Property & Development NSW relating to Police Force Housing not included in the budget.

Liabilities

Current Liabilities were unfavourable to budget by $146.8 million
Mainly attributable to increase in provisions of $81.5 million relating to annual leave provisions and parental leave provisions. Additionally, $66.5 million attributable to year-end accruals such as general creditors, payroll, and TMF accruals not included in the budget and $3.4 million increase in Service Concession liabilities. The increase was offset by $5.2 million decrease in LCL capital grant due to unbudgeted utilisation and release to income statement.

Non-Current Liabilities were unfavourable to budget by $78.4 million
Mainly attributable to $77.5 million increase in Victims services provisions as a result of annual actuarial valuation, and $18.0 million increase in long service leave provision due to updated present value calculations, change in oncosts rates, and increase in bond rates. The increase was offset by $17.1 decrease in service concession financial liabilities relating to Clarence Correctional Centre due to reclass from non-current borrowings to current.

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 favourable budget results of $116.9 million in net cash flows from operating activities and $3.0 million in net cash flows from investing activities were offset by an unfavourable budget result of $10.6 million in net cash flows from financing activities.

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

	PARENT		CONSOLIDATED	
	2024	2023	**2024**	2023
	$'000	$'000	**$'000**	$'000
Reconciliation of cash flows from operating activities to net result as reported in the Statement of Comprehensive Income as follows:				
Net cash used in operating activities	283,138	569,712	283,194	569,742
Net loss on disposal of assets	(25,261)	(21,471)	(25,261)	(21,471)
Unrealised gains / (losses) on derivatives at fair value through profit or loss	2,274	-	2,274	-
Gain / (loss) on disposal of right-of-use assets	4	13	4	13
Impairment loss on carrying value of property, plant and equipment	(258)	-	(258)	-
Impairment gain / (loss) on financial assets	(2,661)	903	(2,661)	903
Bad debts written off	(26)	(70)	(26)	(70)
Depreciation and amortisation	(384,243)	(363,939)	(384,438)	(364,118)
Unwinding of discount	(574)	(699)	(574)	(699)
Write back of unused make good provision	(862)	(2,899)	(862)	(2,899)
Decrease / (Increase) in creditors	(54,158)	37,999	(54,157)	37,998
Decrease / (Increase) in provisions	(162,304)	(29,014)	(162,304)	(29,014)
Increase / (Decrease) in prepayments and other assets	5,330	29,517	5,330	29,517
Assets transferred to expense	(430)	(1,217)	(430)	(1,217)
Net result	**(340,031)**	218,835	**(340,169)**	218,685

27. 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.

27. Financial instruments (cont'd)

(i) Financial instrument categories

	Note	Category	PARENT		CONSOLIDATED	
			$'000		**$'000**	
Class: Financial Assets			**Carrying Amount**			
			2024	2023	**2024**	2023
Cash and cash equivalents	9	Amortised cost	233,617	188,641	235,012	189,980
Receivables[9]	10	Amortised cost	127,696	140,807	127,696	140,807
Financial assets at fair value	12	Fair value through profit or loss	2,274	-	2,274	-
			363,587	329,448	**364,982**	330,787

Class: Financial Liabilities			**Carrying Amount**			
			2024	2023	**2024**	2023
Payables[10]	18	Financial liabilities measured at amortised cost	397,647	341,295	397,647	341,295
Treasury advances repayable	19	Financial liabilities measured at amortised cost	820	-	820	-
Service concession financial liabilities	19	Financial liabilities measured at amortised cost	699,161	730,931	699,161	730,931
Lease liabilities	19	Financial liabilities measured at amortised cost	125,115	126,266	125,115	126,266
			1,222,743	1,198,492	**1,222,743**	1,198,492

The Department made reclassifications between Current receivables and Current payables and other reclassification within Current receivables and current payable lines to enhance the presentation in 2023-24 which resulted in realignment of comparatives.

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) Derivatives

The Department only uses derivatives for hedging purposes and not as trading or speculative instruments.

The Department entered into fixed interest rate swap agreement with NSW TCorp to manage its floating interest rate risk exposure in relation to service concession arrangement payments. This enables the Department to manage the underlying cash flow requirements with certainty.

The interest rate swap is a derivative not designated in an accounting hedge relationship and therefore categorised as held for trading and presented in the Statement of Financial Position. This interest rate swap is subsequently measured at fair value through profit or loss.

The Department held $2.3 million (2023: $Nil) in derivative financial assets.

Further details on derivatives are provided in Note 12 which contains information about the methods and assumptions used in determining fair values of derivatives.

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

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

27. Financial instruments (cont'd)

(iii) 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.

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 rental 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:

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Bond Receivables

2024 **$'000**	**Current**	**<30 days**	**30-60 days**	**61-90 days**	**>91 days**	**Total**
Expected credit loss rate	0.1%	65.8%	81.9%	100.0%	100.0%	
Estimated total gross carrying amount	**12,770**	**12**	**10**	**7**	**1,806**	**14,605**
Expected credit loss	**10**	**8**	**9**	**7**	**1,806**	**1,840**

2023 $'000	**Current**	**<30 days**	**30-60 days**	**61-90 days**	**>91 days**	**Total**
Expected credit loss rate	0.1%	70.4%	88.0%	100.0%	100.0%	
Estimated total gross carrying amount	9,078	9	8	9	2,554	11,658
Expected credit loss	8	6	7	9	2,554	2,584

27. Financial instruments (cont'd)

(iii) Credit Risk (cont'd)

PARENT AND CONSOLIDATED

Rental Receivables

2024 **$'000**	**Current**	**<30 days**	**30-60 days**	**61-90 days**	**>91 days**	**Total**
Expected credit loss rate	2.8%	14.6%	0.0%	0.0%	0.0%	
Estimated total gross carrying amount	**7,888**	**398**	**-**	**-**	**-**	**8,286**
Expected credit loss	**218**	**58**	**-**	**-**	**-**	**276**

2023 $'000	**Current**	**<30 days**	**30-60 days**	**61-90 days**	**>91 days**	**Total**
Expected credit loss rate	5.9%	18.0%	64.1%	100.0%	100.0%	
Estimated total gross carrying amount	1,783	393	235	159	20	2,590
Expected credit loss	105	71	150	159	20	505

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Trades Receivables - Court

2024 **$'000**	**Current**	**<30 days**	**30-60 days**	**61-90 days**	**>91 days**	**Total**
Expected credit loss rate	11.1%	50.4%	83.9%	100.0%	100.0%	
Estimated total gross carrying amount	**4,727**	**1,927**	**481**	**495**	**20,133**	**27,763**
Expected credit loss	**527**	**971**	**403**	**495**	**20,133**	**22,529**

2023 $'000	**Current**	**<30 days**	**30-60 days**	**61-90 days**	**>91 days**	**Total**
Expected credit loss rate	10.3%	47.0%	88.1%	100.0%	100.0%	
Estimated total gross carrying amount	4,956	1,107	657	803	18,213	25,736
Expected credit loss	510	520	580	803	18,213	20,626

27. Financial instruments (cont'd)

(iii) Credit Risk (cont'd)

PARENT AND CONSOLIDATED

Trade Receivables - Correctional Centres

2024 **$'000**	**Current**	**<30 days**	**30-60 days**	**61-90 days**	**>91 days**	**Total**
Expected credit loss rate	4.4%	67.9%	0.0%	0.0%	100.0%	
Estimated total gross carrying amount	**2,099**	**51**	**-**	**-**	**1,848**	**3,998**
Expected credit loss	**92**	**34**	**-**	**-**	**1,848**	**1,974**

2023 $'000	**Current**	**<30 days**	**30-60 days**	**61-90 days**	**>91 days**	**Total**
Expected credit loss rate	4.9%	15.0%	49.1%	100.0%	100.0%	
Estimated total gross carrying amount	3,474	1,528	142	31	1,147	6,322
Expected credit loss	172	230	70	31	1,147	1,650

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Trade Receivables - Other

2024 **$'000**	**Current**	**<30 days**	**30-60 days**	**61-90 days**	**>91 days**	**Total**
Expected credit loss rate	12.5%	36.3%	52.4%	100.0%	100.0%	
Estimated total gross carrying amount	**1,511**	**559**	**49**	**103**	**1,420**	**3,642**
Expected credit loss	**189**	**203**	**26**	**103**	**1,420**	**1,941**

2023 $'000	**Current**	**<30 days**	**30-60 days**	**61-90 days**	**>91 days**	**Total**
Expected credit loss rate	14.5%	39.8%	73.8%	100.0%	100.0%	
Estimated total gross carrying amount	245	67	37	129	602	1,080
Expected credit loss	35	27	27	129	602	820

27. Financial instruments (cont'd)

(iii) Credit Risk (cont'd)

PARENT AND CONSOLIDATED

Other Receivables

2024 **$'000**	**Current**	**<30 days**	**30-60 days**	**61-90 days**	**>91 days**	**Total**
Expected credit loss rate	0.0%	0.0%	0.0%	0.0%	100.0%	
Estimated total gross carrying amount	**-**	**-**	**-**	**-**	**216**	**216**
Expected credit loss	**-**	**-**	**-**	**-**	**216**	**216**

2023 $'000	**Current**	**<30 days**	**30-60 days**	**61-90 days**	**>91 days**	**Total**
Expected credit loss rate	0.0%	0.0%	0.0%	0.0%	100.0%	
Estimated total gross carrying amount	-	-	-	-	174	174
Expected credit loss	-	-	-	-	174	174

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 2024 and 2023.

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 28 for details of Trust funds.

27. Financial instruments (cont'd)

(iv) 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 11.90% (2023: 9.00%) per annum for the quarter ended 30 September, 12.15% (2023: 10.31%) per annum for the quarter ended 31 December, 12.38% (2023: 11.06%) for the quarter ended 31 March and 12.34% (2023: 11.46%) for the quarter ended 30 June 2024.

A credit card facility of $12.5 million spend limit (2023: $12.5 million) is held with the Government's credit card provider Citibank for all issued credit and purchase cards. The total of credit card undrawn amount as at 30 June 2024 was $3.8 million (2023: $4.4 million). In 2022-23, NSW Treasury has made changes to the NSW State Banking Agreement with Citibank and transitioned to an aggregate facility borrowing for all GSF agencies and established spend limit for each agency to support administrative efficiencies.

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.

27. 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

2024	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	-	16,182	-	-	16,182	16,182	-	-
Accrued grant expenditure	-	8,111	-	-	8,111	8,111	-	-
Accrued operating expenditure	-	238,054	-	-	238,054	238,054	-	-
Accrued salaries, wages and on-costs	-	96,051	-	-	96,051	96,051	-	-
Creditors	-	39,249	-	-	39,249	39,249	-	-
Borrowings:								
Treasury advances repayable	5.12	964	964	-	-	161	803	-
Service concession financial liabilities	3.60	920,429	-	920,429	-	57,527	287,634	575,268
Lease liabilities	10.14	201,335	201,335	-	-	26,520	77,264	97,551
		1,520,375	**202,299**	**920,429**	**397,647**	**481,855**	**365,701**	**672,819**
CONSOLIDATED								
Payables:								
Accrued capital expenditure	-	16,182	-	-	16,182	16,182	-	-
Accrued grant expenditure	-	8,111	-	-	8,111	8,111	-	-
Accrued operating expenditure	-	238,054	-	-	238,054	238,054	-	-
Accrued salaries, wages and on-costs	-	96,051	-	-	96,051	96,051	-	-
Creditors	-	39,249	-	-	39,249	39,249	-	-
Borrowings:								
Treasury advances repayable	5.12	964	964	-	-	161	803	-
Service concession financial liabilities	3.60	920,429	-	920,429	-	57,527	287,634	575,268
Lease liabilities	10.14	201,335	201,335	-	-	26,520	77,264	97,551
		1,520,375	**202,299**	**920,429**	**397,647**	**481,855**	**365,701**	**672,819**

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.

27. Financial instruments (cont'd)

Maturity Analysis and interest rate exposure of financial liabilities

2023	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	-	28,191	-	-	28,191	28,191	-	-
Accrued grant expenditure	-	9,502	-	-	9,502	9,502	-	-
Accrued operating expenditure	-	206,757	-	-	206,757	206,757	-	-
Accrued salaries, wages and on-costs	-	72,098	-	-	72,098	72,098	-	-
Creditors	-	24,747	-	-	24,747	24,747	-	-
Borrowings:								
Treasury advances repayable	-	-	-	-	-	-	-	-
Service concession financial liabilities	2.42	977,956	-	977,956	-	57,527	230,107	690,322
Lease liabilities	10.26	213,117	213,117	-	-	25,496	74,135	113,486
		1,532,368	**213,117**	**977,956**	**341,295**	**424,318**	**304,242**	**803,808**
CONSOLIDATED								
Payables:								
Accrued capital expenditure	-	28,191	-	-	28,191	28,191	-	-
Accrued grant expenditure	-	9,502	-	-	9,502	9,502	-	-
Accrued operating expenditure	-	206,757	-	-	206,757	206,757	-	-
Accrued salaries, wages and on-costs	-	72,098	-	-	72,098	72,098	-	-
Creditors	-	24,747	-	-	24,747	24,747	-	-
Borrowings:								
Treasury advances repayable	-	-	-	-	-	-	-	-
Service concession financial liabilities	2.42	977,956	-	977,956	-	57,527	230,107	690,322
Lease liabilities	10.26	213,117	213,117	-	-	25,496	74,135	113,486
		1,532,368	**213,117**	**977,956**	**341,295**	**424,318**	**304,242**	**803,808**

27. Financial instruments (cont'd)

(v) 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 2023.

(vi) 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 and undertaking interest rate swap derivative with NSW TCorp. The Department's interest swap arrangement is not designated in an accounting hedge relationship, and therefore is categorised as held for trading and subsequently measured at fair value through profit or loss.

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			
	2024	**2024**	2023	2023	**2024**	**2024**	2023	2023
	$'000	**$'000**	$'000	$'000	**$'000**	**$'000**	$'000	$'000
	-1%	**+1%**	-1%	+1%	**-1%**	**+1%**	-1%	+1%
Net result	**(191)**	**191**	(219)	219	**(191)**	**191**	(219)	219
Equity	**(191)**	**191**	(219)	219	**(191)**	**191**	(219)	219

27. Financial instruments (cont'd)

(vii) 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.

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 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 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).

	2024			
	Level 1 $'000	**Level 2 $'000**	**Level 3 $'000**	**Total $'000**
Financial assets at fair value				
Derivatives - Interest rate swap	-	2,274	-	2,274
	-	2,274	-	2,274

	2023			
	Level 1 $'000	**Level 2 $'000**	**Level 3 $'000**	**Total $'000**
Financial assets at fair value	-	-	-	-
Derivatives - Interest rate swap	-	-	-	-
	-	-	-	-

The Department has assessed the fair value of its financial instruments on the basis of inputs other than quoted prices within Level 1 that are observed directly or indirectly (i.e. Level 2).

The fair value of the interest rate swap derivative is based on market value of similar instruments at the reporting date.

There were no transfers between Level 1, 2 or 3 during the year. There were no changes in the valuation techniques during the year.

28. 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	
	2024	2023	**2024**	2023
	$'000	$'000	**$'000**	$'000
Cash at the beginning of the financial year	**55,174**	61,472	**55,174**	61,472
Add: Receipts	**667,535**	470,538	**667,535**	470,538
Less: Expenditure	**(673,714)**	(476,836)	**(673,714)**	(476,836)
Cash balance at the end of the financial year	**48,995**	55,174	**48,995**	55,174

(b) Community disaster relief fund

The Department manages monies in two bank accounts, namely the Community Disaster Relief Fund (CDRF) account and the CDRF Trust account. The monies in the funds are managed according to the provisions of Part 5 of the *Community Welfare Act 1987*.

The funds are to be used:

(i) for the purpose of assisting disaster victims generally or disaster victims of a particular disaster,

(ii) for the purpose of acquiring stores and equipment to be used for the purpose of assisting victims of future disasters

or,

(iii) for the purpose of planning, and training persons, to cope with the effects of disasters.

These trust accounts were transferred from Resilience NSW to the Department effective as at 16 December 2022 as a result of administrative restructuring.

Cash at the beginning of the financial year	**1,099**	-	**1,099**	-
Cash transferred in as a result of administrative restructuring	**-**	1,078	**-**	1,078
Add: Receipts	**47**	21	**47**	21
Less: Expenditure	**-**	-	**-**	-
Cash balance at the end of the financial year	**1,146**	1,099	**1,146**	1,099

(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	**11,278**	8,653	**11,278**	8,653
Add: Receipts	**77,067**	69,109	**77,067**	69,109
Less: Expenditure	**(77,726)**	(66,484)	**(77,726)**	(66,484)
Cash balance at the end of the financial year	**10,619**	11,278	**10,619**	11,278

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 $195.5 million (2023: $185.9 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.

28. Trust Funds (cont'd)

For the District Court, an amount of $21.0 million (2023: $34.4 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.

For the Land and Environment Court, an amount of $0.1 million (2023: $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.

29. Administered Assets and Liabilities

	PARENT		CONSOLIDATED	
	2024	2023	**2024**	2023
	$'000	$'000	**$'000**	$'000
Administered Assets				
In-kind receivables - NDIA	**219,829**	197,000	**219,829**	197,000
Other receivables	**23,056**	21,794	**23,056**	21,794
Less:				
Allowance for impairment	**(7,595)**	(6,119)	**(7,595)**	(6,119)
Total administered assets	**235,290**	212,675	**235,290**	212,675

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 2024 (2023: $Nil).

30. 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*

30. Victims Support Fund (cont'd)

- 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 20 and Note 24.

31. Related party disclosures

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

	PARENT		CONSOLIDATED	
	2024	2023	**2024**	2023
	$'000	$'000	**$'000**	$'000
Short-term employee benefits:	**3,854**	3,829	**3,854**	3,829
Other long-term employee benefits	**92**	4	**92**	4
Post-employment benefits	**423**	366	**423**	366
Termination benefits	**659**	-	**659**	-
Total remuneration	**5,028**	4,199	**5,028**	4,199

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 Communities and Justice Portfolio agencies
- Grants paid to Communities and Justice Portfolio 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 Portfolio Ministers during the financial year.

32. Events after the reporting period

In accordance with the *Administrative Arrangements (Administrative Changes - Corrective Services NSW) Order 2024* dated 16 August 2024, the Corrective Services NSW branch of the Department, excluding the Professional Standards and Investigations division of the branch, will be transferred to Corrective Services NSW, which will become a standalone public service agency effective 1 October 2024.

Other than as disclosed above, the Department is not aware of any events since the end of the financial year that would materially affect the disclosures outlined in these financial statements.

End of audited financial statements

2 John Williams Memorial Charitable Trust

Financial statements for the year ended 30 June 2024

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 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 2023, the Statement of Financial Position as at 30 June 2023, the Statement of Changes in Equity and the Statement of Cash Flows, for the year then ended, notes comprising a Summary of Significant Accounting Policies, and other explanatory information.

In my opinion, the financial statements:

- has 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
- presents 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:

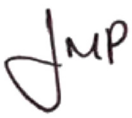
- obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error
- issue an Independent Auditor's Report including my opinion.

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 it may be presented
- about any other information which may have been hyperlinked to/from the financial statements.



Jan-Michael Perez
Director, Financial Audit

Delegate of the Auditor-General for New South Wales

4 October 2023
SYDNEY

JOHN WILLIAMS MEMORIAL CHARITABLE TRUST
Statement by the Accountable Authority
for the year ended 30 June 2024

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 2024* and Treasury Directions issued under the Act, and
- present fairly John Williams Memorial Charitable Trust's financial position, financial performance and cash flows for the year ended 30 June 2024.

Michael Tidball Secretary	Matt Easdown Chief Financial Officer
10 September 2024	10 September 2024

John Williams Memorial Chartiable Trust
STATEMENT OF COMPREHENSIVE INCOME
For the year ended 30 June 2024

	Notes	Actual 2024 $'000	Actual 2023 $'000
Continuing Operations			
Expenses excluding losses			
Operating expenses	2	**222**	208
Depreciation	3	**195**	180
Total expenses excluding losses		**417**	388
Revenue			
Investment revenue	4(a)	**58**	39
Rental income	4(b)	**220**	199
Total revenue		**278**	238
Net result from continuing operations		**(139)**	(150)
Net result		**(139)**	(150)
Other comprehensive income	6(a)	**778**	504
TOTAL COMPREHENSIVE INCOME		**639**	354

The accompanying notes form part of these financial statements.

John Williams Memorial Chartiable Trust
STATEMENT OF FINANCIAL POSITION
As at 30 June 2024

	Notes	Actual 2024 $'000	Actual 2023 $'000
ASSETS			
Current Assets			
Cash and cash equivalents	5	**1,395**	1,339
Receivables		**-**	-
Total Current Assets		**1,395**	1,339
Non-Current Assets			
Property, plant and equipment			
- Land and buildings	6	**12,052**	11,469
Total property, plant and equipment		**12,052**	11,469
Total Non-Current Assets		**12,052**	11,469
Total Assets		**13,447**	12,808
LIABILITIES			
Current Liabilities			
Payables		**-**	**-**
Total Current Liabilities		**-**	-
Total Liabilities		**-**	-
Net Assets		**13,447**	12,808
EQUITY			
Reserves		**3,852**	3,074
Accumulated funds		**9,595**	9,734
Total Equity		**13,447**	12,808

The accompanying notes form part of these financial statements.

John Williams Memorial Chartiable Trust
STATEMENT OF CHANGES IN EQUITY
For the year ended 30 June 2024

	Notes	Accumulated Funds $'000	Asset Revaluation Surplus $'000	Total Equity $'000
Balance at 1 July 2023		**9,734**	**3,074**	**12,808**
Net result for the year		**(139)**	**-**	**(139)**
Total other comprehensive income	6(a)	**-**	**778**	**778**
Total comprehensive income for the year		**(139)**	**778**	**639**
Balance at 30 June 2024		**9,595**	**3,852**	**13,447**

	Notes	Accumulated Funds $'000	Asset Revaluation Surplus $'000	Total Equity $'000
Balance at 1 July 2022		9,884	2,570	12,454
Net result for the year		(150)	-	(150)
Total other comprehensive income	6(a)	-	504	504
Total comprehensive income for the year		(150)	504	354
Balance at 30 June 2023		9,734	3,074	12,808

The accompanying notes form part of these financial statements.

John Williams Memorial Chartiable Trust
STATEMENT OF CASH FLOWS
For the year ended 30 June 2024

	Notes	Actual 2024 $'000	Actual 2023 $'000
CASH FLOWS FROM OPERATING ACTIVITIES			
Payments			
Auditors remuneration and maintenance expenses		**(222)**	(208)
Total payments		**(222)**	(208)
Receipts			
Interest received		**58**	39
Rental income		**220**	199
Total receipts		**278**	238
NET CASH FLOWS FROM OPERATING ACTIVITIES	9	**56**	30
NET INCREASE/(DECREASE) FROM CASH AND CASH EQUIVALENTS		**56**	30
Opening cash and cash equivalents		**1,339**	1,309
CLOSING CASH AND CASH EQUIVALENTS	5	**1,395**	1,339

The accompanying notes form part of these financial statements.

1. Summary of Material 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 (ADHC) now known as the Department of Communities and Justice (DCJ), determined 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 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 2024 have been authorised for issue by the Secretary, DCJ, on 10 September 2024.

b. Basis of preparation

The Trust’s financial statements are general purpose financial statements which have been prepared on an accruals basis and in accordance with:

- applicable Australian Accounting Standards (AAS) (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 are measured using the fair value basis. 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.

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

1. Summary of Material 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 AAS 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 AAS

(i) Effective for the first time in 2023-24

The accounting policies applied in 2023-24 are consistent with those of the previous financial year. Several amendments and interpretations apply for the first time in 2023-24, but do not have an impact on the financial statements of the Trust.

(ii) Issued but not yet effective

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

The following new AAS have not been applied and are not yet effective as per NSW Treasury Policy and Guidelines TPG 24-06 *Mandates of options and major policy decisions under Australian Accounting Standards*:

- AASB 17 *Insurance Contracts*
- AASB 2014-10 *Amendments to Australian Accounting Standards – Sale or Contribution of Assets between Investor and its Associate or Joint Venture*
- AASB 2020-1 *Amendments to Australian Accounting Standards – Classification of Liabilities as Current or Non-current*
- AASB 2021-7c *Amendments to Australian Accounting Standards – Effective Date of Amendments to AASB 10 and AASB 128 and Editorial Corrections*
- AASB 2022-5 *Amendments to Australian Accounting Standards – Lease Liability in a Sale and Leaseback*
- AASB 2022-6 *Amendments to Australian Accounting Standards – Non-current Liabilities with Covenants*
- AASB 2022-9 *Amendments to Australian Accounting Standards – Insurance Contracts in the Public Sector*
- AASB 2022-10 *Amendments to Australian Accounting Standards – Fair Value Measurement of Non-Financial Assets of Not-for-Profit Public Sector Entities*
- AASB 2023-1 *Amendments to Australian Accounting Standards – Supplier Finance Arrangements*

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

	2024 $'000	2023 $'000
Auditors remuneration - audit of financial statements	**18**	17
Maintenance	**204**	191
	222	208

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

	2024 $'000	2023 $'000
Depreciation	**195**	180
	195	180

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 FY23/24 and FY22/23, 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

	2024 $'000	2023 $'000
Interest income	**58**	39
	58	39

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 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 financial assets that become credit impaired the effective interest rate is applied to the amortised cost of the financial asset.

4. Revenue (continued)

b. Rental Income

	2024 $'000	2023 $'000
Rental income	**220**	199
	220	199

Rental income is derived from the lease of the Trust's properties to Specialist Disability Accommodation providers under an operating lease for the provision of respite and accommodation for children with disabilities. Refer to Notes 6.a and 6.c for details regarding assets held as part of operating leases.

Recognition and Measurement

Rental Income

Rental income 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

	2024 $'000	2023 $'000
Cash at bank	**1,395**	1,339
	1,395	1,339

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 months or less and subject to an insignificant risk of changes in value, and net of outstanding 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:

	2024 $'000	2023 $'000
Cash and cash equivalents (per Statement of Financial Position)	**1,395**	1,339
Closing cash and cash equivalents (per Statement of Cash Flows)	**1,395**	1,339

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 2023 - fair value		
Gross carrying amount	**12,503**	**12,503**
Accumulated depreciation and impairment	**(1,034)**	**(1,034)**
Net carrying amount at beginning of year	**11,469**	**11,469**
At 30 June 2024 - fair value		
Gross carrying amount	**13,099**	**13,099**
Accumulated depreciation and impairment	**(1,047)**	**(1,047)**
Net carrying amount at end of year	**12,052**	**12,052**

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 2024		
Net carrying amount at the beginning of the year	**11,469**	**11,469**
Net change in revaluation surplus of property, plant and equipment	**778**	**778**
Depreciation expense	**(195)**	**(195)**
Net carrying amount at end of year	**12,052**	**12,052**

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 2022 - fair value		
Gross carrying amount	12,077	12,077
Accumulated depreciation and impairment	(932)	(932)
Net carrying amount at beginning of year	11,145	11,145
At 30 June 2023 - fair value		
Gross carrying amount	12,503	12,503
Accumulated depreciation and impairment	(1,034)	(1,034)
Net carrying amount at end of year	11,469	11,469

6. Property, plant, and equipment (continued)

a. Total Property, plant, and equipment (continued)

Reconciliation

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

	Land and Buildings $'000	Total $'000
Year ended 30 June 2023		
Net carrying amount at the beginning of the year	11,145	11,145
Net change in revaluation surplus of property, plant and equipment	504	504
Depreciation expense	(180)	(180)
Net carrying amount at end of year	11,469	11,469

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. 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.

Recognition and Measurement

Acquisition of property, plant and equipment

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

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

Where payment for an asset is deferred beyond normal credit terms, its cost is the cash price equivalent; i.e. 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.

6. Property, plant, and equipment (continued)

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 was completed on 31 March 2024 and was based on an independent assessment.

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 revaluation.

Non-specialised assets with short useful lives are measured at depreciated historical cost, which for these assets approximates fair value .

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

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

Revaluation increments are recognised in other comprehensive income and credited to revaluation surplus in equity. However, to the extent that 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 in respect of the same class of assets, in which case, the decrement is debited directly to the revaluation surplus.

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.

6. Property, plant, and equipment (continued)

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. Since property, plant and equipment is carried at fair value or an amount that approximates 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 the 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	40 years

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.

7. Fair value measurement of non-financial assets

a. Fair value hierarchy

2024	Level 1 $'000	Level 2 $'000	Level 3 $'000	Total $'000
Property, plant and equipment				
Land and buildings	**-**	**6,619**	**5,433**	**12,052**
	-	**6,619**	**5,433**	**12,052**

2023	Level 1 $'000	Level 2 $'000	Level 3 $'000	Total $'000
Property, plant and equipment				
Land and buildings	-	6,246	5,223	11,469
	-	6,246	5,223	11,469

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 2024 and the Trust's land and building assets fair value updated. A full valuation is conducted every three years and in the intervening periods relevant indexation factors are used as an estimate of fair value.

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

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 Rawlinson’s 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

2024	Land and Buildings $'000	Total $'000
Fair value as at 1 July 2023	**5,223**	**5,223**
Revaluation increments recognised in other comprehensive income	**283**	**283**
Depreciation	**(73)**	**(73)**
Fair value as at 30 June 2024	**5,433**	**5,433**

2023	Land and Buildings $'000	Total $'000
Fair value as at 1 July 2022	5,181	5,181
Revaluation increments recognised in other comprehensive income	111	111
Depreciation	(69)	(69)
Fair value as at 30 June 2023	5,223	5,223

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 (unadjusted) 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 2024 (2023: $Nil).

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

	2024 $'000	2023 $'000
Net cash used in operating activities	**56**	30
Depreciation	**(195)**	(180)
(Decrease) / increase in receivables	**-**	-
Decrease / (increase) in payables	**-**	-
Net result for the year	**(139)**	(150)

10. Commitments

Capital commitments

The Trust has no capital expenditure commitments as at 30 June 2024 (2023: $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 overall 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 2024

Financial Assets	**Note**	**Category**	**Carrying Amount 2024 $'000**
Class:			
Cash and cash equivalents	5	Amortised cost	**1,395**

ii. As at 30 June 2023

Financial Assets	**Note**	**Category**	**Carrying Amount 2023 $'000**
Class:			
Cash and cash equivalents	5	Amortised cost	1,339

11. Financial instruments (continued)

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 and receivables. No collateral is held by the Trust. The Trust has not granted any financial guarantees.

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

Cash

Cash comprises cash on hand and bank balances with Westpac Bank. Interest is 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 2024 (2023: $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 2024 (2023: $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 reporting date. The analysis is performed on the same basis as for 2023. The analysis assumes that all other variables remain constant.

e. 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.

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:

	2024 $'000		2023 $'000	
	(1%)	**+1%**	(1%)	+1%
Net Result	**(14)**	**14**	(13)	13
Equity	**(14)**	**14**	(13)	13

11. Financial instruments (continued)

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

Key Management Personnel (KMP) are those persons having authority and responsibility for planning, directing and controlling the activities of the Trust, directly or indirectly, including any director (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 Cabinet Office and Premier's Department for distribution to agencies for inclusion in the agencies financial statements.

KMP compensation of the DCJ Executive Board for the financial year ended 30 June 2024 is disclosed in the Financial Statements of DCJ being the principal department of the portfolio.

b. Related Party Transactions

There were no related party transactions during the year ended 30 June 2024 (2023: Nil) with related entities of the Trust or Key Management Personnel.

13. 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

3 NSW Land and Housing Corporation

Financial statements for the year ended 30 June 2024

INDEPENDENT AUDITOR'S REPORT

NSW Land and Housing Corporation

To Members of the New South Wales Parliament

Opinion

I have audited the accompanying financial statements of NSW Land and Housing Corporation (the Corporation), which comprise the Statement by the Accountable Authority, the Statement of Comprehensive Income for the year ended 30 June 2024, the Statement of Financial Position as at 30 June 2024, the Statement of Changes in Equity and the Statement of Cash Flows, for the year then ended, and notes to the financial statements, including a Statement of Material Accounting Policy Information, 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 2024 (GSF Regulation) and the Treasurer's Directions
- presents fairly the Corporation'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 Corporation 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).

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

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

Secretary's Responsibilities for the Financial Statements

The Secretary of the Department of Communities and Justice 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 Corporation'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 Corporation 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.

Manuel Moncada
Director, Financial Audit

Delegate of the Auditor-General for New South Wales

11 October 2024
SYDNEY

NSW Land and Housing Corporation

Statement by the Accountable Authority

for the year ended 30 June 2024

Pursuant to section 7.6(4) of the *Government Sector Finance Act 2018* ('the Act'), I 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 2024* and the Treasurer's directions, and
- present fairly NSW Land and Housing Corporation's financial position, financial performance and cash flows.

Signed ……………………………………………………

Michael Tidball

Secretary of the Department of Communities and Justice

Date …………………………………………… 8 October, 2024

NSW Land and Housing Corporation
Statement of Comprehensive Income
for the year ended 30 June 2024

	Notes	2024 $'000	2023 $'000
Revenue			
Rent and other tenant charges	2	846,311	811,133
Grants and other contributions	3	430,093	608,285
Investment revenue	4	23,774	13,852
Revenue from contracts with customers	5	3,115	2,762
Other income	6	4,361	8,018
Total revenue		**1,307,654**	**1,444,050**
Expenses excluding losses			
Repairs and maintenance	7	335,416	326,122
Council related charges		133,473	128,067
Water charges		87,624	82,116
Tenancy management	1e)	108,463	107,259
Personnel services	8	77,595	68,506
Depreciation and amortisation	10	610,357	636,348
Grants and subsidies	11	18,705	13,405
Finance costs	12	45,064	44,678
Other expenses	9	164,836	132,449
Total expenses excluding losses		**1,581,533**	**1,538,950**
Operating result		**(273,879)**	**(94,900)**
Gain/(loss) on disposal of assets	13	17,554	(26,902)
Other losses	14	(1,863)	(1,198)
NET RESULT		**(258,188)**	**(123,000)**
Other comprehensive income			
Items that will not be reclassified to net result in subsequent periods:			
Net increase in property, plant and equipment asset revaluation reserve	20(*i*),(*ii*)	1,665,743	2,269,719
Total other comprehensive income		**1,665,743**	**2,269,719**
TOTAL COMPREHENSIVE INCOME		**1,407,555**	**2,146,719**

The accompanying notes form part of these financial statements.

NSW Land and Housing Corporation
Statement of Financial Position
as at 30 June 2024

	Notes	2024 $'000	2023 $'000
ASSETS			
Current Assets			
Cash and cash equivalents	15	573,632	658,552
Receivables	16	59,737	170,889
Other financial assets	17	5,787	14,742
Other assets	18	11,901	13,573
		651,057	857,756
Non-current assets held for sale	19	2,255	775
Total Current Assets		**653,312**	**858,531**
Non-Current Assets			
Receivables	16	359,603	313,703
Other financial assets	17	46,977	16,764
Property, plant and equipment	20	64,207,605	63,786,737
Right-of-use assets	22	75,444	61,892
Intangible assets	23	-	73
Other assets	18	7,813	6,993
Total Non-Current Assets		**64,697,442**	**64,186,162**
TOTAL ASSETS		**65,350,754**	**65,044,693**
LIABILITIES			
Current Liabilities			
Payables	24	311,826	268,111
Borrowings	25	93,310	75,734
Provisions	26	3,637	5,761
Contract liabilities	27	438	1,569
Total Current Liabilities		**409,211**	**351,175**
Non-Current Liabilities			
Borrowings	25	450,029	455,985
Total Non-Current Liabilities		**450,029**	**455,985**
TOTAL LIABILITIES		**859,240**	**807,160**
NET ASSETS		**64,491,514**	**64,237,533**
EQUITY			
Revaluation reserves		54,042,512	53,720,129
Accumulated funds		10,449,002	10,517,404
TOTAL EQUITY		**64,491,514**	**64,237,533**

The accompanying notes form part of these financial statements.

NSW Land and Housing Corporation
Statement of Changes in Equity
for the year ended 30 June 2024

	Notes	Accumulated Funds $'000	Asset Revaluation Reserve $'000	Total Equity $'000
Balance at 1 July 2023		10,517,404	53,720,129	64,237,533
Net result for the year		(258,188)	-	(258,188)
Other Comprehensive Income				
Net increase in property, plant and equipment asset valuations	20*(i)*	-	1,665,743	1,665,743
Total comprehensive income for the year		(258,188)	1,665,743	1,407,555
Transfer between equity items				
Transfers on disposal of assets		1,343,360	(1,343,360)	-
Transactions with owners in their capacity as owners				
Decrease in net assets from equity transfer	28	(1,153,574)	-	(1,153,574)
Balance at 30 June 2024		**10,449,002**	**54,042,512**	**64,491,514**
Balance at 1 July 2022		10,301,766	52,081,707	62,383,473
Net result for the year		(123,000)	-	(123,000)
Other Comprehensive Income				
Net increase in property, plant and equipment asset valuations	20*(ii)*	-	2,269,719	2,269,719
Total comprehensive income for the year		(123,000)	2,269,719	2,146,719
Transfer between equity items				
Transfers on disposal of assets		631,297	(631,297)	-
Transactions with owners in their capacity as owners				
Decrease in net assets from equity transfer	28	(292,659)	-	(292,659)
Balance at 30 June 2023		**10,517,404**	**53,720,129**	**64,237,533**

The accompanying notes form part of these financial statements.

NSW Land and Housing Corporation
Statement of Cash Flows
for the year ended 30 June 2024

	Notes	2024 $'000	2023 $'000
Cash flows from Operating Activities			
Receipts			
Rent and other tenant charges		839,090	809,892
Grants and other contributions		430,093	608,285
Interest received		23,774	13,852
Revenue from contracts with customers		259	2,737
Other		75,662	31,004
Total receipts		**1,368,878**	**1,465,770**
Payments			
Property and residential tenancy		(587,650)	(593,319)
Tenancy management		(108,463)	(107,259)
Personnel Services		(74,132)	(65,590)
Finance costs		(26,705)	(28,397)
Grants and subsidies		(12,458)	(13,011)
Other		(138,843)	(90,777)
Total payments		**(948,251)**	**(898,353)**
Net cash flows from Operating Activities	32	**420,627**	**567,417**
Cash flows from Investing Activities			
Proceeds from sale of property, plant and equipment		119,282	252,679
Advance repayments received		18,835	-
Purchase of property, plant and equipment		(577,193)	(610,103)
Advances made		(6,890)	(9,940)
Net cash flows from Investing Activities		**(445,966)**	**(367,364)**
Cash flows from Financing Activities			
Proceeds from borrowings		9,975	9,439
Repayments of borrowings and advances		(31,188)	(31,530)
Payment of principal portion of lease liabilities		(38,368)	(34,842)
Net cash flows from Financing Activities		**(59,581)**	**(56,933)**
Net (decrease)/increase in cash and cash equivalents		**(84,920)**	**143,120**
Opening cash and cash equivalents		658,552	515,432
CLOSING CASH AND CASH EQUIVALENTS	15	**573,632**	**658,552**

The accompanying notes form part of these financial statements.

1. Statement of Material Accounting Policy Information

a) Reporting Entity

The NSW Land and Housing Corporation (LAHC) is a NSW Government entity with no controlled entities. It is a Statutory Body and is controlled by the State of NSW, as its ultimate parent.

LAHC is a not-for-profit entity as profit is not its principal objective and it has no cash generating units. It administers the *Housing Act 2001* (Housing Act) and its principal objective is to manage the State's housing portfolio on behalf of the New South Wales Government. In addition, LAHC administers the Housing Reserve Fund (HRF) which was established by the *Home Purchase Assistance Authority (HPAA) Act of 1993* and is now incorporated into the Housing Act.

The *Administrative Arrangements (Administrative Changes - Miscellaneous) Order (No 6) 2023* (the Order) changed the name of the Department of Planning and Environment (DPE) to the Department of Housing, Planning and Infrastructure (DPHI). Under the same order, LAHC was transferred from DPHI to the Department of Communities and Justice (DCJ) from 1 February 2024. LAHC is a member of Homes NSW, a division of DCJ cluster of agencies, but is not controlled by DCJ for financial reporting purposes. The financial statements of LAHC are consolidated with the NSW Total State Sector Accounts.

These financial statements for the year ended 30 June 2024 have been authorised for issue by the Secretary of the Department of Communities and Justice on 8 October 2024.

b) Basis of Preparation

LAHC's financial statements are general purpose financial statements which have been prepared on an accruals basis and in accordance with:
(i) applicable Australian Accounting Standards (which include Australian Accounting Interpretations);
(ii) the requirements of the *Government Sector Finance Act 2018* (GSF Act); and
(iii) Treasurer's Directions issued under the GSF Act.

Property, plant and equipment, assets held for sale and certain financial assets and liabilities are measured at fair value. Other financial statement items are prepared in accordance with the historical cost convention except where specified otherwise.

Judgements, key assumptions and estimates made by management are disclosed in the relevant notes to the financial statements. Estimates and underlying assumptions are reviewed on an on-going basis.

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

c) Statement of Compliance

LAHC's financial statements and notes comply with applicable Australian Accounting Standards (AAS), which include Australian Accounting Interpretations.

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

Income, expenses, assets and liabilities are recognised net of the amount of GST, except that the:
(i) amount of GST incurred by LAHC 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's expense; and
(ii) 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.

1. Statement of Material Accounting Policy Information (continued)

e) Tenancy management

Under the partnership agreement, LAHC engages DCJ to undertake tenancy management services including establishing and maintaining tenancies, management of tenant complaints and appeals, collection of rent and other charges, investigation of and drafting of responses to Ministerial and other enquires regarding delivery of services.

f) Comparative information

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

g) Changes in accounting policies, including new or revised AAS

(i) Effective for the first time in 2023-24

AASB 2021-2 *Amendments to Australian Accounting Standards – Disclosure of Accounting Policies and Definition of Accounting Estimates* (AASB 2021-2)

LAHC has adopted AASB 2021-2 from 1 July 2023. The amendments require the disclosure of material, rather than significant, accounting policies. The amendments also provide guidance on the application of materiality to disclosure of accounting policies to provide useful, entity-specific accounting policy information that users need to understand other information in the financial statements.

Although the amendments did not result in any changes to the accounting policies themselves, they impacted the accounting policy information disclosed in the financial statements. Management reviewed the accounting policies and made updates to the information disclosed throughout the notes to the financial statements in line with the amendments.

Several amendments and interpretations apply for the first time in 2023-24, but do not have an impact on LAHC's financial statements.

1. Statement of Material Accounting Policy Information (continued)

g) Changes in accounting policies, including new or revised AAS (continued)

(ii) Issued but not yet effective

NSW public sector entities are not permitted to early adopt new AAS, unless Treasury determines otherwise. The following new AAS have not been applied and are not yet effective:

Standard	Summary of key requirements / changes	Applicable to annual reporting periods	Expected impact to initial application
AASB 2020-1 *Amendments to Australian Accounting Standards – Amendments to Australian Accounting Standards – Classification of Liabilities as Current or Non-current* AASB 2022-6 *Amendments to Australian Accounting Standards – Non-current Liabilities with Covenants*	Amends AASB 101 to clarify requirements for the presentation of liabilities in the Statement of Financial Position as current or non-current. The amendments clarify that a liability is classified as non-current if an entity has the right at the end of the reporting period to defer settlement of the liability for at least 12 months after the reporting period. AASB 2022-6 specified that only covenants with which an entity must comply on or before the reporting date affect the classification of a liability as current or non-current. Covenants that must be complied with after the reporting date (i.e. future covenants) do not affect a liability's classification at that date. However, when non-current liabilities are subject to future covenants, entities will now need to disclose information to help users understand the risk that those liabilities could become repayable within 12 months after the reporting date.	1 January 2024 (deferred by AASB 2022-6)	Initial application of this standard is not expected to have material impact to LAHC's existing classification of current or non-current liabilities.
AASB 2022-10 *Amendments to Australian Accounting Standards – Fair Value Measurement of Non-Financial Assets of Not-for-Profit Public Sector Entities*	Amends AASB 13 *Fair Value Measurement* to modify the application of AASB 13 in relation to non-financial assets of not-for-profit public sector entities not held primarily for their ability to generate net cash inflows. One of the amendments is a not-for-profit public sector entity must consider whether, for a non-financial asset not held primarily for its ability to generate net cash inflows, the asset's highest and best use differs from its current use only when it is highly probable that the asset will be used for an alternative purpose.	1 January 2024	Minimal impact as LAHC's core assets are residential properties. There is no intention of management to consider an alternative use for LAHC's small portfolio of specialised commercial and community purpose assets.

1. Statement of Material Accounting Policy Information (continued)

g) Changes in accounting policies, including new or revised AAS (continued)

(ii) Issued but not yet effective (continued)

The following new standards issued but not yet effective are not applicable to LAHC and thus, have no impact on LAHC's accounting policy:

- AASB 17 *Insurance Contracts*
- AASB 2014-10 *Amendments to Australian Accounting Standards – Sale or Contribution of Assets between Investor and its Associate or Joint Venture*
- AASB 2021-7c *Amendments to Australian Accounting Standards – Effective Date of Amendments to AASB 10 and AASB 128 and Editorial Corrections*
- AASB 2022-5 *Amendments to Australian Accounting Standards – Lease Liability in a Sale and Leaseback*
- AASB 2022-9 *Amendments to Australian Accounting Standards – Insurance Contracts in the Public Sector*
- AASB 2023-1 *Amendments to Australian Accounting Standards – Supplier Finance Arrangements*
- AASB 2023-3 *Amendments to Australian Accounting Standards – Disclosure of Non-current Liabilities with Covenants: Tier 2*
- AASB 2023-5 *Amendments to Australian Accounting Standards – Lack of Exchangeability*

h) Impact of climate-related matters on financial reporting for 2023-24

LAHC has considered the potential risk of climate change on its financial statements including both physical risks and transition risks. Based on the information and methodologies currently used for LAHC's property portfolio valuation, it is unlikely that climate-related risks have a material impact on the judgements, assumptions and estimates for the year ended 30 June 2024.

The effects of climate change represent a source of uncertainty in the medium to long term which may affect the financial statements in the future. Climate-related risks will continue to be monitored and assessed through property assessment surveys. LAHC's current insurance arrangements provide an additional level of protection against unplanned weather patterns and events.

2. Rent and Other Tenant Charges

	2024 $'000	2023 $'000
Market rent and other tenant charges (notional)	1,833,546	1,832,690
Less: rental subsidies to tenants (notional)	(1,025,293)	(1,057,105)
Water usage charges	38,058	35,548
Total rent and other tenant charges	**846,311**	**811,133**

Recognition and Measurement
Rent and other tenant charges is LAHC's revenue as a lessor of operating leases. They are recognised on a straight line basis over the lease term in accordance with AASB 16. Accounting policies for the specific types of rental revenue are discussed below.

Social housing

LAHC is required to estimate the market rent applicable to the properties it owns. Social housing tenants are required to pay a rent amount equivalent to a pre-determined percentage of their household income that is subject to periodical reviews. The difference between market rent recognised and the rent payable by the tenants is referred to as a rental subsidy and accounted for as a notional offset to the market rent.

Community housing

LAHC enters into lease agreements with registered community housing providers, with varying lease terms at a nominal rent of $1 per annum. No revenue is recognised due to the nature of these leases.

3. Grants and Other Contributions

	2024 $'000	2023 $'000
Grants with sufficiently specific performance obligations:		
Department of Regional NSW (DRNSW)	215	299
Department of Communities and Justice (DCJ)	255	-
Grants without sufficiently specific performance obligations:		
Department of Communities and Justice (DCJ) *(i)*	410,945	105,502
Department of Planning, Housing and Infrastructure (DPHI) *(ii)*	13,661	496,310
Department of Climate Change, Energy, the Environment and Water (DCCEEW) *(iii)*	3,510	-
Housing Australia *(iv)*	1,507	2,484
NSW Reconstruction Authority *(v)*	-	3,690
Total grants and other contributions	**430,093**	**608,285**

(i) $148.0 million Social Housing Accelerator Funding, $76.0 million flood response funding, $35.0 million social housing maintenance, $20.0 million to support housing construction apprenticeship programs, $10.0 million modular housing trial funding and $121.9 million (2023: $105.5 million) annual grants received for programs such as head leasing, repairs and maintenance on crisis accommodation and capital works.

(ii) $13.4 million contribution for Redfern community facility as part of the re-development of 600-660 Elizabeth Street and $0.2 million funding for electric vehicle chargers installation. 2023 grants includes $300.0 million NSW Government's 2022 Housing Package to upgrade social homes and extend the life of properties, $50.31 million flood response funding and COVID-19 stimulus funding of $126.0 million to support social housing and capital maintenance programs and $20.0 million to support housing construction apprenticeship programs.

(iii) Grants received to support environmental sustainability programs.

(iv) Grants received to fast-track housing enabling infrastructure allowing projects to be delivered earlier than planned.

(v) Grant funding to support social housing delivery programs in response to the flood events in Northern NSW.

3. Grants and Other Contributions (continued)

Recognition and Measurement
Grants are 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.*

Revenue from grants with sufficiently specific performance obligations are recognised when LAHC satisfies a performance obligation by transferring the promised goods or services as specified under the relevant agreements. Revenue from these grants is recognised based on the amounts specified in the agreements 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 LAHC obtains control over the granted assets, usually when cash is received.

4. Investment Revenue

	2024 $'000	2023 $'000
Interest earned by LAHC:		
Bank deposits	23,731	13,812
Other	43	40
Total investment revenue	**23,774**	**13,852**

5. Revenue from Contracts with Customers

	2024 $'000	2023 $'000
Rendering of services:		
Project management fees	234	473
Property management fees	2,855	2,223
Contract settlement proceeds	26	66
Total revenue from contracts with customers	**3,115**	**2,762**

Recognition and Measurement
Revenue is recognised in accordance with the requirements of AASB 15 *Revenue from Contracts with Customers.*

Revenue from rendering of services is recognised when LAHC satisfies its performance obligation by transferring the promised services as specified under the relevant contracts between LAHC and its customers. They are measured at the transaction price agreed under the contract.

Depending on the term of the contracts, revenue can be recognised over time (based on labour hours and actual costs incurred to date for project management fees or pro-rata monthly for property management fees) or at a point in time (for contract settlement proceeds). No element of financing is deemed present as payments are due when service is provided.

Refer to note 27 for the disclosure of the aggregate amount of the transaction price allocated to performance obligations that are unsatisfied (or partially unsatisfied) at the end of the reporting period, and when LAHC expects to recognise the unsatisfied portion as revenue.

6. Other Income

Long service leave accepted by the Crown (note 8)	2,736	2,116
Superannuation - defined benefit plan accepted by the Crown (note 8)	727	800
Property related	898	5,102
Total other income	**4,361**	**8,018**

Recognition and Measurement
LAHC's long service leave and superannuation defined benefit relate to personnel services received (refer to note 8) and are assumed by the Crown. Therefore, they are recognised as revenue in accordance with TC 21-03 *Accounting for Long Service Leave and Annual Leave.*

7. Repairs and Maintenance

	2024 $'000	2023 $'000
Residential properties	334,380	325,058
Commercial properties	981	1,040
Other	55	24
Total repairs and maintenance	**335,416**	**326,122**

Recognition and Measurement
LAHC expenses the cost of routine repairs and maintenance as incurred to maintain its property portfolio at certain standards, 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.

8. Personnel Services

	2024 $'000	2023 $'000
Salaries	54,749	49,624
Annual leave and leave loading	6,425	5,859
Long service leave accepted by the Crown (note 6)	2,736	2,116
Superannuation - defined benefit plan accepted by the Crown (note 6)	727	800
Superannuation - defined contribution plan	7,324	5,598
Workers compensation insurance	1,076	506
Payroll tax and fringe benefits tax	4,473	3,929
Other	85	74
Total personnel services	**77,595**	**68,506**

Recognition and Measurement
The personnel services expense is the expense incurred by LAHC on personnel services provided to it by DPHI (up to 31 January 2024) and DCJ (from 1 February 2024). As LAHC is not an employer, the disclosure requirements of AASB 119 *Employee Benefits* in respect of employee benefits do not apply. Accordingly, LAHC does not recognise any provision for employee entitlements. The cost of personnel services reported in note 8 is net of a capitalised cost of $11.0 million (2023: $9.3 million). Refer to note 20 for accounting policy on capitalised personnel services.

9. Other Expenses

	2024 $'000	2023 $'000
Management and other fees *(i)*	3,626	3,827
Expense relating to short-term leases *(ii)*	39,295	31,603
Property related expenses	15,111	14,559
Motor vehicle operating, travel & telecommunications	1,607	1,595
Professional services and contractors *(i)*	64,227	41,535
Auditor's remuneration - audit of the financial statements	486	451
Other audit assurance services	133	122
Shared services *(iii)*	26,408	21,206
Other	13,943	17,551
Total other expenses	**164,836**	**132,449**

Recognition and Measurement

(i) Comparative figures have been re-aligned to ensure consistency with current year reporting.

(ii) Expense relating to short-term leases

Leases that meet the AASB 16 definition of short term (i.e. where the lease term at commencement of the lease is 12 months or less) are recognised as an expense on a straight-line basis over the lease term in the Statement of Comprehensive Income. This excludes leases with a purchase option.

(iii) Shared services

Shared services include corporate support services provided by DCJ under a partnership agreement (finance transactions, information technology and human resource functions). Corporate governance and legal services were provided by DPHI up to 31 January 2024 and by DCJ from 1 February 2024.

Expenses are recognised on an accrual basis and measured at the fair value of the consideration paid or payable.

10. Depreciation and Amortisation

	2024 $'000	2023 $'000
Depreciation		
Residential properties	571,234	598,684
Commercial properties	386	382
Community purpose built properties	716	669
Right-of-use assets - Property	37,037	34,772
Right-of-use assets - Fleet	361	385
Computer hardware	543	541
Office furniture and equipment	2	15
Leasehold improvements	5	21
Total depreciation	**610,284**	**635,469**
Amortisation		
Intangible assets	73	879
Total amortisation	**73**	**879**
Total depreciation and amortisation	**610,357**	**636,348**

Recognition and Measurement
Refer to note 20 and 23 for recognition and measurement policies on depreciation and amortisation.

11. Grants and Subsidies

Stimulus maintenance grants to Community housing providers	-	4
Stimulus apprenticeship programs	9,458	9,507
Property transfers to Aboriginal Housing Office (note 20 *(i) & (ii)*)	990	250
Property transfers to local councils (note 20 *(ii)*)	5,257	144
Grant to not-for-profit organisation	-	500
DCJ - other programs	3,000	3,000
Total grants and subsidies expense	**18,705**	**13,405**

12. Finance Costs

Interest expense from financial liabilities at amortised cost:		
State advances – Commonwealth loans	36,961	38,413
NSW Treasury Corporation (TCorp) loans	4,742	5,193
Housing Australia loans	724	784
Other loans	131	153
Housing Australia loan establishment fee	53	-
Amortisation of discount on TCorp loans	(349)	(981)
Interest expense from lease liabilities (note 22)	2,802	1,116
Total finance costs	**45,064**	**44,678**

13. Gain/(Loss) on Disposal of Assets

	2024 $'000	2023 $'000
(i) **Sale of assets**		
Residential properties		
Sale proceeds	38,076	201,965
Less: selling expenses	(5,720)	(6,780)
Net proceeds	32,356	195,185
Less: carrying amount of assets sold	(34,038)	(190,819)
(Loss)/Gain	**(1,682)**	**4,366**
Land		
Sale proceeds	92,504	40,300
Less: selling expenses	(7,639)	(3,473)
Net proceeds	84,865	36,827
Less: carrying amount of assets sold	(45,290)	(32,764)
Gain	**39,575**	**4,063**
Total asset sales of property, plant and equipment		
Sale proceeds	130,580	242,265
Less: selling expenses	(13,359)	(10,253)
Net proceeds	117,221	232,012
Less: carrying amount of assets sold (note 20 *(i) & (ii)*)	(79,328)	(223,583)
Gain	**37,893**	**8,429**

(ii) **Assets demolished**

Carrying amount of demolished properties (note 20 *(i) & (ii)*)	**(19,219)**	**(31,348)**

In accordance with LAHC's strategic asset management program, properties that meet certain criteria may be demolished for redevelopment.

(iii) **Assets written off and impaired**

Property, plant and equipment (note 20 *(i) & (ii)*)	(2,142)	(3,038)
Impairment – non-current assets classified as held for sale (note 19 *(i)*)	(45)	(6)
Assets written off and impaired	**(2,187)**	**(3,044)**
Gain/(Loss) on disposal of property, plant and equipment	**16,487**	**(25,963)**

13. Gain/(Loss) on Disposal of Assets (continued)

	2024 $'000	2023 $'000
(iv) **Sale of assets held for sale**		
Residential properties		
Sale proceeds	-	19,952
Less: selling expenses	-	(383)
Net proceeds	-	19,569
Less: carrying amount of assets sold	-	(20,521)
Loss	**-**	**(952)**
Vacant Land		
Sale proceeds	1,886	825
Less: selling expenses	(44)	(20)
Net proceeds	1,842	805
Less: carrying amount of assets sold	(775)	(792)
Gain	**1,067**	**13**
Total sale of assets held for sale		
Sale proceeds	1,886	20,777
Less: selling expenses	(44)	(403)
Net proceeds	1,842	20,374
Less: carrying amount of assets sold (note 19 *(i)*)	(775)	(21,313)
Gain/(Loss) sale of assets held for sale	**1,067**	**(939)**
Total gain/(loss) on disposal of assets	**17,554**	**(26,902)**

Recognition and Measurement
The gain or loss on disposal of assets is recognised in the Statement of Comprehensive Income when LAHC transfers the risks or rewards of the asset for a reliably measurable price and it is probable that LAHC will receive the benefits. When property assets are sold, the gain or loss from the disposal is recognised at the contract settlement date.

14. Other Losses

	2024	2023
Impairment loss on receivables (note 16)	(1,909)	(135)
Gain/(loss) on termination of right-of-use assets (note 22)	46	(1,063)
Total other losses	**(1,863)**	**(1,198)**

Recognition and Measurement
Impairment losses may arise on non-financial assets held by LAHC 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 other losses are disclosed in the following notes:

Impairment loss on receivables - note 16
Gain/(loss) on termination of right-of-use assets - note 22

15. Current Assets – Cash and Cash Equivalents

	2024 $'000	2023 $'000
Cash at bank and on hand	573,632	658,552
Total cash and cash equivalents *(i)*	**573,632**	**658,552**

(i) Cash and cash equivalents include amounts that have been restricted in terms of their use as follows:

	2024 $'000	2023 $'000
Housing Reserve Fund (HRF) (note 1a)	150,966	139,507
Housing Affordability Fund (HAF) *(ii)* and security deposits	7	2,053
Millers Point Restricted Funds (note 29)	-	3,200
Restricted cash and cash equivalents	**150,973**	**144,760**

(ii) In prior years, LAHC entered into a number of HAF agreements with the former Commonwealth Department of Families, Housing, Community Services and Indigenous Affairs.

16. Current / Non-Current Assets – Receivables

	2024 $'000	2023 $'000
Current		
Receivables from contracts with customers	5,694	5,429
Other receivables (rental and sundry debtors)	72,477	54,066
	78,171	59,495
Less allowance for expected credit losses *(i)* :		
- Receivables from contracts with customers	(168)	(163)
- Other receivables (rental and sundry debtors)	(22,966)	(22,283)
Total expected credit losses	(23,134)	(22,446)
Social dwellings under Project Delivery Agreement *(ii)*	4,700	133,840
Total current receivables	**59,737**	**170,889**
Non-current		
Social dwellings under Project Delivery Agreement	359,160	313,260
Infrastructure contribution	443	443
Total non-current receivables	**359,603**	**313,703**
Total receivables	**419,340**	**484,592**

(i) The movement in the aggregate allowance for expected credit losses in receivables is as follows:

	2024 $'000	2023 $'000
Balance, beginning of year	22,446	25,983
Amounts written off during the year	(1,221)	(3,672)
Increase in allowance for expected credit losses recognised in net result (note 14)	1,909	135
Balance at end of year	**23,134**	**22,446**

Details of credit risk on receivables that are neither past due or impaired are disclosed in note 33.

(ii) $133.8 million current receivable was derecognised during the year. $129.8 million was recognised as Property, Plant and Equipment and $4.0 million received in cash. $4.7 million represents the estimated value of 5 social dwellings to be delivered to LAHC under the Bonnyrigg Project Delivery Agreement in 2024-25.

16. Current / Non-Current Assets – Receivables (continued)

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.

Subsequent measurement

LAHC 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

LAHC 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 LAHC expects to receive, discounted at the original effective interest rate.

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

Amounts written off during the year

Uncollectible amounts are recognised as bad debts and written off when one of the following conditions is met:
(a) the debtor cannot be located;
(b) it is uneconomical to finalise recovery action due to the relatively small value of the debt;
(c) the medical, financial or domestic circumstances of a particular debtor do not warrant the taking of further recovery action; or
(d) legal proceedings through the courts have proved, or on legal advice, would prove unsuccessful.

Social dwellings under Project Delivery Agreement

LAHC, as the owner of the land of redevelopment sites, has entered into Project Delivery Agreements (PDA) with third party developers to develop the sites into a mix of private, affordable and social housing units. Under the PDA, LAHC is entitled to receive a minimum number of social dwellings in the future as consideration for transferring control of the land to the developers.

When control of the land was transferred from LAHC to the developers, LAHC derecognised its land and buildings at their fair value, i.e. estimated market value and recognised non-financial receivables being the expected value of social dwellings to be delivered in the future. On delivery of these dwellings, LAHC will derecognise the non-financial receivables and recognise property, plant and equipment to the value of dwellings received.

As at 30 June 2024, LAHC recognised $313.3 million for Macquarie Park and $50.6 million for Bonnyrigg as non-financial receivables. Current non-financial receivables of $4.7 million represents the social dwellings expected to be delivered within 12 months.

17. Current / Non-Current Assets - Other Financial Assets

	2024 $'000	2023 $'000
Current		
Mortgage Assistance Scheme	201	211
Advance under Project Delivery Agreement [1]	5,699	-
Loan receivable [2]	-	14,644
	5,900	14,855
Less: allowance for expected credit losses *(i)*	(113)	(113)
Total current other financial assets	**5,787**	**14,742**
Non-current		
Mortgage Assistance Scheme	355	370
Advance under Project Delivery Agreement [1]	30,333	-
Loan receivable [2]	16,289	16,394
Total non-current other financial assets	**46,977**	**16,764**
Total other financial assets	**52,764**	**31,506**

Notes

1. Advance provided to the development manager of Bonnyrigg.
2. On-loan of Housing Australia funding to the development manager of Macquarie Park.

(i) The movement in the allowance for expected credit losses in other financial assets is as follows:

	2024 $'000	2023 $'000
Current		
Balance, beginning of year	113	123
Decrease in allowance for expected credit losses recognised in net result	-	(10)
Balance at end of year	**113**	**113**

Refer to note 33 for further information regarding fair value measurement, credit risk, and market risk arising from financial instruments.

Recognition and Measurement
Refer to note 16 as recognition and measurement policies of receivables also apply to LAHC's other financial assets.

18. Current / Non-Current Assets – Other

	2024 $'000	2023 $'000
Current		
Head leasing *(i)*	7,650	6,033
Prepaid expenditures	4,251	7,540
Total current other assets	**11,901**	**13,573**
Non-current		
Prepaid infrastructure costs *(ii)*	7,813	6,993
Total non-current other assets	**7,813**	**6,993**
Total other assets	**19,714**	**20,566**

(i) Head leasing assets relate to prepaid rent of residential properties LAHC leases from the private market which are sub-let to eligible tenants to supplement its housing stock.

(ii) Prepaid infrastructure costs represent contributions to long term community projects that will not be completed within 12 months.

19. Non-Current Assets Held for Sale

	2024 $'000	2023 $'000
Residential properties	2,255	-
Vacant land	-	775
Total assets classified as held for sale *(i)*	**2,255**	**775**

(i) Reconciliations of the total carrying amount of assets classified as held for sale at the beginning and end of the year are set out below:

Carrying amount, beginning of year	775	21,821
Sale of assets – carrying amount (note 13 *(iv)*)	(775)	(21,313)
Impairment loss (note 13 *(iii)*)	(45)	(6)
Reclassified from non-current assets to assets held for sale (note 20 *(i)* & *(ii)*)	2,300	273
Carrying amount at end of year	**2,255**	**775**

Recognition and Measurement

LAHC has certain non-current assets classified as held for sale, where their carrying amount will be recovered principally through a sale transaction rather than through continuing use. These assets are expected to be sold in the following financial year through a number of disposal options including auctioning the properties. Assets held for sale are recognised at the lower of carrying amount and fair value less costs of disposal.

Any loss on initial classification of a non-current asset as held for sale and subsequent gains or losses on re-measurement are recognised in the net result. Gains on re-measurement are recognised in the net result only to the extent of the cumulative impairment loss that has been recognised.

These assets are not depreciated / amortised while they are classified as held-for-sale. The technique to determine fair value less costs to sell for each type of asset held for sale is consistent with the technique used for residential properties, commercial properties and vacant land and so the fair value measurements are categorised within Level 3 of the fair value hierarchy. Further details regarding fair value measurement are disclosed in note 21.

Impairment

An impairment loss on the measurement of assets classified as held for sale to fair value less cost to sell has been recognised and is included in assets written off and impaired (refer note 13 *(iii))* .

20. Non-Current Assets - Property, Plant and Equipment

	2024 $'000	2023 $'000
Property		
Residential properties		
Land, at gross carrying amount	35,217,391	34,729,198
Buildings, at gross carrying amount	27,441,799	27,538,614
Less: Accumulated depreciation	(60,511)	(106,534)
Buildings - net carrying amount	27,381,288	27,432,080
Residential properties – net carrying amount	**62,598,679**	**62,161,278**
Commercial properties		
Land, at gross carrying amount	45,797	45,713
Buildings, at gross carrying amount	19,297	19,270
Less: Accumulated depreciation	(193)	(178)
Buildings - net carrying amount	19,104	19,092
Commercial properties – net carrying amount	**64,901**	**64,805**
Community purpose built properties		
Land, at gross carrying amount	145,651	136,685
Buildings, at gross carrying amount	36,280	35,198
Less: Accumulated depreciation	(363)	(348)
Buildings - net carrying amount	35,917	34,850
Community purpose built properties – net carrying amount	**181,568**	**171,535**
Land for redevelopment	**944,668**	**942,155**
Vacant land	**49,016**	**44,637**
Land under roads	**4,667**	**4,582**
Work in progress, at gross carrying amount	**363,288**	**396,903**
Leasehold improvements		
Leasehold improvements, at cost	21	1,341
Less: Accumulated depreciation	(14)	(1,329)
Leasehold improvements – net carrying amount	**7**	**12**
Total property – net carrying amount	**64,206,794**	**63,785,907**

20. Non-Current Assets - Property, Plant and Equipment (continued)

	2024 $'000	2023 $'000
Plant and Equipment		
Computer hardware		
Computer hardware, at gross carrying amount	2,744	2,218
Less: Accumulated depreciation	(1,933)	(1,390)
Computer hardware – net carrying amount	**811**	**828**
Office furniture and equipment		
Office furniture and equipment, at gross carrying amount	68	68
Less: Accumulated depreciation	(68)	(66)
Office furniture and equipment – net carrying amount	**-**	**2**
Total plant and equipment – net carrying amount	**811**	**830**
Total property, plant and equipment – net carrying amount	**64,207,605**	**63,786,737**

Recognition and Measurement

Property, plant and equipment are initially measured at cost and subsequently revalued at fair value less accumulated depreciation and impairment.

Cost includes expenditures that are directly attributable to the acquisition of the asset, such as cash or cash equivalents paid or the fair value of 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 specific requirements of other Australian Accounting Standards.

The cost of self-constructed assets includes:
(a) the cost of materials and direct labour;
(b) any other costs directly attributable to bringing the asset to a working condition for its intended use; and
(c) the costs of dismantling and removing the items and restoring the site on which they are located.

LAHC recognises a liability when it has a legal or constructive obligation to restore an asset.

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 if an asset is sold in an orderly transaction between market participants at a measurement date.

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

Residential properties acquired are recognised as property, plant and equipment upon settlement.

<u>Capitalisation</u>

Property, plant and equipment, including leasehold improvements, generally over $5,000 are capitalised if it is probable that the future economic benefits will flow to LAHC and the cost of the asset can be reliably measured. Capitalised costs include personnel services amounting to $11.0 million (2023: $9.3 million). The cost of personnel services reported in note 8 is net of this capitalised amount.

20. Non-Current Assets - Property, Plant and Equipment (continued)

Subsequent costs

(a) Major inspection costs
The labour cost of performing major inspections for faults is recognised in the carrying amount of an asset as a replacement of a part or component of an asset, when the asset recognition criteria are satisfied.

(b) Repairs and maintenance
LAHC expenses the cost of routine repairs and maintenance as incurred to maintain its property portfolio at certain standards, 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.

(c) Capital improvements
LAHC incurs costs necessary to bring aged dwellings within its property portfolio to LAHC's standard condition. These costs are capitalised when the improved dwellings exceed their original standard as a result of the work undertaken.

Depreciation

Property, plant and equipment, other than land, are depreciated on a straight line basis. The residual values and useful lives of assets are reviewed at each balance date and adjusted, if appropriate. LAHC undertakes ongoing maintenance and upgrading in order to maintain properties at a certain standard. The estimated useful lives of the depreciable assets are:

Asset class	Estimated useful life for the current and previous year
Residential properties*	50 years
Right-of-use assets	shorter of the lease term or the life of the underlying assets
Commercial properties	50 years
Community purpose built properties	50 years
Computer hardware	4 years
Office furniture and equipment	3 years
Leasehold improvement	shorter of the estimated useful life and the unexpired term of the lease

*Except those marked for demolition. Estimated useful life for residential properties marked for demolition is 1 to 5 years.

Right-of-use assets acquired by lessees

AASB 16 *Leases* (AASB 16) requires LAHC, as a lessee, to recognise a right-of-use asset for most leases. LAHC has elected to present right-of-use assets separately in the Statement of Financial Position. Further information on leases is contained at note 22.

20. Non-Current Assets - Property, Plant and Equipment (continued)

Revaluation

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* (TD 21-05). TD 21-05 and TPP 21-09 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 takes 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. Refer to note 21 for further information regarding fair value.

LAHC revalues land and buildings annually to ensure that the carrying amount of each asset in the class does not differ materially from its fair value at reporting date.

For non-specialised property, plant and equipment with short useful lives, depreciated historical cost is considered to approximate fair value. LAHC has assessed that any difference between fair value and depreciated historical cost is unlikely to be material.

When revaluing non-current assets, the accumulated depreciation balance of an asset as at the revaluation date is credited to that asset's account balance. The resulting net balance in the asset account is increased or decreased by the revaluation increments or decrements. Where an asset that has previously been revalued is disposed of, any balance remaining in the revaluation surplus in respect of that asset is transferred to accumulated funds.

Revaluation increments / decrements

Revaluation increments are recognised in other comprehensive income and credited directly to the Asset Revaluation Reserve, except that, 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 that, to the extent a credit balance exists in the Asset Revaluation Reserve in respect of the same class of assets, they are debited directly to the Asset Revaluation Reserve.

As LAHC is a not-for-profit entity, the revaluation increment or decrement relating to individual assets within an asset class are offset against one another, but not against assets that belong to a different asset class.

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.

20. Non-Current Assets - Property, Plant and Equipment (continued)

Impairment

As a not-for-profit entity with no cash generating units, impairment under AASB 136 *Impairment of Assets* is unlikely to arise. This means that for an asset already measured at fair value, impairment can only arise if disposal costs are material. Disposal costs are regarded as immaterial.

LAHC 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, LAHC 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. Such reversal is recognised in net result and is treated as a revaluation increase. However, to the extent that an impairment loss on the same class of asset was previously recognised in net result, a reversal of that impairment loss is also recognised in net result.

20. Non-Current Assets - Property, Plant and Equipment (continued)

The following tables reflect transfers between all classes of property, plant and equipment.

i) *Reconciliation of the net carrying amounts of each class of property, plant and equipment*

2024	Note	Residential Properties $'000	Commercial Properties $'000	Community Purpose Built Properties $'000	Total where LAHC is a lessor under operating leases $'000	Land held for Redevelopment $'000	Vacant Land $'000	Land under Roads $'000	Work in Progress $'000	Leasehold Improvements $'000	Computer Hardware, Office Furniture & Equipment $'000	Total $'000
Net carrying amount at beginning of year		62,161,278	64,805	171,535	62,397,618	942,155	44,637	4,582	396,903	12	830	63,786,737
Additions/capital improvements		-	-	-	-	-	-	-	543,502	-	526	544,028
Transfers to completed properties		729,138	112	-	729,250	32,875	43,015	-	(805,140)	-	-	-
Reclassified from non-current assets to assets held for sale	19*(i)*	(2,300)	-	-	(2,300)	-	-	-	-	-	-	(2,300)
Carrying amount of assets sold	13*(i)*	(34,038)	-	-	(34,038)	(1,028)	(44,262)	-	-	-	-	(79,328)
Equity transfer to Aboriginal Housing Office	28	(1,153,574)	-	-	(1,153,574)	-	-	-	-	-	-	(1,153,574)
Transfer to Aboriginal Housing Office	11	(591)	-	-	(591)	(347)	(52)	-	-	-	-	(990)
Transfer from Aboriginal Housing Office		-	-	-	-	61	-	-	-	-	-	61
Transfers between classes		(100,819)	(3,440)	(2,248)	(106,507)	6,378	(204)	-	100,333	-	-	-
Transfers to local councils	11	-	-	-	-	(5,257)	-	-	-	-	-	(5,257)
Demolitions	13*(ii)*	(19,219)	-	-	(19,219)	-	-	-	-	-	-	(19,219)
Write-off or impaired – asset owned	13*(iii)*	-	-	-	-	-	-	-	(2,142)	-	-	(2,142)
Transfer from receivables		-	-	-	-	-	-	-	129,832	-	-	129,832
Transfer to receivables		-	-	-	-	(50,600)	-	-	-	-	-	(50,600)
Transfer to other financial assets		-	-	-	-	(32,500)	-	-	-	-	-	(32,500)
Revaluation increment		1,590,038	3,810	12,997	1,606,845	52,931	5,882	85	-	-	-	1,665,743
Depreciation expense	10	(571,234)	(386)	(716)	(572,336)	-	-	-	-	(5)	(545)	(572,886)
Net carrying amount at end of year		**62,598,679**	**64,901**	**181,568**	**62,845,148**	**944,668**	**49,016**	**4,667**	**363,288**	**7**	**811**	**64,207,605**

20. Non-Current Assets - Property, Plant and Equipment (continued)

ii) Reconciliation of the net carrying amounts of each class of property, plant and equipment (continued)

2023	Note	Residential Properties $'000	Commercial Properties $'000	Community Purpose Built Properties $'000	Total where LAHC is a lessor under operating leases $'000	Land held for Redevelop-ment $'000	Vacant Land $'000	Land under Roads $'000	Work in Progress $'000	Leasehold Improve-ments $'000	Computer Hardware, Office Furniture & Equipment $'000	Total $'000
Net carrying amount at beginning of year		60,780,808	61,273	144,453	60,986,534	647,241	37,536	3,638	306,163	7	1,387	61,982,506
Additions/capital improvements		306,205	-	-	306,205	2,692	-	-	376,946	26	-	685,869
Transfers to completed properties		342,150	-	-	342,150	10,350	19,099	-	(371,599)	-	-	-
Reclassified from non-current assets to assets held for sale	19(i)	-	-	-	-	(273)	-	-	-	-	-	(273)
Carrying amount of assets sold	13(i)	(190,819)	-	-	(190,819)	(11,477)	(21,287)	-	-	-	-	(223,583)
Equity transfer to Aboriginal Housing Office	28	(292,340)	-	-	(292,340)	(319)	-	-	-	-	-	(292,659)
Transfer to Aboriginal Housing Office	11	(250)	-	-	(250)	-	-	-	-	-	-	(250)
Transfer from Aboriginal Housing Office		250	-	-	250	-	-	-	-	-	-	250
Transfers between classes		(161,766)	(8)	(790)	(162,564)	74,590	(456)	-	88,430	-	-	-
Transfer to local council	11	-	-	-	-	(144)	-	-	-	-	-	(144)
Demolitions	13(ii)	(31,348)	-	-	(31,348)	-	-	-	-	-	-	(31,348)
Write-off or impaired – asset owned	13(iii)	-	-	-	-	-	-	-	(3,037)	-	(1)	(3,038)
Revaluation increment		2,007,072	3,922	28,541	2,039,535	219,495	9,745	944	-	-	-	2,269,719
Depreciation expense	10	(598,684)	(382)	(669)	(599,735)	-	-	-	-	(21)	(556)	(600,312)
Net carrying amount at end of year		**62,161,278**	**64,805**	**171,535**	**62,397,618**	**942,155**	**44,637**	**4,582**	**396,903**	**12**	**830**	**63,786,737**

21. Fair Value Measurement of Non-Financial Assets

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

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

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

If inputs used to measure the fair value of an asset or liability might be categorised in different levels of the fair value hierarchy, then the fair value measurement is categorised in its entirety in the same level of the fair value hierarchy as the lowest level input that is significant to the entire measurement.

a) Fair value hierarchy of Property, Plant and Equipment

Management has determined that as a result of a range of significant inputs in the property portfolio being classified as unobservable plus the substantial value of the residential portfolio, the entire property assets class will be categorised as level 3 for the purpose of the fair value hierarchy table.

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21. Fair Value Measurement of Non-Financial Assets (continued)

i) Disclosure of the gross carrying amount and accumulated depreciation for each class of property, plant and equipment

	Residential Properties	Commercial Properties	Community Purpose Built Properties	Total where LAHC is a lessor under operating leases	Land held for Redevelop-ment	Vacant Land	Land under Roads	Assets Held for Sale	Total
Fair Value Hierarchy:	Level 3	Level 3	Level 3	Level 3	Level 3	Level 3	Level 3	Level 3	
	$'000	$'000	$'000	$'000	$'000	$'000	$'000	$'000	$'000
At 1 July 2023 - fair value									
Gross carrying amount	62,267,812	64,983	171,883	62,504,678	942,155	44,637	4,582	775	63,496,827
Accumulated depreciation and impairment	(106,534)	(178)	(348)	(107,060)	-	-	-	-	(107,060)
Net carrying amount	62,161,278	64,805	171,535	62,397,618	942,155	44,637	4,582	775	63,389,767
At 30 June 2024 - fair value									
Gross carrying amount	62,659,190	65,094	181,931	62,906,215	944,668	49,016	4,667	2,255	63,906,821
Accumulated depreciation and impairment	(60,511)	(193)	(363)	(61,067)	-	-	-	-	(61,067)
Net carrying amount	62,598,679	64,901	181,568	62,845,148	944,668	49,016	4,667	2,255	63,845,754

21. Fair Value Measurement of Non-Financial Assets (continued)

ii) Disclosure of the gross carrying amount and accumulated depreciation for each class of property, plant and equipment (continued)

	Residential Properties	Commercial Properties	Community Purpose Built Properties	Total where LAHC is a lessor under operating leases	Land held for Redevelop-ment	Vacant Land	Land under Roads	Assets Held for Sale	Total
Fair Value Hierarchy:	Level 3	Level 3	Level 3	Level 3	Level 3	Level 3	Level 3	Level 3	
	$'000	**$'000**	**$'000**	**$'000**	**$'000**	**$'000**	**$'000**	**$'000**	**$'000**
At 1 July 2022 - fair value									
Gross carrying amount	60,888,858	61,459	144,777	61,095,094	647,241	37,536	3,638	21,821	61,805,330
Accumulated depreciation and impairment	(108,050)	(186)	(324)	(108,560)	-	-	-	-	(108,560)
Net carrying amount	60,780,808	61,273	144,453	60,986,534	647,241	37,536	3,638	21,821	61,696,770
At 30 June 2023 - fair value									
Gross carrying amount	62,267,812	64,983	171,883	62,504,678	942,155	44,637	4,582	775	63,496,827
Accumulated depreciation and impairment	(106,534)	(178)	(348)	(107,060)	-	-	-	-	(107,060)
Net carrying amount	62,161,278	64,805	171,535	62,397,618	942,155	44,637	4,582	775	63,389,767

21. Fair Value Measurement of Non-Financial Assets (continued)

b) Valuation techniques, inputs and processes

LAHC's property portfolio is a large dynamic portfolio with property assets being acquired, sold, redeveloped or refurbished on an ongoing basis. The most significant class of assets for which fair values are required is residential land and buildings (residential properties). All assets in this class are categorised within Level 3 of the fair value hierarchy where the valuation incorporates significant inputs not based on observable market data (unobservable inputs). These inputs are generally derived and extrapolated from observable inputs of the relevant market LAHC operates within.

In developing the valuation methodology, LAHC management aims to minimise the use of significant unobservable inputs. Given the large number of residential properties within LAHC's property portfolio (over 98% of the portfolio), management has determined that the application of a mass appraisal valuation methodology is appropriate.

Asset Class	Fair value hierarchy	Valuation technique	Inputs used to measure fair value
Residential properties	Level 3	Market approach	• Comparable recent market sales • Property attributes of benchmark • Uplift market movement provided by an accredited valuer • Block title adjustment *(i)*
Commercial properties	Level 3	Market approach or income capitalisation method	• Comparable recent market sales • Adopted capitalisation rates
Community Purpose Built Properties	Level 3	Market approach, income capitalisation method or depreciated replacement cost	• Comparable recent market sales • Adopted capitalisation rates • Consumed economic benefit/ obsolescence of assets • Construction industry replacement cost
Land held for redevelopment and vacant land	Level 3	Valuer General of NSW unimproved capital value	• Land value per square metre
Land under roads	Level 3	Valuer General of NSW unimproved capital value discounted by a factor	• Land value per square metre • Appropriate discount factor used to reflect the valuation on an englobo (pre-subdivision) basis

(i) Refers to a reduction in the valuation of a large super-lot or block of properties to incorporate anticipated costs of sub-division or strata. The amount of the adjustment is dependent upon a cost matrix of four variable factors, 1) titling costs, 2) remedial costs, 3) the developers selling expense percentage and 4) the developers profit and risk allowance percentage to undertake a sub-division.

The table below explains the valuation techniques and key inputs used to measure fair value.

Market approach	A valuation technique that uses prices and other relevant information generated by market transactions involving identical or comparable sales.
Income capitalisation method	This method involves assessing the total net market income receivable from a property and capitalising this in perpetuity to derive a capital value. Adopted capitalisation rate reflects the nature, location and tenancy profile of the property.
Depreciated replacement cost	Under this method, the estimated cost to replace the asset is calculated and then adjusted to take into account the consumed economic benefit, represented by accumulated depreciation.
Valuer General of NSW's unimproved capital value	The Valuer General of NSW's assessed value of the land without any structures or improvements.

21. Fair Value Measurement of Non-Financial Assets (continued)

b) Valuation techniques, inputs and processes (continued)

i) Residential properties

Fair values are determined by the application of a mass appraisal methodology using a rolling benchmark valuation approach. One-third of LAHC's benchmark properties (approximately 1,800) are valued annually by accredited property valuers by reference to comparable market sales to calculate a market movement index and the market movement index is then applied to the remaining two-thirds of the benchmark properties. All benchmark properties are grouped within thirteen geographical reporting regions. The benchmark property median value index movement in each geographical group is then applied to the remaining properties within each geographical region. Adjustments are made to each property for any significant variations in characteristics to the benchmark properties. The rolling benchmark valuation process is performed annually with a valuation date 31 December. An update to the market movement factors ('uplift') is provided each year by an accredited valuer for the six month period ending 30 June each year. A block title adjustment has been applied to approximately 64% of the properties in the residential portfolio with an estimated discount to the overall valuation of $11,204 million (2023: $10,094 million). Where LAHC has a partial interest in a property, the valuation is calculated by applying LAHC's ownership percentage.

ii) Commercial properties

The fair value of each asset within this class is determined annually by accredited property valuers with recent experience in the location and class of the property being valued. Valuation methods used to determine the fair value include market sales comparisons and capitalisation rates (most frequently used ranging from 4.3% to 10.0%). All methodologies adjust fair values for any differences in quality or nature of the building, location, occupancy rate and lease / tenant profile.

iii) Community purpose built properties

This class of properties consists of specialised properties across various asset types, equity interest and concession lease arrangements and undertakings. Due to the special purpose for which these properties are held, each asset is valued annually by accredited property valuers. The methodology in valuing each asset varies and includes market sales comparison, capitalisation rates (most frequently used ranging from 4.3% to 10.0%) or current replacement cost where comparable sales data is not available.

iv) Land held for redevelopment / vacant land

Land held for redevelopment and vacant land (that has a registered title) is revalued annually and based on the Valuer General of NSW property information contained in the valuation database for rating and taxation purposes.

v) Land under roads

Land under roads is revalued annually and although it has no feasible alternative use, the asset class is valued at existing use based on an englobo approach. The initial value is based on the average of the Valuer General of NSW property information contained in the valuation database for rating and taxation purposes for an entire Local Government Area (LGA). The resulting value is discounted by an appropriate factor to reduce the value to an englobo rate to reflect the asset at its existing use. The current discount factor as assessed by an accredited property valuer is 80%.

vi) Plant and Equipment

Plant and equipment assets are non-specialised assets with short useful lives and are measured at depreciated historical cost as an approximation of fair value. They do not require AASB 13 fair value hierarchy disclosures.

22. Leases

a) LAHC as a lessee

LAHC leases a number of residential properties and motor vehicles. The residential property leases from the private market are required to supplement LAHC's housing stock in order to support client demand for social housing. Lease contracts are typically made for fixed periods up to 5 years. 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. LAHC does not provide residual value guarantees in relation to leases.

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

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

	Land and buildings	Significantly below-market leases[(i)]	Plant and Equipment	Total
	$'000	$'000	$'000	$'000
Balance at 1 July 2023	48,577	12,839	476	61,892
Additions	52,848	-	62	52,910
Depreciation expense	(36,110)	(927)	(361)	(37,398)
Lease remeasurements	(1,993)	-	33	(1,960)
Balance at 30 June 2024	**63,322**	**11,912**	**210**	**75,444**
Balance at 1 July 2022	36,540	16,060	765	53,365
Additions	46,426	-	96	46,522
Depreciation expense	(33,621)	(1,151)	(385)	(35,157)
Lease remeasurements	(768)	(2,070)	-	(2,838)
Balance at 30 June 2023	**48,577**	**12,839**	**476**	**61,892**

(i) Properties under long term lease arrangements that have significantly below-market terms and conditions held principally to enable LAHC to further its objectives. The lease term is generally more than 50 years with annual peppercorn rent of $1.

Lease liabilities
The following table presents lease liabilities associated with the right-of-use assets.

	2024 $'000	2023 $'000
Balance at 1 July	48,723	36,702
Additions	52,910	46,522
Lease remeasurements	(106)	(68)
Lease terminations	(901)	(707)
Interest expense (note 12)	2,802	1,116
Payments	(38,368)	(34,842)
Balance at end of year (note 25)	**65,060**	**48,723**

22. Leases (continued)

a) LAHC as a lessee (continued)

The following amounts were recognised in the Statement of Comprehensive Income during the year in respect of leases where LAHC is the lessee:

	2024 $'000	2023 $'000
Depreciation expense of right-of-use assets (note 10)	37,398	35,157
Interest expense on lease liabilities (note 12)	2,802	1,116
Expense relating to short-term leases (note 9)	39,295	31,603
(Gain)/loss arising from termination of leases (note 14)	(46)	1,063
Total amount recognised in the Statement of Comprehensive Income	**79,449**	**68,939**

LAHC had total cash outflows for leases of $77.7 million in FY 2023-24 (FY 2022-23: $66.4 million).

Recognition and Measurement

LAHC 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.

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

i) Right-of-use assets

LAHC 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 ii below), adjusted by any lease payments made at or before the commencement date. Right-of-use assets are depreciated on a straight-line basis over the shorter of the lease term and the estimated useful lives of the assets.

The right-of-use assets are subsequently measured at cost. They are generally depreciated on a straight line basis over a period up to 5 years.

The right-of-use assets are also subject to impairment. LAHC assesses, at each reporting date, whether there is an indication that an asset may be impaired. Due to the short term nature of the leases, with a maximum term of 5 years, impairment is unlikely. If any indication exists, or when annual impairment testing for an asset is required, LAHC 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.

ii) Lease liabilities

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

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 LAHC's residential property leases, an incremental borrowing rate is used, being the rate that LAHC 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. LAHC 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 or a change in the lease payments. LAHC's lease liabilities are included in borrowings (note 25).

22. Leases (continued)

a) LAHC as a lessee (continued)

iii) Short term leases

LAHC applies the short-term lease recognition exemption to its short-term leases of land and buildings 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). Lease payments on short-term leases are recognised as an expense on a straight-line basis over the lease term.

iv) Leases that have significantly below-market terms and conditions principally to enable LAHC to further its objectives (significantly below-market leases)

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 LAHC to further its objectives is the same as right-of-use assets arising from leases at market terms and conditions. They are measured at cost, subject to impairment.

b) LAHC as a lessor

LAHC's properties are mainly leased to social housing tenants with rentals payable weekly. Lease payments are subject to annual market rent review, however, there are no other variable lease payments that depend on an index or rate. Social housing tenants are required to pay a rent amount equivalent to a pre-determined percentage of their household income that is subject to periodical reviews. The difference between market rent recognised and the rent payable by the tenants is referred to as a rental subsidy and accounted for as a notional offset to the market rent.

Lessor for operating leases

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

	2024 $'000	2023 $'000
Within one year	835,502	795,187
Later than one year and not later than five years	3,446,221	3,237,396
Later than five years	4,495,212	4,209,843
Total	**8,776,935**	**8,242,426**

Recognition and Measurement - lessor for operating leases

An operating lease is a lease other than a finance lease. Rental income 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.

23. Intangible Assets

	Software[1] $'000	Total $'000
At 1 July 2023		
Cost (gross carrying amount)	8,550	8,550
Accumulated amortisation and impairment	(8,477)	(8,477)
Net carrying amount	**73**	**73**
At 30 June 2024		
Cost (gross carrying amount)	8,550	8,550
Accumulated amortisation and impairment	(8,550)	(8,550)
Net carrying amount	**-**	**-**
Year ended 30 June 2024		
Net carrying amount at beginning of year	73	73
Amortisation (note 10)	(73)	(73)
Net carrying amount at end of year	**-**	**-**
At 1 July 2022		
Cost (gross carrying amount)	8,550	8,550
Accumulated amortisation and impairment	(7,598)	(7,598)
Net carrying amount	**952**	**952**
At 30 June 2023		
Cost (gross carrying amount)	8,550	8,550
Accumulated amortisation and impairment	(8,477)	(8,477)
Net carrying amount	**73**	**73**
Year ended 30 June 2023		
Net carrying amount at beginning of year	952	952
Amortisation (note 10)	(879)	(879)
Net carrying amount at end of year	**73**	**73**

[1]The only intangible asset that LAHC has is computer software.

23. Intangible Assets (continued)

Recognition and Measurement
Intangible assets costing $5,000 and above are capitalised if it is probable that future economic benefits will flow to LAHC and the cost of the asset can be reliably measured.

The cost method of accounting is used in the initial recording of intangible assets acquired or developed by LAHC. However, intangible assets acquired at no or nominal cost are measured at fair value as at the date of acquisition.

For computer software developed internally by LAHC, research costs are expensed while development costs that meet specific criteria are capitalised provided they are directly attributable to the asset. Where externally acquired computer software forms an integral part of the related computer hardware, it is considered to form part of the computer hardware and is classified as property, plant and equipment.

However, where externally acquired computer software does not form an integral part of the related computer hardware, it is classified as an intangible asset. As there are no active markets for LAHC's intangible assets, they are carried at cost less accumulated amortisation and impairment losses.

Amortisation of intangible assets is calculated on a straight line basis over the assets' estimated useful lives, which are assessed annually. The current estimated useful life for intangible assets is 3 years.

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

24. Current Liabilities – Payables

	2024 $'000	2023 $'000
Trade creditors	6,103	60
Rent received in advance	51,395	52,689
DCJ - personnel services	15,155	13,413
Accrued operating expenditure	57,504	50,754
Accrued capital expenditure	74,337	107,502
DCJ - other	926	1,655
Other payables	106,406	42,038
Total current payables	**311,826**	**268,111**

Details regarding liquidity risk, including a maturity analysis of the above payables are disclosed in note 33.

Recognition and Measurement
Payables represent liabilities for goods and services received by LAHC. Short-term payables with no stated interest rate are measured at the original invoice amount where the effect of discounting is immaterial.

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

25. Current / Non-Current Liabilities – Borrowings

	2024 $'000	2023 $'000
Current - unsecured		
State advances - Commonwealth loans	14,838	15,225
TCorp loans	23,941	20,619
Housing Australia loans	22,591	14,644
Other loans	438	449
Lease liabilities (note 22)	31,502	24,797
Total current interest bearing liabilities	**93,310**	**75,734**
Non-current - unsecured		
State advances - Commonwealth loans	266,663	281,501
TCorp loans	129,947	129,618
Housing Australia loans	17,842	18,483
Other loans	2,019	2,457
Lease liabilities (note 22)	33,558	23,926
Total non-current interest bearing liabilities	**450,029**	**455,985**
Total interest bearing liabilities *(i)*	**543,339**	**531,719**

(i) The nominal value of borrowings is reconciled to the balance reported in the Statement of Financial Position as follows:

	2024 $'000	2023 $'000
Nominal value of borrowings	710,797	712,013
Less: remeasurement adjustment	(167,458)	(180,294)
Balance reported in Statement of Financial Position	**543,339**	**531,719**

25. Current / Non-Current Liabilities – Borrowings (continued)

(ii) The nominal value of borrowings is expected to be repaid as follows:

	Principal $'000	Interest $'000	Total $'000
2024			
Not later than one year	110,481	24,146	134,627
Later than one year but no later than five years	227,895	77,464	305,359
Later than five years	372,421	80,242	452,663
Total cash outflow	**710,797**	**181,852**	**892,649**
2023			
Not later than one year	92,371	27,994	120,365
Later than one year but no later than five years	219,338	86,547	305,885
Later than five years	400,304	110,296	510,600
Total cash outflow	**712,013**	**224,837**	**936,850**

Details regarding liquidity risk, including a maturity analysis of the above borrowings are disclosed in note 33.

Recognition and Measurement
Borrowings represent interest bearing liabilities raised through NSW Treasury Corporation, State advances, lease 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 or losses arising from debt restructuring are recognised in the net result when the liabilities are derecognised as well as through the amortisation process.

(iii) Changes in liabilities arising from financing activities:

	State advances - Commonwealth loans	TCorp loans*	Housing Australia loans**	Other loans	Leases	Total liabilities from financing activities
1 July 2023	296,726	150,237	33,127	2,906	48,723	531,719
Cash Flows	(30,739)	4,000	5,975	(449)	(38,368)	(59,581)
Amortisation of Premium/ (Discount)	15,514	(349)	-	-	-	15,165
Non-cash	-	-	1,331	-	54,705	56,036
30 June 2024	**281,501**	**153,888**	**40,433**	**2,457**	**65,060**	**543,339**

	State advances - Commonwealth loans	TCorp loans	Housing Australia loans	Other loans	Leases	Total liabilities from financing activities
1 July 2022	312,239	151,218	23,067	3,386	36,702	526,612
Cash Flows	(31,050)	-	9,439	(480)	(34,842)	(56,933)
Amortisation of Premium/ (Discount)	15,537	(981)	-	-	-	14,556
Non-cash	-	-	621	-	46,863	47,484
30 June 2023	**296,726**	**150,237**	**33,127**	**2,906**	**48,723**	**531,719**

*In addition to existing $159.5 million loan facility, the Treasurer provided approval under the GSF Act for TCorp to provide Regional Housing Debt (RHD) facility to LAHC of up to $70 million to 30 June 2030. During the year, LAHC has drawn down $4 million from the RHD facility. Under the terms of the facility, DCJ is responsible for recognition and payment of the interest costs.
**Pursuant to the GSF Act, the Treasurer provided approval for LAHC to enter into a financial arrangement (borrowings) with Housing Australia (previously National Housing Finance and Investment Corporation). LAHC can access up to $250 million of loans and grants to fast-track housing enabling infrastructure allowing projects to be delivered earlier than planned.

26. Current Liabilities – Provisions

	2024 $'000	2023 $'000
Third party claims	3,637	5,761
Total current provisions	**3,637**	**5,761**

This provision is an estimate of LAHC's liability in respect of current insurance and legal claims and LAHC's obligation associated with Centralised Gas Hot Water Scheme (CGHWS).

The movement in current provisions for third party claims is as follows:

	2024	2023
Carrying amount at beginning of year	5,761	7,830
Amounts used	(1,456)	(2,598)
Unused amounts reversed	(1,200)	-
Additional provisions recognised	532	529
Balance at end of year	**3,637**	**5,761**

Recognition and Measurement

A provision is recognised if, as a result of a past event, LAHC has a present legal or constructive obligation that can be estimated reliably, and it is probable that an outflow of resources will be required to settle the obligation.

If the effect of the time value of money is material, provisions are determined by discounting the expected future cash flows that reflect 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.

27. Current Liabilities – Contract Liabilities

	2024 $'000	2023 $'000
Current		
Sales revenue received in advance	2	-
Other creditors - credit balances in sundry debtors	436	1,569
Total current contract liabilities	**438**	**1,569**
Total contract liabilities	**438**	**1,569**
Contract receivables (included in note 16)	5,694	5,429

Recognition and Measurement

Contract liabilities relate to sales consideration received in advance from customers. The balance of contract liabilities at 30 June 2024 was impacted by the timing of settlements.

Revenue recognised that was included in the contract liability balance at the beginning of the year	1,137	1,083
Revenue recognised from performance obligations satisfied in previous periods	1,137	296
Transaction price allocated to the remaining performance obligations from contracts with customers	438	1,569

Transaction price allocated to the remaining performance obligations relates to revenue on sales not yet settled. It is expected to be recognised as revenue in the 2024-25 financial year.

28. Equity

Asset revaluation reserve

The asset revaluation reserve is used to record increments and decrements on the revaluation of non-current assets. This accords with LAHC's policy on the revaluation of property, plant and equipment as discussed in note 20.

Accumulated funds

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

Decrease in Net Assets from Equity Transfers

In accordance with a vesting order, ownership of 533 properties were transferred to the Aboriginal Housing Office (AHO) on the 4th of December 2023, and a further 1,109 properties on the 20th May 2024 (2023: 505 properties). These are the second and third tranches of around 3,325 social housing dwellings in total, initially valued at approximately $1.4 billion, to be progressively transferred over three years.

Net assets transferred during the year comprised of:	**2024 $'000**	**2023 $'000**
Land and buildings	1,153,574	292,659
Cash and cash equivalents	(1,423)	(287)
Rent received in advance	678	229
Pro-rata rates and charges	769	63
PEXA title transfer fees recovered	(24)	(5)
Decrease in net assets from equity transfer	**1,153,574**	**292,659**

Equity transfers - Recognition and Measurement

The transfer of net assets between entities as a result of an administrative restructure, transfers of programs/ functions and parts thereof between NSW public sector entities and 'equity appropriations' are designated or required by AAS to be treated as contributions by owners and recognised as an adjustment to 'Accumulated Funds'. This treatment is consistent with AASB 1004 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, LAHC recognises the asset at the transferor's carrying amount. Where the transferor is prohibited from recognising internally generated intangibles, LAHC does not recognise that asset.

29. Millers Point Restricted Funds Bank Account

	2024 $'000	2023 $'000
Statement of Cash Receipts and Payments		
Receipts		
Net proceeds from Millers Point property sales *(i)*	-	36
Interest	29	511
Total receipts	**29**	**547**
Payments		
Accommodation plan and reinvestment expenditures *(ii)*	3,229	33,027
Total payments	**3,229**	**33,027**
Movement for the year *(iii)*	**(3,200)**	**(32,480)**
Opening balance of bank account	**3,200**	**35,680**
Movement for the year	(3,200)	(32,480)
Closing balance of bank account (note 15 *(i)*)	**-**	**3,200**

A dedicated bank account was established to hold funds associated with Millers Point sales and their reinvestments to the supply of over 1,900 new dwellings.

(i) Net proceeds from sales reflect gross sale proceeds less selling expenses.

(ii) Represents the costs incurred to bring Millers Point properties to sale (including infrastructure and titling, tenancy relocation and marketing costs) and the costs of new dwellings. Commitments to new dwellings were approved by the respective Minister as part of LAHC's annual budget process.

(iii) Movement for the year reflects the overall movement of the Millers Point bank account.

30. Commitments

The commitments reported below are inclusive of Goods and Services Tax.

	2024 $'000	2023 $'000
***(i)* Capital commitments**		
Aggregate capital project costs, contracted for at balance date and not provided for:		
Within one year	285,489	274,672
Later than 1 year but not later than 5 years	119,446	70,497
Later than 5 years	-	334
	404,935	**345,503**
***(ii)* Headleasing**		
LAHC as Lessee		
Future minimum rentals payable under non-cancellable leases as at 30 June are as follows:		
Within one year	10,254	5,360
Later than 1 year but not later than 5 years	4,981	2,310
	15,235	**7,670**

(i) These commitments relate primarily to capital project costs attributable to LAHC properties which will be used in the provision of rental accommodation. The costs are GST inclusive as they directly relate to an input taxed activity where GST cannot be claimed from the ATO. Capital commitments include sale and buyback arrangements where LAHC has sold its existing social housing dwellings and vacant land and committed $21.0 million (2023: $38.1 million) to buyback a fixed number of new social housing dwellings.

(ii) This represents rent expenditure of residential properties leased from the private market under a term of 12 months or less and leases not yet commenced but LAHC as a lessee has committed. The commitments are to supplement LAHC's housing stock which is sub-let to eligible tenants and as they relate to an input taxed activity, GST cannot be claimed from the ATO.

31. Contingent Assets and Contingent Liabilities

Contingent Assets

LAHC has contingent assets from outstanding claims, caveats or rights on assets which are subject to third party conditions and long term leases which LAHC has granted to third parties. Whilst the outcomes of these are uncertain and cannot be reliably measured at balance date, the net outstanding claims from private sector parties and property caveats have been estimated at $6.9 million (2023: $8.6 million) and the long term leases at $24.6 million (2023: $25.9 million).

Contingent Liabilities

LAHC has contingent liabilities of $2.4 million (2023:$2.9 million) related to potential litigation claims and $1.2 million (2023:$1.2 million) for the delivery of future housing projects. As at the end of the year, LAHC is not aware of any other contingent liability that may materially affect its financial position.

32. Reconciliation of Cash Flows From Operating Activities to Net Result

Reconciliation of cash flows from operating activities to the net result as reported in the Statement of Comprehensive Income as follows:

	2024 $'000	2023 $'000
Net cash used on operating activities	**420,627**	**567,417**
Other non-cash items	(5,673)	(1,910)
Net gain on sale of assets (note 13*(i),(iv)*)	38,960	7,490
Property transfer from Aboriginal Housing Office (note 20*(i),(ii)*)	61	250
Property transfer to Aboriginal Housing Office (note 11)	(990)	(250)
Property transfer to local councils (note 11)	(5,257)	(144)
Assets demolished (note 13*(ii)*)	(19,219)	(31,348)
Assets written off and impaired (note 13*(iii)*)	(2,187)	(3,044)
Depreciation and amortisation expense (note 10)	(610,357)	(636,348)
Remeasurement adjustment of borrowings	(12,836)	(9,198)
Allowance for impairment	(688)	3,537
Increase/(decrease) in receivables	14,668	(2,403)
Decrease in provisions	2,124	2,069
(Increase) in payables	(76,880)	(12,447)
Decrease/(increase) in contract liabilities	1,131	(54)
(Decrease) in current other assets	(1,672)	(6,617)
Net result	**(258,188)**	**(123,000)**

33. Financial Instruments

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

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

The Executive has overall responsibility for the establishment and oversight of risk management and reviews and agrees policies for managing each of these risks. The Audit and Risk Committee provides independent advice and guidance to assist the Executive meeting its responsibility.

Risk management policies have been established to identify and analyse the risks faced by LAHC, to set risk limits and controls and to monitor risks. Compliance with the policies are reported to and reviewed by the Executive and the Audit and Risk Committee on a regular basis.

a) Financial Instrument categories

Class	Note	Category	Carrying Amount 2024 $'000	Carrying Amount 2023 $'000
Financial Assets				
Cash and cash equivalents	15	N/A	573,632	658,552
Current receivables[1]	16	Amortised cost	50,601	36,441
Other financial assets	17	Amortised cost	52,764	31,506
Financial Liabilities				
Payables[2]	24	Financial liabilities measured at amortised cost	260,431	215,422
Borrowings	25	Financial liabilities measured at amortised cost	543,339	531,719

Notes
1. Excludes statutory receivables of $4.4 million (2023: $0.6 million), non-financial receivables of $4.7 million (2023: $133.8 million) and prepayments (not within the scope of AASB 7).
2. Excludes rent received in advance of $51.4 million (2023: $52.7 million) (not within the scope of AASB 7).

LAHC determines the classification of its financial instruments after initial recognition and, when allowed and appropriate, re-evaluates this at each financial year end.

b) Derecognition 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 LAHC 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:

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

Where LAHC has neither transferred nor retained substantially all the risks and rewards or transferred control, financial assets are recognised only to the extent of LAHC's continuing involvement in the assets.

Financial liabilities are derecognised when the obligations specified in the contracts expire, are discharged or cancelled. Gains or losses are recognised in the net result when liabilities are derecognised through early repayment of debt.

33. Financial Instruments (continued)

c) Financial risks

(i) Credit Risk

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

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

Credit risk associated with LAHC's financial assets, other than receivables, is managed through the selection of counterparties and establishment of minimum credit rating standards. This is in accordance with LAHC’s treasury management policy and NSW Treasury guidelines.

Cash

Cash comprises cash on hand and bank balances within NSW Treasury Banking System held with Westpac Banking Corporation. Interest earned is based on the Reserve Bank of Australia's prevailing cash rate.

Receivables - trade debtors

Accounting policy for impairment of trade debtors and other financial assets

Collectability of trade debtors is reviewed on an ongoing basis. Trade debtors are written off when there is no reasonable expectation of recovery. Indicators that there is no reasonable expectation of recovery include, amongst others, a failure to make contractual payments for a period of greater than 91 days past due.

LAHC applies the AASB 9 simplified approach in measuring expected credit losses which uses a lifetime expected loss allowance for all trade debtors. To measure the expected credit losses, trade debtors have been grouped based on shared credit risk characteristics and the days past due. LAHC has established a provision matrix based on its historical credit loss experience, considering forward-looking factors specific to the receivables. LAHC is not materially exposed to concentrations of credit risk to a single trade debtor or group of debtors as at 30 June 2024 and 2023.

The loss allowance for trade debtors as at 30 June 2024 and 2023 was determined as follows:

			$'000		
	<30 days	**30-60 days**	**61-90 days**	**>91 days**	**Total**
30 June 2024					
Expected credit loss rate	10%	24%	38%	98%	88%
Estimated total gross carrying amount at default[1]	2,031	654	445	23,099	26,229
Expected credit loss	195	160	170	22,609	23,134
30 June 2023					
Expected credit loss rate	9%	25%	38%	96%	87%
Estimated total gross carrying amount at default[1]	1,930	541	369	22,871	25,711
Expected credit loss	183	135	141	21,987	22,446

Notes

The analysis excludes statutory receivables, prepayments (as these are not within the scope of AASB 7) and receivables from other government entities as they are not subject to credit risk. Therefore, the 'total' will not reconcile to the receivables total in note 16.

1. The majority of the balance that was overdue more than 91 days relate to receivables from tenants who have ended their lease agreements with NSW Land and Housing Corporation ('former tenants').

33. Financial Instruments (continued)

(ii) Liquidity Risk

Liquidity risk is the risk that LAHC will be unable to meet its payment obligations when they fall due. LAHC continuously manages risk through monitoring future cash flows and maturities planning to ensure adequate holding of high quality liquid assets.

During the current and prior year, there were no defaults of borrowings. No assets have been pledged as collateral. LAHC's exposure to liquidity risk has been managed in accordance with LAHC's Treasury Management Policy.

Liabilities are recognised for amounts due to be paid in the future for goods or services received, whether or not invoiced. LAHC is exempt from the requirement to pay registered small business suppliers within five days. LAHC has elected to participate in Faster Payment Terms Policy (issued by NSW Small Business Commissioner) which removes the requirement of interest on late payments to all suppliers.

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

NSW Land and Housing Corporation
Notes to the financial statements
for the year ended 30 June 2024

33. Financial Instruments (continued)

Maturity analysis and interest rate exposure of financial liabilities

2024	Weighted Avg. Effective Interest Rate %	Nominal Amount $'000	Interest Rate Exposure: Fixed Interest Rate $'000	Interest Rate Exposure: Variable Interest Rate $'000	Interest Rate Exposure: Non-interest bearing $'000	Maturity Dates: < 1 yr $'000	Maturity Dates: 1-5 yrs $'000	Maturity Dates: > 5 yrs $'000
Financial liabilities *(i)*								
Payables *(ii)* :								
DCJ - personnel services	-	15,155	-	-	15,155	15,155	-	-
Trade creditors	-	6,103	-	-	6,103	6,103	-	-
Accrued operating expenditure	-	57,504	-	-	57,504	57,504	-	-
Accrued capital expenditure	-	74,337	-	-	74,337	74,337	-	-
Other	-	107,332	-	-	107,332	107,332	-	-
Borrowings:								
Commonwealth loans	4.52	442,063	442,063	-	-	30,058	123,999	288,006
TCorp loans	3.84	157,959	157,959	-	-	23,941	50,308	83,710
Housing Australia loans	4.36	40,433	40,433	-	-	22,591	17,842	-
Other loans	4.71	2,457	2,457	-	-	437	1,315	705
Lease liabilities	3.35	67,885	67,885	-	-	33,454	34,431	-
Total financial liabilities		**971,228**	**710,797**	**-**	**260,431**	**370,912**	**227,895**	**372,421**

Notes:
(i) The amounts disclosed are the contractual undiscounted cash flows of each class of financial liabilities based on the earliest date on which LAHC can be required to pay. These amounts include both interest and principal cashflows and therefore will not reconcile to the amounts disclosed in the Statement of Financial Position.
(ii) Excludes statutory payables and rent received in advance (ie. not within the scope of AASB 7).

33. Financial Instruments (continued)

Maturity analysis and interest rate exposure of financial liabilities

2023	Weighted Avg. Effective Interest Rate %	Nominal Amount $'000	Interest Rate Exposure: Fixed Interest Rate $'000	Interest Rate Exposure: Variable Interest Rate $'000	Interest Rate Exposure: Non-interest bearing $'000	Maturity Dates: < 1 yr $'000	Maturity Dates: 1-5 yrs $'000	Maturity Dates: > 5 yrs $'000
Financial liabilities *(i)*								
Payables *(ii)*:								
DPHI - Personnel Services	-	13,413	-	-	13,413	13,413	-	-
Trade creditors	-	60	-	-	60	60	-	-
Accrued operating expenditure	-	50,754	-	-	50,754	50,754	-	-
Accrued capital expenditure	-	107,502	-	-	107,502	107,502	-	-
Other	-	43,693	-	-	43,693	43,693	-	-
Borrowings:								
Commonwealth loans	4.52	472,802	472,802	-	-	30,739	125,386	316,677
TCorp loans	2.85	152,788	152,788	-	-	20,619	49,487	82,682
Housing Australia loans	2.65	33,127	33,127	-	-	14,644	18,483	-
Other loans	4.70	2,906	2,906	-	-	449	1,512	945
Lease liabilities	2.21	50,390	50,390	-	-	25,920	24,470	-
Total financial liabilities		**927,435**	**712,013**	**-**	**215,422**	**307,793**	**219,338**	**400,304**

Notes:

(i) The amounts disclosed are the contractual undiscounted cash flows of each class of financial liabilities based on the earliest date on which LAHC can be required to pay. These amounts include both interest and principal cashflows and therefore will not reconcile to the amounts disclosed in the Statement of Financial Position.

(ii) Excludes statutory payables and rent received in advance (ie. not within the scope of AASB 7).

33. Financial Instruments (continued)

(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. LAHC's exposures to market risk are primarily through interest rate risk on borrowings. LAHC has no exposure to foreign currency risk and does not enter into commodity contracts.

The effect on net result 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 LAHC operates and the timeframe for the assessment (i.e. until the end of the next annual reporting period). The sensitivity analysis is based on risk exposures in existence at the statement of financial position date. The analysis is performed on the same basis as the prior year and assumes all other variables remain constant.

(iv) 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 LAHC's interest bearing liabilities. This risk is minimised by undertaking mainly fixed rate borrowings, primarily with NSW Treasury Corporation. LAHC 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 interest rates of +/-1% is used, consistent with current trends in interest rates. The basis will be reviewed annually and amended where there is a structural change in the level of interest rate volatility.

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

	$'000			
	+1%		-1%	
	Net Result	**Equity**	**Net Result**	**Equity**
2024				
Financial assets				
Cash and cash equivalents	5,736	5,736	(5,736)	(5,736)
Financial liabilities				
Financial liabilities measured at amortised cost :				
Current borrowings - TCorp loans	(239)	(239)	239	239
2023				
Financial assets				
Cash and cash equivalents	6,586	6,586	(6,586)	(6,586)
Financial liabilities				
Financial liabilities measured at amortised cost :				
Current borrowings - TCorp loans	(206)	(206)	206	206

33. Financial Instruments (continued)

d) Fair value measurement

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.

Except where specified below, the amortised cost of the financial instruments recognised in the Statement of Financial Position approximates the fair value, because of the short term maturities of many of the financial instruments. The following table details the financial instruments where the fair value differs from the carrying amount.

	Net Carrying Amount		Fair Value*	
	2024 $'000	2023 $'000	2024 $'000	2023 $'000
Financial liabilities				
TCorp loans	153,888	150,237	144,329	139,871

*Fair value amount for FY 2024 includes $4.0 million Regional Housing Debt (RHD) facility.

34. Related Party Disclosures

a) Key Management Personnel (KMP)

KMP are those persons having authority and responsibility for planning, directing and controlling the activities of LAHC, directly or indirectly. This comprises persons who during the relevant reporting period occupied the positions of Minister for Housing, Secretary of DCJ, Chief Executive Officer of Homes NSW and Head of Housing Portfolio (LAHC).

During the year, LAHC incurred the following expenditures in respect of KMP services that were provided by a separate management entity, i.e. DPHI (up to 31 January 2024) and DCJ (from 1 February 2024).

	2024 $'000	2023 $'000
Short-term employee benefits *(i)*	488	375
Other long-term employee benefits	51	-
Post-employment benefits	28	25
Total KMP compensation *(ii)*	**567**	**400**

(i) Short-term employee benefits include salaries, paid annual leave and sick leave, other monetary allowances and non-monetary benefits.

(ii) The amounts paid / payable for all personnel services provided by DPHI and DCJ (including KMP) are disclosed in note 8 and 24.

(iii) The NSW Legislature pays Ministerial compensation and LAHC is not obligated to reimburse NSW Legislature for those KMP services obtained. Therefore, any monetary benefits paid to NSW Ministers are excluded from the above disclosures (Ministerial compensation is disclosed in the Total State Sector Accounts). Similarly, disclosure required for the Secretary of DCJ and Chief Executive Officer of Homes NSW are included in the principal department's financial statements.

<u>KMP related transactions</u>

During the year, LAHC did not enter into transactions with its KMP, their close family members and controlled or jointly controlled entities thereof.

34. Related Party Disclosures (continued)

b) Other related party transactions

LAHC is a controlled entity of the NSW Government. Refer to Note 1a) for further information on the nature of LAHC's relationship with the NSW Government.

During the year, LAHC entered into various transactions with other NSW Government agencies in the normal course of its activities. In addition to the details provided in previous notes, qualitative disclosure of those material transactions are provided below.

- Department of Communities and Justice (under a partnership agreement) provides LAHC with tenancy management services and corporate support services. LAHC provides consideration to Department of Planning, Housing and Infrastructure for the services it received up to 31 January 2024 and to Department of Communities and Justice from 1 February 2024.
- Department of Planning, Housing and Infrastructure charges LAHC with personnel services expenses relating to employees principally involved in providing support to LAHC and governance and legal services up to 31 January 2024. From 1 February 2024, Department of Communities and Justice charges LAHC for these expenses.
- Department of Communities and Justice, Department of Planning, Housing and Infrastructure, Department of Climate Change, Energy, the Environment and Water and Department of Regional NSW provide grants for LAHC's programs.
- Aboriginal Housing Office (AHO) engages LAHC for the acquisition and management of its social housing assets, generating property and project management fees revenue for LAHC.
- Landcom (a NSW State Owned Corporation) is engaged as the developer on urban transformation projects such as Airds Bradbury, Bonnyrigg and Claymore. These projects utilise land owned by LAHC to supply social housing.
- LAHC transferred properties to AHO to support AHO in achieving its operational objectives.
- Department of Planning, Housing and Infrastructure (Valuer General) provides LAHC with annual valuation services for its properties.
- NSW Treasury Corporation and NSW Treasury (Crown Entity) provide financial services to supply LAHC with the provision of finance and the management of its liabilities.
- Sydney Water (a NSW State Owned Corporation) is one of LAHC's main utility providers for water expenses.

35. Events after the Reporting Period

LAHC is not aware of any events that have occurred after the reporting date that would have a material impact on the financial statements.

------------------- END OF AUDITED FINANCIAL STATEMENTS --------------------

NSW Land and Housing Corporation
Register of Land Held
for the year ended 30 June 2024

	2024 $'000	2023 $'000
Residential properties	35,217,391	34,729,198
Land for redevelopment	944,668	942,155
Vacant land	49,016	44,637
Land under roads	4,667	4,582
Commercial properties	45,797	45,713
Community purpose built properties	145,651	136,685
Assets held for sale		
Residential properties	1,562	-
Vacant land	-	775
Total	**36,408,752**	**35,903,745**

Land values as per notes to the financial statements and in documentation supporting the notes.